

NOT FOR PUBLICATION UNTIL RELEASED BY  
THE HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON READINESS

**STATEMENT OF**

MR. TODD C. MELLON

ACTING ASSISTANT SECRETARY OF NAVY  
(ENERGY, INSTALLATIONS AND ENVIRONMENT)

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON READINESS

MAY 1, 2019

NOT FOR PUBLICATION UNTIL RELEASED BY  
THE HOUSE ARMED SERVICES COMMITTEE  
SUBCOMMITTEE ON READINESS

Chairman Garamendi, Ranking Member Lamborn, distinguished members of the Readiness Subcommittee, thank you for the opportunity to sit before you today with my fellow Service leaders to testify on the Department of the Navy's Energy, Installations and Environment (EI&E)'s PB20 budget request. In support of the President's goal to protect our homeland and our National Defense Strategy, Secretary Spencer has focused Department of the Navy efforts to restore military readiness and increase lethality by taking care of our people, improving our processes, and creating greater capabilities in every area of the Navy and Marine Corps fighting force. We are rethinking how the EI&E portfolio is most effectively aligned with this direction. I will first discuss this with respect to Military Construction (MILCON), and then with respect to our infrastructure sustainment and operations. The PB20 request delivers an arrest in backlog growth, and we are modernizing facilities in support of our Sailors and Marines and their warfighting missions.

### ***Military Construction***

MILCON enables Navy and Marine Corps warfighting capability, provides quality of life for the All-Volunteer Force, and ensures we are ready to accomplish the Department's global mission. The DON continues to invest in MILCON to provide maximum readiness in support of current and future mission requirements. Our PB20 MILCON program includes 40 projects, planning and design (P&D), and unspecified minor construction (UMC) at a value of \$2,955M. We are investing in new platforms, technologies, and infrastructure that will add capability to our submarine force and ability to address maintenance requirements, and increase our surge capacity from Fleet

concentration areas. A majority of the Department's MILCON program is in direct support to National Defense Strategy lines of effort to 1) increase lethality (new platforms), 2) support our Combatant Commanders as they strengthen alliances, and 3) reform the Department's business practices for greater performance and affordability. Additionally, the program continues to recapitalize our four Naval Shipyards and supports the long-term implementation of the Commandant's Infrastructure Reset Strategy. Examples of MILCONs that are building a more lethal force include:

- Ammunition Pier, Seal Beach, CA. This project constructs an ammunition pier, ordnance operations facilities, and physical security barriers with the capability to load two destroyers or one amphibious ship pier side, enabling increased onload and offload capability to support deployment cycles and surge requirements.
- Navy CMV-22B Maintenance Hangar, Coronado, CA. This project constructs a new high bay hangar, providing maintenance and administrative space to support Navy CMV-22 operations at Naval Air Station North Island.
- F-35 Training and Simulator Facility, Marine Corps Air Station Cherry Point, North Carolina. This project constructs a new flight simulator facility capable of supporting Full Mission Simulators and other training devices in order to provide pilot training and proficiency in support of the F-35 aircraft.

The PB20 MILCON program also includes overseas projects that enhance global reach and persistent presence of forward-deployed naval forces. One such example in Yokosuka, Japan is:

- Pier 5 (Berths 2 and 3). This project constructs a concrete, fixed, single-deck Type II General Purpose Pier with capabilities to support CG-47, DDG-51 and future DDG-1000.

### ***Facilities Sustainment, Restoration and Modernization***

In the past, the DON took risk in infrastructure maintenance, which affected facility condition and mission readiness. We are shifting to a more integrated approach and driving toward filling critical readiness gaps, and are pleased to report this year's budget request will arrest the growth in maintenance and repair backlog. We are modernizing DON infrastructure by using non-traditional means, not just appropriated dollars. I am encouraging Navy and Marine Corps to embrace technology, consolidate and shrink our footprint, increase our productivity, and lower our total ownership cost. Modernizing our facilities is the biggest challenge we face in supporting training, operations and quality of life. Examples include:

- Replace SSN Berthing Pier 32, New London, CT. This project replaces an inadequate and structurally deteriorated attack submarine (SSN) pier to meet current standards for supporting Los Angeles and Virginia-class SSNs.
- II Marine Expeditionary Force (MEF) Operations Center Replacement, Marine Corps Base Camp Lejeune, North Carolina. This project replaces 70-year old, functionally inadequate facilities with new, efficiently configured headquarters/operations facilities to support II MEF, II Marine Expeditionary Brigade (MEB), and the Littoral Warfare Training Center Training Facility.

To help drive modernization, the USMC continues to implement their Infrastructure Reset Strategy and Installation Next initiatives. We are also developing the Navy Infrastructure Readiness Plan. In both efforts, a key to modernization is to embrace our core functions and look to best business approaches with the private sector and with state and local communities to satisfy our non-core functions so that we wisely invest taxpayer dollars on mission priorities. As an example, we are maximizing our use of existing intergovernmental support agreements, which allow us to provide, receive, and share services, supplies, resources, and support already provided by state or local communities for their own needs. You are helping us modernize with the expanded authorities you provided including the classification of “conversion” work as “repair,” an increase in the Unspecified Minor Construction limit from \$3M to \$6M, and the increased cost limitation for Operations and Maintenance funded minor construction from \$1 million to \$2 million (the largest incremental increase ever authorized). These three expanded authorities enable us to be more responsive to Fleet requirements and to use limited MILCON funding where it is most needed. To help Navy and USMC better use these and other authorities, I have recently published the Installation Commanders’ Authorities Guide to help our enterprise, state and community partners consider all available authorities, along with appropriated dollars, to further modernize Navy and USMC facilities. For example, by using 40 USC 501 we recently delivered third party financed infrastructure to acquire 16 megawatts of power to produce COLUMBIA submarine propellers at the Philadelphia Navy Yard. 40 USC 501 allowed us to

accelerate submarine delivery that would have otherwise been delivered later by the traditional MILCON.

### ***Public-Private Venture (PPV) Housing***

We are working with a sense of urgency and deliberateness to pursue improvements in our government housing portfolio. We have contacted 100% of our PPV residents and completed all 7,400 visits as requested by residents. We now require our PPV partners to submit weekly metrics to Installation Commanders and hold weekly reviews; have also initiated an out of cycle resident satisfaction survey, and requested additional billets for housing and contractual oversight. We are exerting more effective oversight, communicating more with our tenants and Public Private Venture (PPV) partners, and are working to ensure our partnerships provide quality housing that has improved measurably and substantially. Immediate action has been taken to reach out to every family in PPV housing and to develop remediation plans to ensure Sailors, Marines and their families have safe, quality living quarters and that their commands are advocating for such.

In the mid and longer term, we are actively working on other improvement initiatives such as improving work order transparency, improving what is meant by work order completion and issue resolution, developing improved communications and identifying legal and budgetary gaps. Our Naval Audit Service is performing a comprehensive review of the PPV program and providing insight into how to improve accountability across the program. And, we are adjusting business practices to correct systemic issues, such as leveraging mobile technology and upgrading database systems.

Our goal is to ensure expeditious, enduring and comprehensive PPV housing improvements.

Our PB20 Family Housing request is for \$366M, of which \$48M is for construction renovation and \$318M is for operation and maintenance.

### ***Defense Posture Review Initiative (DPRI)***

The DON continues to demonstrate our steadfast commitment to United States national security interests in the Indo-PACOM area of responsibility. Our commitment is made alongside the Japanese contribution. In PB20, the DON request for Guam totals \$277M to build support facilities for 5,000 Marines who plan to arrive in 2024, a machine gun range and bachelor enlisted quarters. We are also asking your support to authorize the use of up to \$13 million of funds appropriated in 2014 to mitigate the effects of the military construction workforce on the healthcare system of Guam. This support is critical to meeting DOD's final National Environmental Policy Act requirement related to the military construction on GUAM. Our commitment to Japan is steadfast as demonstrated by continued execution of the construction program required to realign Marine forces from Okinawa to Guam. The military construction effort on Guam is proceeding as planned, and the Government of Japan's efforts to support the transition remains on track.

### ***Real Property Audit***

Regarding Financial Improvement and Audit Readiness (FIAR), the DON submitted its financial statements for audit in 2018. Auditors were unable to obtain sufficient documentation to provide a basis for an audit opinion. Real property was rated

a material weakness as “existence and completeness”, and “valuation of real property inventory data” were found to be lacking. As a result, the Marine Corps and Navy received a “disclaimer of opinion.”

We are learning as we go and making improvements as we proceed. The DON is committed to accounting for 100% of its real property assets, valued at nearly \$400B, and taking steps to improve financial reporting of real property. Both Services, while at different stages of audit, are making marked progress to meet our commitment. The Navy is conducting a physical count of all its 113,000 real property assets; we expect to be complete in April 2019. Already, the Navy has corrected over 2,300 errors in iNFADS, our real property database. The Marine Corps has completed its evaluation on their real property inventory and is working on valuation and migration to the Marine Corps Enterprise Resource Planning (ERP) tool.

### ***Environmental and Safety Risks***

The effects of climate change have the potential to impact Department of the Navy missions, operational plans, and installations. Recent severe weather events such as hurricanes and wildfires in the western states have demonstrated comprehensive impacts such as extreme precipitation, wildfires and desertification in addition to sea level rise.

Initial estimates indicated Hurricane Florence caused \$3.6 billion in damage to Camp Lejeune, MCAS New River and MCAS Cherry Point, damaging 809 facilities or 18% of our infrastructure at those installations. Sea level rise, land subsidence, and changing ocean currents have resulted in more frequent nuisance flooding and increased vulnerability to coastal storms.



To minimize risk to missions and our installations, we are assessing the resiliency of our installations with the view of ensuring our footprint is able to support our current and future readiness. For example, at Norfolk we are engaged in initiatives and partnerships with local governments to mitigate risks. Two years ago, the Naval Facilities Engineering Command (NAVFAC) released a handbook on assessing climate impacts and evaluating adaptation options in master plans. We are committed to understanding our risk and evaluating how we can best enable our installations to support readiness.

We have also undertaken initiatives in our safety program. We have embarked on a two-year Safety Awareness Campaign with the overarching goal of continuing to reduce the mishaps by increasing awareness of the operational necessity of risk management and the integral role a culture of safety plays in mission accomplishment. The campaign includes messaging focusing on 4 themes: (1) Every Sailor, Marine, and civilian cares enough to be a safety leader.; (2) Reporting helps us learn and prevent; (3) Cutting corners costs lives; and (4) Reduced mishaps improve readiness.

### ***Conclusion***

The Department continues to carefully and deliberately manage its portfolio to restore Navy and Marine Corps readiness, increase lethality of our missions, and to improve the quality of life for Sailors, Marines and their families.

Modernizing our facilities and business operations will bring important and lasting improvements in support of readiness and quality of life. I look forward to working with Congress to deliver an innovative and resilient program that supports

mission success for the United States Navy and Marine Corps, the most formidable expeditionary fighting force the world has even known.