

HOLD UNTIL RELEASED

BY THE COMMITTEE

Statement of
Mr. John Conger
Acting Deputy Under Secretary Of Defense
(Installations and Environment)

Before the House Armed Services Committee
Subcommittee on Readiness

March 14, 2013

Chairman Wittman, Representative Bordallo and distinguished members of the subcommittee: I appreciate the opportunity to appear before you to discuss Base Realignment and Closure (BRAC).

As you know, the Administration has not delivered its FY14 Budget Request, and I will not be commenting on the possibility of a future request for BRAC authority. It is true that we asked for BRAC authority last year and the current budget situation and declining forces make it even more important to reduce overhead. Reducing excess allows us to apply our resources to supporting our troops instead of wasting funds maintaining unnecessary facilities. However, it would be inappropriate to speculate on the contents of the President's budget until it has been released.

As such, I will be focusing my remarks on a discussion of the BRAC process. I will discuss the elements of the statutory BRAC process that make it fair, objective, and a proven approach to aligning our force and base structures. I will review the factors that lead the Department to believe we have excess capacity, highlight our efforts to eliminate some of that excess in our overseas bases, and discuss the savings that BRAC provides and has already provided. These savings are significant and are being spent on enhancing readiness and providing capability to the warfighter. Finally, I'll address criticisms of the process. I know Congress has concerns about how the BRAC process worked in 2005, and I'm committed to work with you to address your concerns on any future BRAC round.

The fundamental rationale for the BRAC process is to enable DoD, an independent commission, the public, and Congress to engage in a comprehensive and transparent process to facilitate the proper alignment of our infrastructure with our mission. As we witnessed last year, piecemeal attempts to improve the alignment of installations to mission are generally met with skepticism and resistance from Congress and state and local officials who question DoD's rationale to the extent that the proposed changes are effectively stopped. Absent BRAC, the Department is effectively locked into a status quo configuration. BRAC, therefore, should be an essential part of any overall reshaping strategy. Indeed, recent statutory changes have further restricted the Department's ability to realign its installations. I think this shows that we will not be able to reach consensus on how to move forward on achieving necessary changes. I want to work with you in a collaborative manner to that end.

I am struck by the fact the last time Congress and DoD agreed to pursue BRAC, the effort was bipartisan and occurred in the shadow of 9-11. At that time, leaders with strategic vision and experience recognized the helpfulness of using the process. In October 2001, eight former Secretaries of Defense from both parties wrote to urge authorization of BRAC:

“While we understand the sensitivity of this [BRAC] effort, our support for another round is unequivocal in light of the terrorist attacks of September 11, 2001. The Defense Department must be allowed to review its existing infrastructure to ensure

it is positioned to support our current and evolving force structure and our war fighting plans. We are concerned that the reluctance to close unneeded facilities is a drag on our military forces, particularly in an era when homeland security is being discussed as never before. The forces needed to defend bases that would perhaps otherwise be closed are forces unavailable for the campaign on terrorism. Further, money spent on a redundant facility is money not spent on the latest technology we'll need to win this campaign.”

Elements of BRAC

BRAC provides for a sound analytical process. It has at its foundation a look forward using a 20-year force structure plan developed by the Joint Staff; a comprehensive installation inventory to ensure a thorough capacity analysis; and defined selection criteria that place priority on military value (with the flexibility to express that in both a quantitative and qualitative way).

The BRAC process is comprehensive and thorough. Examining all installations using certified data to conduct thorough capacity and military value analyses enables a holistic rationalization of our infrastructure to align it with the strategic imperatives detailed in the 20-year force structure plan.

The merits of the BRAC approach are twofold. First, a comprehensive analysis ensures that the Department considers a broad spectrum of approaches beyond the existing configuration to increase military value and align infrastructure with strategy. Second, the process is logical, well documented, and auditable which enables independent review by the Commission and affected communities. GAO has repeatedly recognized this; for example, its 2005 report described the process as “generally logical, well documented, and reasoned. DOD established a structured and largely sequential process for obtaining and analyzing data that provided an informed basis for identifying and evaluating BRAC options.”

Additionally, and most important, BRAC requires an “All or None” review by the President and Congress, which prevents either from picking and choosing individual recommendations. Together with the provision for an independent commission, this all-or-none element insulates BRAC from politics, making it non-partisan with a clear demonstration that all installations were treated equally and fairly. It is worth noting that the process validates the importance of those bases that remain and are then deserving of continued investment of scarce taxpayer resources.

The Department’s legal obligation to close and realign installations as recommended by the Commission by a date certain, ensures that all actions will be completed instead of being endlessly reconsidered. That certainty also facilitates economic reuse planning by impacted communities.

Finally, after closure, the Department has a sophisticated and collaborative process to transition the property for reuse. The Department is mindful of the significant toll Base Realignment and Closure (BRAC) has on our host locations. Our Office of Economic Adjustment (OEA) provides technical and financial support to help these communities through closure, disposal, and redevelopment with a program tailored to their specific planning and implementation requirements. The former installation is often the single greatest asset for impacted communities to redevelop and restore a lessened tax base and the lost jobs from closure. One of the most important disposal authorities available to help impacted communities with job creation is the Economic Development Conveyance (EDC). The Department is using the full breath of this authority to structure conveyances into win-win agreements wherein communities can create jobs and bolster their local tax base, and the Department sees increased savings through reduced property maintenance costs and participation in the cash flows from successful local redevelopment efforts.

Assessment of Aggregate Excess Capacity

A fair question to ask and one that comes up in any discussion about BRAC is: how does the Department know that it has excess capacity? Parametric techniques such as those DoD used in 1998 and 2004 provide the Department a sense at the aggregate level that there is excess capacity; as do changes in plant replacement value (PRV) which is the cost to replace an inventory of facilities in today's dollars at today's standards. Both methods of looking at excess capacity at the aggregate level provide a sense of how physical capacity changes over time. As explained below, the Department believes that excess in the aggregate exists.

In 1998 and 2004 the Department looked at a series of metrics that measured the ratio of base loading at two points in time. In both cases, 1989 was used as a baseline. For the 1998 report 2003 was used as the end date and 2009 was used for the 2004 report. In both cases, DoD chose to use the 1989 baseline as a conservative estimate that assumed that the ratio of base loading at that point was properly sized to support the assigned missions and forces at a high point in DoD's force structure and installation portfolio. This technique is conservative because it assumes that the base loading in 1989 was ideal when in reality it is likely that even then, base capacity exceeded force structure. Examples of base loading metrics used in the parametric analyses were maneuver brigades to maneuver acres, cruisers to cruiser equivalent berths, and aircraft to apron space. The comparison of the base loading ratios indicates whether a certain category of base had excess capacity. DoD aggregated the results by Military Department and in turn across DoD as a whole. Our 2004 report found that the Department had 24 percent aggregate excess capacity.

However, the Commission's BRAC 2005 recommendations reduced capacity by only 3.4 percent (the Secretary's recommendations would have reduced it by 5.1 percent as measured by PRV). Therefore, the Department believes excess capacity at the aggregate level remains today.

Additionally, force structure is declining relative to that which existed in 2005, thereby continuing to add to aggregate excess capacity. For example, the Army plans to reduce its active duty end strength from 570,000 (2010) to 490,000 (by 2020) and has asserted that this reduction would be accompanied by a reduction in civil servants who support these forces. Our aggregate analysis includes a parameter that measures the ratio of administrative space to military and civilian personnel. After this drawdown, the Army will – by definition – have considerably more admin space per soldier. In addition, the Army will be inactivating a minimum of 8 Brigade Combat Teams (BCTs). This will – again, by definition – increase the number of training acres per BCT. Reductions in the Marine Corps from a peak of about 202,000 to 182,000 will affect similar ratios.

The Air Force is dealing with reductions as well. While BRAC 2005 did not make major reductions to the Air Force, they have reduced their force structure by more than 500 aircraft and active duty end-strength has been reduced by more than 8 percent. The significant aircraft reductions will drive down the parameter that measures aircraft per apron space. In other words, our Air Force bases will have at least enough excess space to accommodate the aircraft they have removed from the force structure.

If we assume our bases were either appropriately loaded or were carrying excess capacity, these force reductions will increase that surplus.

If future BRAC rounds use a process similar to that which was used in the 2005 round, the process will begin with a requirement to confirm the existence of excess capacity and the need for BRAC. Based on the statute, the Department prepares a 20-year force structure plan and a comprehensive installation inventory. Using those, it prepares a report for Congress in which it must describe the infrastructure necessary to support the force structure, identify areas of excess, analyze the effect of closures and realignments on the excess capacity, and certify that BRAC is needed and that it will produce savings. Only after providing that certification is the Department authorized to proceed with the BRAC round.

The parametric analytical approach is helpful in making a broad assessment in determining whether an additional BRAC round is justified. However, this approach cannot identify specific installations or functional configurations for realignment or closure. This was purposeful and is critical to understanding the difference between how a capacity assessment based on parametric techniques differs from the process used within the actual BRAC analysis. Ultimately, the specific capacity analysis that is an integral part of the BRAC process is preferable to aggregate metrics. Only through the BRAC process is the Department able to determine excess capacity by installation and by mission or function in a process that is thorough and fair.

The process is thorough because capacity analyses conducted within BRAC are a key element that underpins specific base realignment and closure recommendations. In BRAC, details of capacity

will be determined through extensive data calls. It is the capacity analysis combined with military value (assessed both quantitatively and qualitatively) that leads to scenarios of alternative infrastructure configurations. An assessment of these scenarios leads ultimately to recommendations which seek to maximize military value and reduce capacity.

The process is fair because in BRAC appropriate command authorities certify the data as it moves up the chain and this certification process is reviewed by audit agencies (including GAO). Equally important, the BRAC process collects detailed information from each base in DoD. This ensures that DoD meets the requirement to treat all bases equally providing confidence to Congress and communities about the integrity of the BRAC process. Finally, the Commission reviews all of the data DoD used to develop the recommendations and combines its review with input from the potentially affected communities (who have access to all of DoD's data) to make its final recommendations. It is this thorough, fair, and transparent process that differentiates a top level capacity assessment from the BRAC process.

Excess Capacity and European Consolidation

While we clearly have excess capacity, many in Congress have asserted that we should look first at our overseas infrastructure for reductions. To be clear, we have been reducing our infrastructure overseas for years. Since 2003, the Department has returned more than 100 sites in Europe to their respective host nations, and we have reduced our personnel by one-third. In South Korea, we have made significant reductions and are on a path to consolidate our footprint at Camp Humphreys.

Still, given recent announcements to further reduce our forces in Europe, we decided it was appropriate to build on our past successes in BRAC and use a similar approach to review our European infrastructure. While no statutory authority is required, the process serves as an excellent template. The Army already has plans to close 33 additional sites between FY13 and FY16, to include those associated with the announced decision to reduce our presence from four to two Brigade Combat Teams. However, ongoing force structure changes and a focus on greater joint utilization of assets should produce additional opportunities for reducing infrastructure while preserving required capabilities.

Our effort will be comprehensive, analyzing what we expect to be a wide array of scenarios. We are developing business case analyses for each scenario, taking military value, operational impacts, and return on investment into consideration. By the end of this year we plan to conclude with a fully vetted list of options from which the Secretary can make strategic decisions for eliminating excess, preserving and even enhancing our ability to meet strategic and operational commitments, and providing and ultimately validating our enduring European infrastructure requirements which will provide an analytical basis to support sustainment funding and future

recapitalization. Affordability will be an issue – it may take investment to make some changes. However, because recommendations will be based on sound business case analyses that take return on investment into account, paybacks will exceed investments.

Financial Benefits of BRAC

While the primary reason for BRAC is to match infrastructure to missions, it is also about trimming excess so that resources otherwise wasted on unnecessary facilities can be re-applied to higher priorities. The fact is the overhead cost of maintaining bases is substantial. As a conservative estimate, our recent expenditures related to facilities, including military construction, have averaged around \$40 billion annually; so even a small decrease can save a substantial amount. Other costs associated with operating our installations (e.g., payroll support; personnel management; morale, welfare, and recreation services; and physical security) average about \$15 billion annually. That should require a periodic review of our infrastructure to ensure that it is effectively and efficiently configured. BRAC has served this purpose well over the last 20 years, particularly where reduced budgets push us towards sustaining our infrastructure at lower levels, which will eventually affect readiness and quality of life.

Savings from BRAC are real. The first four rounds of BRAC (1988, 1991, 1993 and 1995) are producing a total of about \$8 billion in annual recurring savings, and BRAC 2005 is producing an additional \$4 billion in annual recurring savings. While some have questioned BRAC savings, the GAO has written in reference to the 1990's BRAC rounds that in "addition to our analyses, studies by other federal agencies, such as CBO, the DoD Inspector General, and the Army Audit Agency, have shown that BRAC savings are real and substantial and are related to cost reductions in key operational areas as a result of BRAC actions."

Savings from BRAC are substantial. The \$12 billion in annual savings results from operating costs that are avoided. This funding can and is applied toward other requirements such as weapons systems procurement, readiness training, and quality of life improvements. Putting that in warfighting terms, using the FY13 budget request, annual BRAC savings amount to:

- Twice the \$6B request for 29 F-35 aircraft;
- 3.5 times the \$3.5B request for 2 DDG-51 AEGIS Destroyers;
- 3 times the \$4B request for 2 Virginia Class Submarines;
- More than the \$11B that DoD requested for all Army and Marine Corps ground systems;
- More than the entire \$10B request for Ballistic Missile Defense; and
- More than the entire \$10B request for Military Construction.

BRAC 2005 and Lessons Learned

For most people, the BRAC experience that is freshest in their memories is the 2005 Round. As mentioned in the previous section, BRAC 2005 resulted in recurring savings of \$4 billion annually, but often it is the uncharacteristically high cost of this round, and the fact that the cost increased beyond the initial estimates, that prompts the most questions. GAO recently published a report on lessons learned in BRAC 2005, and this was a point they highlighted.

Unfortunately, as GAO reviewed this issue, they came to two conclusions with which we disagree: 1) savings goals rather than military value should guide the BRAC process; and 2) the difference between the actual and projected costs are a fault of modeling rather than the imposition of subsequent requirements.

First, I am concerned with GAO's emphasis on establishing goals, measurements of effectiveness, and capacity reduction targets. The premise that we should be required to close a particular number of bases or eliminate a particular number of civilian jobs is arbitrary, counterproductive, and would undermine military capability – in short, this would subordinate military value to savings goals and, in turn, subvert the BRAC process. While the necessity for BRAC is driven by the presence of excess infrastructure and the desire to eliminate waste, individual recommendations must be based on optimizing military value.

BRAC 2005, unlike every other BRAC round, was conducted during a time of growth, a fact that constrained our options for reductions. The Department's focus was more squarely on realignment than it had been in previous rounds, and that resulted in larger construction requirements.

Given the force structure reductions on the horizon and the budget constraints we face, we have every expectation that future rounds would have more in common with the first four BRAC rounds than the most recent round did.

Second, the GAO points to the increase from the Department's initial cost estimate to the cost of execution to imply that the mismatch between the actual cost and initial estimates reflects flaws in the cost estimating model rather than the impact of subsequent decisions. While any process could benefit from improvement, the GAO itself indicated in a report last year that the drivers of increased cost were dominated by new military construction requirements within a small subset of the recommendations.

That recent (2012) GAO report found that most of the cost increase could be tied to only 14 of 182 recommendations. Those increases were largely due to deliberate and subsequent decisions to expand the originally-envisioned scope of construction and recapitalization to address deficiencies in our enduring facilities or to expand the capabilities they provide. That narrow list of sources means that the increase was based on specifics at particular bases rather than a systemic problem

with the model. Otherwise the increase would have been evident throughout all of the recommendations.

With military construction accounting for 70 percent of BRAC 2005 costs (in previous rounds, it was only 33 percent), BRAC 2005 has served as an engine of recapitalization for our enduring military facilities. This is an important point to consider – BRAC’s recapitalization helped revitalize our infrastructure and reflected a deliberate effort by leadership (principally the Army) to improve or provide robust training capabilities such as the move to consolidate the Armor and Infantry centers into a Maneuver Center of Excellence at Fort Benning and to ensure the troops have good support facilities such as clinics and child care centers.

Additionally, there were two other significant reasons for the increase in projected implementation costs: the Department’s decision to delay the implementation of BRAC 2005 because of competing budgetary priorities during the wars (delay adds to the cost of inflation) and the steep rise in construction costs that occurred in 2007 and early 2008, when many of the large MilCon contracts were being competed. Increases are also attributable to new requirements imposed after the initial estimates (e.g. requiring all medical facilities to meet “world class” standards which dramatically increased the costs of recommendations which included hospital construction).

BRAC 2005 focused more on transformation than the elimination of excess capacity. It achieved its intended result. An example of this is joint basing, where the Department consolidated 26 geographically proximate installations into 12 Joint Bases with one designated Service providing all installation support for the base. This action responded to persistent internal and external criticism that base support was duplicative at these sites. Despite the significant challenge of merging large organizations to provide installation support to new, commonly agreed to standards, the joint bases have achieved cost reductions. The joint bases are providing a higher level of service in a manner that is proving more cost effective and efficient. We also look at these installations as ‘incubators of innovation’ for the Department.

So while we view a future BRAC effort being along the lines of the earlier rounds given the force reductions now planned or underway, BRAC’s ability to act as a catalyst for business process re-engineering, changing the way we do business from status quo approaches, and increasing the joint utilization of our assets should not be overlooked.

Conclusion

Thank you for the opportunity to appear before you today and I look forward to continuing our work together on issues related to maintaining the infrastructure necessary to support the men and women who defend our nation. While our plans for using BRAC in the future have not yet been

decided, I hope this discussion has proven to be informative on this significant and effective process.