**2005 BRAC COMMISSION REGIONAL HEARINGS**

MONDAY, AUGUST 8, 2005

1:06 P.M.

MONTEREY MARRIOTT HOTEL

350 CALLE PRINCIPAL

MONTEREY, CALIFORNIA 93940

STATES TESTIFYING:

CALIFORNIA, ALASKA, COLORADO

COMMISSIONERS:

COMMISSIONER JAMES BILBRAY

COMMISSIONER PHILIP COYLE

COMMISSIONER HAROLD GEHMAN

COMMISSIONER JAMES HANSEN

PRESIDING COMMISSIONER:

COMMISSIONER PHILIP COYLE

CERTIFIED

ACTING CHAIRMAN COYLE: Good afternoon, I'm

Commissioner Philip Coyle and I will chair this Regional Hearing of the Defense Base Closure and Realignment Commission. I'm also pleased to be joined by my fellow Commissioners Bilbray, Gehman and Hansen for today's session.

We've had wonderful support from the City of Monterey for this hearing. And I want to especially thank Congressman Sam Farr, who was very helpful. Of course, the Honorable Leon Panetta, City Manager, Fred Meurer, and Mayor Dan Albert. They all have just made this visit quite special.

On July 19th, this Commission voted to consider closure or realignment of eight installations that were not included in the Defense Department's recommendation. We took this action not because we have determined that we need to close more bases than the Secretary of Defense recommended, but because we want to make the best possible closure or realignment decisions consistent with the criteria established by law.

Our job as an independent commission is to render a fair judgment on the Secretary of Defense's recommendations. In a limited number of cases, we cannot make that fair assessment without first being able to make direct comparisons between installations that are part of the Secretary's recommendations and similar installations

CERTIFIED

that were not included in the May 13th recommendation list.

We continue to examine all of the proposed closure and realignment recommendations, and measure them against the criteria for military value set forth in law, especially the need for surge manning and for homeland security. But please be assured we are not conducting this review as an exercise in sterile cost accounting. This Commission is committed to committing a clear-eyed reality check that we know will not only shape our military capabilities for decades to come, but will also have profound effects on our communities and on the people who bring our communities to life.

We are committed to keeping our deliberations and decisions devoid of politics, and ensuring that the people and communities affected by the BRAC proposals will have, through our site visits and public hearings, a chance to provide us with direct input on the substance of the proposals and the methodology and assumptions behind them.

I'd like to take this opportunity to thank the thousands of involved citizens who have already contacted the Commission and shared with us their thoughts, concerns and suggestions about the base realignment and closure process. Unfortunately the volume of correspondence we've received has made it impossible for us to respond directly to each one of you in the short time in which the Commission

CERTIFIED

must complete its mission.

But we want everyone to know the public inputs we received are appreciated and are taken into consideration as part of our review process. And while everyone in this room will not have an opportunity to speak today, every piece of correspondence received by the Commission will be made part of our permanent public record as appropriate.

We've been visiting bases all over the country, and here in California, commissioners have visited the Navy Broadway Complex, the Navy Postgraduate School and the Defense Language Institute; and in Colorado the Buckley Annex DFAS site, and in Alaska, the Galena Forward Operating Location. During these site visits, the Commission has heard from installation commanders, elected officials and community groups. Today's hearing will provide statements for the record regarding these installations. We welcome all of our witnesses, and look forward to your testimony.

I would now request that our witnesses stand for the administration of the oath required by the Base Closure and Realignment Statute. The oath will be administered by Mr. Dan Cowhig, the Commission's designated federal officer.

MR. COWHIG: Thank you, Mr. Chairman.

Gentlemen, will you please raise your right-hand?

(The Witnesses were sworn.)

CERTIFIED

STATE OF CALIFORNIA

ACTING CHAIRMAN COYLE: Mr. Molinari, I think you're going to kick this off?

MR. MOLINARI: Thank you, Mr. Chairman and members. On behalf of Senator Diane Feinstein and Senator Barbara Boxer, I would like to welcome the Commission to California.

As you know, both Senators met with Chairman Principi in Washington two weeks ago, and as a result of that, Chairman Principi allowed us to -- to bring a video that we'd like to have offered into the record.

SENATOR FEINSTEIN: (Appearing by Videotape).

Mr. Chairman, members of the BRAC Commission, I swear and affirm that the testimony that I'm about to give will be accurate and complete to the best of my knowledge and belief.

This hearing is a key step in the BRAC process. It will help determine whether three California military installations are realigned or closed: The Naval Postgraduate School, the Defense Language Institute, and the Navy Broadway Complex.

Let me begin with the Naval Postgraduate School and the Defense Language Institute. I'd like to tell you why I believe it would be a huge mistake to lose these two tremendous assets.

CERTIFIED

As a member of the Senate Intelligence Committee, I know that there are those who would do this nation great harm. I know that the only way to prevent that harm is through intelligence and the ability to find them before they attack us.

Consider what the Commander of our Central Command, General John Abizaid said before a House committee last year. Let me quote, "What will win the global war on terrorism will be people that can cross the cultural divide, reach out to those who want our help and figure out how to make that that happen. So we ignore the Defense Language Institute and other institutions of military education at our own peril," end quote.

So these institutions are vital. They have substantial military and strategic value. The Naval Postgraduate School, for instance, provides high level academic training to military officers. It offers many of the same degrees as civilian institutions, but with a major difference. Every one of the school's programs is focused on military strategy and military needs. The students receive a top-notch education, they develop invaluable relationships, and they become better officers.

At the same time, the Defense Language Institute adds significant value to our nation's military and intelligence agencies. One of the great shortcomings of our

CERTIFIED

nation is the absence of speakers of Arabic, the absence of people who understand the Muslim culture and religion. And this language school produces the great bulk of Arabic speakers in our nation. I know Senator Boxer will go into some detail about this in her remarks. So there is a critical defense mission that needs to be carried out, and both of these facilities are doing the job.

As a matter of fact, the Pentagon's BRAC recommendations specifically did not include either of these facilities. Rather, it pointed to the value of the institutions, and said that, quote, "Sustaining a world-class educational facility as a component of our military structure has long-term benefits that will attract future military leaders from other countries," end quote.

They also gave the Naval Postgraduate School the highest military value rating of all military educational institutions. There are some who acknowledge the military value, but say that their functions could be privatized or consolidated, but the fact is that closing these facilities would cost anywhere from $130 million to privatize and hundreds of millions of dollars to move them completely to Ohio. Many of the faculty would not move, so you would lose a great deal of your human capital as well.

Now the Navy estimated that it would save $89 million by privatizing the school, but it's our belief that

CERTIFIED

the cost analysis of the Navy is not accurate. It fails to take into account a number of significant factors. The Navy based its savings figures on the cost of privatizing education for only Navy and Marine students. The additional cost of educating members of other service branches and foreign military officers is estimated to be $26 million a year.

The $110 million in reimbursements for research grants and educational contracts that come in each year, that wasn't counted. The fact that if students go elsewhere, they'll spend three to six months longer in school, adding significantly to the cost of educating each student. That wasn't counted. So the belief is that there would be substantial additional costs incurred through privatization.

And consider the timeliness of making this move: We're in the middle of a war. Additionally, the Navy does not take into account the 2600 units of privately funded housing that are currently being constructed near the facilities which cost the government nothing and which would significantly reduce the cost of living for faculty, staff, and students.

Here's the bottom line. These institutions are too valuable to be replaced, both in terms of financial cost and the education they provide. It's my greatest hope that

CERTIFIED

they will not be closed or realigned.

Finally, let me say a word about the Navy Broadway Complex. The complex serves as headquarters for Navy Region Southwest, and there have been discussions for years about moving the headquarters to a more secure location and turning the site into a district of shops, restaurants, parks and high-rise housing.

I believe, as does the City of San Diego and the Navy, that this issue can be resolved outside the BRAC process. And because of the complications of transitioning bases once closed by BRAC, I believe that BRAC actually makes it more difficult. What I'd like to do is offer my help to see that the negotiations get settled as soon as possible. And so I make that offer both to the City of San Diego and the Navy as well.

So in conclusion, let me thank you for the opportunity to testify today. I very much appreciate it. And now, let me turn this over to my friend and colleague, Senator Barbara Boxer.

SENATOR BOXER: Mr. Chairman, the BRAC Commission, ladies and gentlemen, I swear and affirm that the testimony that I'm about to give will be accurate and complete to the best of my knowledge and belief.

Good afternoon, and welcome to beautiful Monterey. Thank you for holding this extremely important hearing. I

CERTIFIED

trust that you will all leave today with a clear and comprehensive understanding of why it is essential that no action be taken to disrupt the continued work of the Naval Postgraduate School or the Defense Language Institute.

Simply put, closing both of those institutions or one of those institutions, or moving the facilities out of state would be extremely detrimental to our national security. Furthermore, I believe it would be irresponsible to do so at a time when our nation's military and our people are facing unprecedented threats.

The Naval Postgraduate School is currently training future leaders to greater understand and respond to the challenges of the 21st century, offering Master's degrees in such critical fields as security studies, international relations and homeland security -- the very first such program of its kind in the country. The faculty is world-class, drawing the best and the brightest from both the domestic and international academic communities.

The Defense Language Institute is training military and civilian personnel in the world's most difficult languages. There is no equivalent. Let me say that again. There is no equivalent among our private and public universities. In 2004, fewer than two dozen degrees in Arabic were granted at all of our nation's private and public universities combined, fewer than 24. Compare that

CERTIFIED

to the Defense Language Institute, which graduated 521 students from its Arabic program. That's about 25 times more than that of all the other U.S. universities combined.

The Defense Language Institute also granted 157 degrees in Farsi, the official language of Iran. Public and private universities did not even grant a single degree in Farsi. This is especially troubling at a time when the national security of the U.S. is tied to the success of our efforts to engage the Muslim and Arab world. We want to win the war on terror. We do. And if we want to, we must do more than simply pursue -- listen, let me say this one more time. We must win this war on terror, and to do that, we have to do more than simply view our military options.

We also must engage and empower moderate Arabs and Muslims, enhance cooperation and intelligence sharing, strengthen counter-terrorism efforts, and work to vastly improve the image of the U.S. of A. within the Arab and Muslim world. This critical mission will be made virtually impossible if we can't even speak the same language as the people we're trying to engage and persuade.

Experts have suggested it would take 12 to 15 years to replicate the infrastructure at the Defense Language Institute if it is moved elsewhere. We do not have that much time on our side. Time is our enemy in this fight. Navy Secretary Gordon Ingram recently said, quote,

CERTIFIED

"Professional military education is hugely important to us, maybe more important than a lot of the equipment and a lot of the other things we do."

Now, we all know we need the equipment, we absolutely do. But his point is clear, and I cannot echo the sentiments of Secretary Ingram loudly enough. I firmly believe that closing or relocating the Defense Language Institute or Naval Postgraduate School would cause irreparable harm to our national defense at a time when we should be working to strengthen our military defense and nation's security.

I strongly urge the BRAC Commission in the most -- in the most powerful way that I can to please take steps to strengthen these institutions within Monterey.

I thank you for your time and for your consideration.

(End of videotape statements.)

MR. MOLINARI: Thank you, Mr. Chairman, for allowing the video testimony, and if I may ask the Commission to enter the testimony into the record.

ACTING CHAIRMAN COYLE: Without objection, so ordered.

MR. MOLINARI: And let me now introduce the Cabinet Secretary for the State of California, the Honorable Terry Tamminen.

CERTIFIED

SECRETARY TAMMINEN: Thank you very much.

Mr. Chairman and Commissioners, thank you for allowing me to represent Governor Schwarzenegger today, who regrets that prior commitments prevent him from attending in person.

I ask that the Governor's entire letter to you, dated August 8th, 2005 be included in the record. And with your permission, I'll highlight a few of his comments from that letter.

First, on behalf of the Governor and, indeed, all Californians, welcome to the Golden State. Last month, the governor appeared before you at your public hearing in Los Angeles and provided you with our comprehensive statewide report on the value of California's military bases. Let me summarize the key findings of that report with you.

Number one, we provide unique and mission-critical capabilities for the military here in California. Two, we are working closely with you and with the Defense Department to preserve and strengthen those mission-critical capabilities. Three, we are seeing the results of those efforts right here in Monterey and in San Diego where you visited last Friday and this morning.

Our report also notes that California has enormous strengths and technological expertise and human capital. These strengths support top research universities and the

CERTIFIED

defense industry throughout the state, and also provide the support for our key military institutions of higher learning, the Defense Language Institute and the Navy's Postgraduate School.

The Defense Language Institute, or DLI, each year trains thousands of military and intelligence staff in foreign language proficiency. After September 11th, 2001, they shifted quickly to fill the gaps in our national capability. And they did so far faster than any public or private college or university could have done.

The faculty at DLI is unmatched anywhere. They are dedicated to their mission, but they are also wedded to living in and around Monterey. We found this out when the Department of Defense tried to close DLI in 1993, to move it to Arizona. None of the faculty would transfer, and it would be nearly impossible to recruit new ones of that caliber.

This difficulty in recruiting new faculty would create a huge hole in our national language training, and all America would suffer. Any savings that might be created would not matter if we lost the capability to operate in foreign lands or handle the intelligence we intercept.

Then there's the Navy's Postgraduate School which educates and trains graduate military students not just from the Navy, but also from all branches of the service and from

CERTIFIED

dozens of foreign allied and friendly nations. The Postgraduate School is not like any other graduate university because it combines technical and military disciplines in a truly unique, one-of-a-kind institution that has taken decades to build.

The Postgraduate School also applies the research that it incorporates. For example, they took the lead developing unmanned aerial vehicle technology solutions for our ongoing war on terrorism. Because of the combination of this technology here in Monterey and the available air and sea test ranges down the coast at Camp Roberts, the Postgraduate School was able to move quickly to help the war fighters in the war on terror. No other school in America offers that combination of technology along with nearby access to training and test ranges.

Moreover, moving the Postgraduate School would not save money. The Defense Department's BRAC cost numbers contain numerous errors which will be detailed for you later this afternoon and which Senator Feinstein alluded to as well.

I would also like to provide our views on the proposed move in San Diego. We agree with the Navy, the Defense Department, and the City of Diego that the actions to move from the Broadway complex to another Navy Center in San Diego should be undertaken outside of the BRAC process,

CERTIFIED

through ongoing negotiations between the City of San Diego and the Navy.

In closing, let me express why we so firmly believe that the military is better off in California. We have in this state the overall capability to provide all of the support needed, from vast unencroached training and test ranges, and the ideal weather to use them, to outstanding technology and academic support and operating forces.

We ask that you consider these strengths and capabilities as you make your own independent evaluations. And we are confident that, in a fair comparison based on accurate information, you will reach the same conclusions as the Department of Defense.

On behalf of Governor Schwarzenegger, I want to thank you again for holding today's hearing in Monterey, for taking the time to visit our facilities and to see for yourself what they truly have to offer, and for permitting me to submit this testimony and the Governor's letter to you. We wish you the best as you finish your tasks that are so important for our military and our nation.

Now, please allow me to turn the microphone over to the co-chair of California's BRAC Council, Monterey's native son and a good friend of the Governor and everyone in our state, the Honorable Leon Panetta.

LEON PANETTA: Mr. Chairman, I'm waiting for the

CERTIFIED

mike to go on. There we go.

Mr. Chairman and Members of the Commission, I want to welcome you also to California, particularly to Monterey. This is my hometown. I was born and raised here, and had the honor of representing this area in the Congress. I'm also particularly pleased to see my former colleagues, Jim Hansen and Jim Bilbray here in Monterey. We welcome you. We also welcome Phil Coyle and the rest of the staff.

I would ask that my statement be made part of the record, and I would also ask that a letter from Secretary of State George Shultz also be made part of the record and I'd like to summarize my testimony if I could.

ACTING CHAIRMAN COYLE: Without objection, so ordered.

LEON PANETTA: California, and particularly Monterey, have a long historical relationship with the military that goes back to, I think, June of 1770 with the location of the first Presidio here in Monterey.

We have throughout the years supported a number of commands that range from Fort Ord and Hunter-Liggett to DLI and Navy -- Naval Postgraduate School, Fleet Numerical, the Navy Research Lab, and others.

As you may know, the largest base closure that took place in the last BRAC round took place right here with the closure of Fort Ord. Fort Ord represented,

CERTIFIED

incidentally, about 25 percent of our local economy and we lost about 22,000 civilian and military jobs. We've made that transition, but I think it points out that this area supports the military through good times and bad.

The purpose of the BRAC process, as I'm sure you are very familiar with -- and incidentally, I want to thank you for your service. I know it's not easy. You've traveled a lot of distances. But we thank you for your service.

As you know, the purpose is to try to do what we can to streamline the existing infrastructure in a way that will improve the efficiency and effectiveness of the infrastructure that supports the military, and obviously, in the end, to strengthen it. You certainly don't want anything that would weaken it. You're trying to strengthen our national defense.

Here in California, we have put together, because of the governor, our council that was made up of 11 flag officers from the different branches plus eight individuals from the private sector who had experience both in military and budget issues. We reviewed all of our military assets. I think what I've said about this area you could say for California. California has been streamlined through the BRAC process. Thirty percent of the bases closed came out of California. In all of the BRAC rounds, we lost about

CERTIFIED

100,000 employees.

But the reality is that it left us with some very valuable assets in terms of the military: Training and testing, the ability to deploy to the Pacific; joint training that goes on here. The partnerships with education, industry and technology are all crucial to our defense, and I think the Secretary of Defense basically recognized those assets. So we would urge you to again recognize the important military assets that we have throughout the State of California.

Let me speak specifically to the issues that you're looking at right here in Monterey. I'm very familiar with them, going back to the time when I was a lieutenant in Army Intelligence, as a member of Congress, and as someone involved, as Director of OMB, with budget issues.

There are some common misconceptions that always come up. They've come up in past BRAC rounds, they've come up in this BRAC round, and I want to mention those misconceptions if I could.

Number one, there is an understandable, but a very unfortunate tendency in the military branches to look at the educational facilities and mission as second-class citizens. It's just a reality. These are not weapons, these are not tanks, they're not planes, they're not ships, and so they obviously can't be important to the war fighter. There is

CERTIFIED

that kind of reaction to these kinds of educational missions.

The reality I believe is that education and training is not only the first weapon in peace, it is the first weapon in war. You cannot successfully fight the wars that we're fighting now in Iraq and Afghanistan, certainly the war on terrorism, if you don't have good intelligence. You can't have good intelligence without a language ability to understand what is being said, to understand the culture that you're dealing with. That's what the Defense Language Institute teaches.

And you cannot win the war on terrorism or these other wars without an understanding of the newest technologies that we have in warfare, the constant research you have to do on surveillance, reconnaissance, on targeting, and the kind of international understanding that the Naval Postgraduate School provides.

Second misconception, you can simply privatize all these responsibilities to the private sector. The reality is these assets don't exist in the private sector. They don't -- they're not there. The Defense Language Institute, as you've heard, teaches the toughest languages that we know of, Arabic, Mandarin, Farsi, Korean. Eleven hundred faculty members, 98 percent of which are native speakers. They don't have a lot of fancy degrees, but they know their

CERTIFIED

language and they know their culture. They provide an intense three to six month course. It's total immersion. They develop a high level of proficiency, and they move those soldiers out onto the battlefield with that kind of proficiency.

You can't do that in a university. I speak as a member is the President's Commission of Languages, and I have to tell you, language training in our universities is a national scandal. That was the conclusion of the report that was issued by that Commission.

Same thing is true for the Naval Postgraduate School. Outstanding faculty -- it's not just because they're trained in engineering and astronautics and meteorology and oceanography, it's the fact that they know how to apply that kind of knowledge to fighting a war and focus on the war on terrorism. They teach students from every branch of the military, they teach foreign military students. And let me tell you, those students, when they go back to those countries, are invaluable in terms of our ability to establish relations abroad with them.

Let me quote from Secretary Shultz, just one quote: "No other school, including Stanford, could reasonably replicate what goes on at the Naval Postgraduate School," unquote.

The last point I want to make -- it's been

CERTIFIED

mentioned here also -- is that the COBRA models, while they project savings, do not take the time to really look at the real cost. Most universities, if they're going to have to adjust their curriculum to meet military needs, you've got to go through a worse bureaucracy in universities than you have to in the federal government.

The reality is, most defense -- most of the Senate and their Senate coalitions can be a barrier to trying to get these changes made, so you're going to face tough challenges there. Tuitions are more expensive. Housing cost would be more expensive, and very frankly, you can't replicate the performance of the faculty that we currently have.

Let me -- having said that, let me say one thing. That's not to say you can't achieve savings, and I know that's what you're focused on. You can achieve savings. You can achieve savings in place the way we've done at DLI. By using City services, they've provided 41 to almost 49 percent of savings because of services they provide. Same thing can happen at the Navy Postgraduate School. And very frankly, if you wanted to unify the commands into a defense system, I think you might be able to achieve even an additional savings by virtue of doing that. But do that in place. Do that where they're at right here.

General Abizaid and Secretary Shultz and the

CERTIFIED

others have been quoted. I think the key point is that we cannot win the war on terrorism without the missions that are performed by DLI and the Navy Postgraduate School.

As to the Broadway Complex, just very briefly, you've pointed out that savings could be achieved. I commend you for doing that, but I think those savings can best be achieved if you let the Defense Department and the Navy Department negotiate those savings with the community.

Thank you for your service to the nation, both past and present. I have every confidence you'll do what's right for California and the nation and our national security.

ACTING CHAIRMAN COYLE: Thank you, Mr. Panetta, Secretary Tamminen and Chairman Molinari. I'm not sure, Secretary Tamminen, whether you're going to be able to stay for the next panels, but just in case you are not, I would ask that if there are any questions for the Secretary before he may have to leave? Any questions?

(No response.)

ACTING CHAIRMAN COYLE: Thank you very much, and we'll take the next panel.

Thank you, gentlemen. Congressman Farr, are you leading off this panel?

CONGRESSMAN FARR: I'm leading off this panel.

CERTIFIED

Yes, I am.

ACTING CHAIRMAN COYLE: Thank you.

CONGRESSMAN FARR: Thank you, Mr. Chairman, and welcome to Monterey. It's been a delight to have the commissioners here, and I'm so glad to see my former colleagues, Jim Bilbray and Jim Hansen. And I'll say, we miss you in Washington.

I have a formal statement for the record, and I would like to insert it in the record if the Commission will allow it.

ACTING CHAIRMAN COYLE: No objection, so ordered.

CONGRESSMAN FARR: Thank you. Hopefully, in the short time that you had this morning, you've gotten a good sense of how they're connected, both the Navy Postgraduate School and Defense Language Institute, with our local community, and the good deal of good military value that both of these schools bring to our nation's defense and to national security.

But because the resources draw upon this great community in Monterey -- in other words, it's location, location, location -- I think you see that these schools are indeed mission-oriented, are indeed not duplicative of other military installations in the country. And what I'd like to point out is that they can't be done anywhere else.

So why here in Monterey? The fact that Monterey

CERTIFIED

is an integral part of the Naval Postgraduate School and the DLI, the City of Monterey, and the greater sum of its individual parts. If you took those away from here, you would have less than the whole. You may order the military students to move, you could order the military staff to move, but you cannot order the civilian faculty or the civilian staff or other workers to move, or transport the buildings or the facilities overnight.

Moving the Naval Postgraduate School and the Defense Language Institute is a misnomer because you're not moving them. You're dismantling them and trying to reconstruct them elsewhere, except that not all the pieces are there when you rebuild. So that's the first reason of, why Monterey?

Then you have the intellectual capacity of Monterey. It's unparalleled in the U.S. The Naval Postgraduate School and the DLI faculty has come from all over the world to teach and do research. The faculty has a deep interaction with 23 other institutions of higher education around the Monterey Bay, and even more so is connected just north of here to Silicon Valley.

These informal partners enhance the educational experience of the students at Naval Postgraduate School and DLI, and no other location in the United States affords this kind of one-stop shopping to brain power. In addition, in

CERTIFIED

the case of DLI, the faculty, as you saw this morning, are native-born speakers, coming from all over the world.

To contemplate dismantling NPS or DLI is to acknowledge that the whole -- a whole new faculty will have to be recruited, will have to be trained and have to be integrated into the mission that these two schools accomplish. You don't just stand up a fully accredited research university overnight, especially one steeped in military culture and military relevance. This is a staff that takes decades to assemble. And for over 50 years, Monterey has been part and parcel of the investment that has been made in these schools as premier institutions. If NPS and DLI is moved, the benefits of that investment will be lost. That is the second reason for, why Monterey?

This locale also offers key military jointness. Students at NPS and DLI can, and do, train in non-academic military exercises to the south of us, at Fort Hunter-Liggett, which is a 168,000-acre training base in southern Monterey County, as well as next door at Camp Roberts, which is part in Monterey County and part in San Luis Obispo County. We also have, at the former Fort Ord, a mount, and we will soon have new, state-of-the-art mount facilities at Fort Hunter-Liggett.

Besides access to other military installations for field training, Monterey also provides some of the last --

CERTIFIED

the last remaining uninterrupted airspace over the Los Padres National Forest and over the ocean. There is easy access to the open ocean for sea experience and battle readiness training, which was evident in the urban war games and the beach assaults exercise run by the Navy in Monterey just a few short years ago. Where else in America do you have this kind of close proximity to facilities and training space of such varied nature, combined with world-class academic research and training? Nowhere. Thus, the third reason for why Monterey.

I know it's been relayed to you that these schools scored well in the military value, especially Naval Postgraduate School, which scored the highest of all. I believe, for brief reasons I've shared with you, that shows that there is -- there's an actual Monterey location that contributes to this high military score. It's not just rhetoric, it's the real thing.

Monterey, and only Monterey, is where all the U.S. linguists are trained. The services and DOD both train here. The intelligence community trains here. But Monterey is not only where the linguists learn languages. It is where native language speakers learn to teach languages to our military. It is especially important for you to know that the Monterey institute of International Studies is the top school in the United States for translation and

CERTIFIED

interpretation.

DLI uses Monterey Institute of International Studies to train its language-speaking experts to be language teaching experts. The close collaboration between DLI and MIIS exists here in Monterey. It doesn't exist elsewhere because MIIS doesn't exist elsewhere. That relationship cannot be replicated in any other location. So if you move or privatize DLI, you diminish its ability to provide the kind of military value it has brought to DOD and to the country for years, all because you took it out of Monterey. That's the fourth reason of, why Monterey?

Finally, the Naval Postgraduate School performs unprecedented research for all commands on demand, and particularly for field commanders. There is no A76 review process, there are no RFPs. This is, I-need-to-know-it-now-to-complete-my-mission-and-to-protect-my-troops kind of research. The Navy Postgraduate School does it. Such immediacy does not exist in private schools, nor does it -- nor is the military application primary in the civilian research process. Harvard, Yale, U.C. Berkeley and Stanford are all world-class institutions, but can anybody point to a military mission dedicated to these universities? NPS is all about military mission dedication.

I'd like to share with you an e-mail. It is an e-mail sent by Army Major Michael Aldeburgh to Dean Bob Ord at

CERTIFIED

the Naval Postgraduate School, and it was send just this last July. It reads, "Dean Ord, my name is Major Michael Adelburgh. I graduated in March 2005 from the Western European Regional Security Studies. Currently I'm serving in Afghanistan in the Office of Security Cooperation helping to rebuild and reform the country's security sector. I want to personally thank you and the faculty for the outstanding education I received at Naval Postgraduate School that prepared me for this work. Without the unique experience that the Naval Postgraduate School provided, I would be ill equipped to perform my duties to any degree of proficiency." Signed Major Michael Aldeberg, Field Artillery.

The Naval Postgraduate School provides the same kind of mission relevance in its research programs as you saw in the school this morning.

When DOD needed to improve its UVA fleet, it came to the Naval Postgraduate School. When the Department of Homeland Security needed a specialized Master's degree program to train first responders, it came to the Naval Postgraduate School. When the U.S. Government needed specialized assistance in organizing and communicating after the tsunami for its relief efforts, it came to the Naval Postgraduate School. The school got a new broad-band program up and running, specific to USGS's needs, on the spot.

CERTIFIED

Last week, when the State Department needed an exercise where, for the first time, the State Department, USAID, military commanders, both foreign and domestic, along with NGOs for the first time, international environmental -- nongovernmental organizations, needed to do a gaming of post-conflict reconstruction, they came to the Naval Postgraduate School.

Unlike private civilian organizations, NPS cannot and does not turn away requests to design or develop new engineering. There does not exist a vendor in the U.S. that can duplicate what the Naval Postgraduate School does in the professional manner it does, in the time frame it does, or to do it in the military application as they do. This is where America's brain trust resides. The Naval Postgraduate School in Monterey, and that's why Monterey.

I thank you for your attention, and hope you will consider strongly what I've said. Because it's not just the fate of these two institutions that rest in your hands, or the impact it has on our local community, but I think it's truly the safety and the defense of the military's intellectual prowess for the United States. Indeed, Monterey is important to military readiness. It's important to mission, and it cannot be duplicated anywhere else.

Thank you very much.

And now, Fred Meurer, the Assistant City Manager

CERTIFIED

of the City of Monterey wants to get into a brief discussion of business matters.

MR. BEARD: As with the Air Force Colonel during the site tour this morning, my electromagnetic field seems to be interfering with my computer, so I'm going to be controlling these from the booth in the back rather than my computer. So I will apologize in the transition when I have to ask for slide changes. First slide, please.

Also in your packet before you -- there's a hard packet that looked like this. There's a hard copy of the slides as well as excerpts from the letters from a wide range of leaders in military affairs, civilian education affairs, and national security affairs that speak to their concern, ranging from Secretary Shultz to Secretary Watkins, the former CNO, to the former president of the U.S. system and so on expressing their concern about the idea of either privatizing or realigning the schools here in Monterey. Next slide, please.

This is the Monterey crescent of some 30-plus pieces of intellectual capital that surround the Postgraduate School and provide additional capability to the faculty of those two fine institutions. Next slide, please.

The Postgraduate School -- I shaped this briefing thinking at the time that only two of the commissioners would be on the site tour. So I will blow through these

CERTIFIED

slides rather rapidly where I know you've already heard -- all four of you have already heard the information.

Basically the Postgraduate School, while it's called the Naval Postgraduate School, is really providing a defense mission. It is educating officers from all four of our services plus many of our allied nations and some DOD civilians. The key point that I hope you saw this morning is everything they do is totally focused on meeting the needs of the combatant commanders. They are taking care of trying to win today's war and also trying to take care and make sure we're ready to win tomorrow's war. Next slide, please.

The Postgraduate School itself is about 1700 resident graduate students and another 725 distance-learning students. About 60 percent of the student body comes from the Department of the Navy or the Marine Corps. A student body that is often forgotten is about 49,000 short-course students. Now that equates to approximately one hundred -- excuse me, 1000 full-time equivalents, or essentially a second student body that's often forgotten in people's analysis.

The school offers some 48 resident Master's and Ph.D. programs. And again, some sample titles, a curriculum that you're just not going to find in a civilian university. The education is also projected overseas when it needs to

CERTIFIED

be, to some 100 countries through mobile training teams.

The curriculum, as is attested to in many of the letters that you received, are just not available in public or private institutions within the United States. The very things that makes the Postgraduate School distinctive are the very things that make it absolutely essential for the combatant commander's success. Next slide, please.

From a money point of view, it receives some $76 million in direct appropriation. The Senators and others referred to the COBRA analysis. Our hint that something was wrong was when the COBRA analysis done by the Navy said that they were going to save more money than they were actually being appropriated. Complementing the $76 million is another $109 million in reimbursable and research education.

The biggest cost, though, of the education program is not for the faculty, it's actually for the students, some $170 million in salary. That becomes important when you contemplate a little later on how long it takes a student to get through Postgraduate School as compared to Stanford, Berkeley, MIT or another civilian university of equal quality.

Some 525 faculty provide this education, but in actuality, there are only 242 tenured/tenure track faculty. They are augmented by adjunct professors and so on to minimize the costs associated with education.

CERTIFIED

Some ten percent of the faculty are active-duty military. They come in with very, very strong academic credentials. They would be respected instructors or professors in any civilian university, but they also have operational expertise from just coming back from the field. And we do not use teaching assistants at the Naval Postgraduate School. There are 466 staff members that support this academic faculty and another 180 permanent party military.

Another unique thing about the Postgraduate School is that there's no summer vacation there. It is a year round operation. A couple of weeks off on the -- for the Christmas holidays, but basically, they are full up and going four quarters a year. So it doesn't make any difference when you start, you can finish on time.

I'm a product -- a military product. The Army sent me to Stanford for a one-year course. It took me 18 months to complete it because of scheduling issues associated with not enough students for the class to go. That doesn't happen at NPS. They come in and they get back out to the fleet in a hurry, they get back out to their infantry divisions in a hurry. Next slide, please.

NPS is actually providing far more than a Master's degree, and it's the "far more" that, again, very often is forgotten by analysts who are looking at these schools for

CERTIFIED

comparability of potential contracting out. The first part of the NPS mission is to take this poly sci major or literature major and get them ready to take an advanced degree -- a Master's or a Ph.D. -- in meteorology or operations research, or some other engineering and science course, a course they would not even be admitted to in a civilian university. So they have to do the skill reconstruction first. Then they actually have to provide the graduate level courses. Then they also need to provide the research topics and the professional enhancement courses for them to not only provide benefit to the combatant commanders, but to complete their own military needs. And then finally, they provide joint professional military education courses.

So a student who goes through NPS is actually going to graduate with almost a hundred -- actually a little over a hundred hours of academic credit as compared to approximately 40 hours in a typical Master's degree program. And that's because they are taking such a heavy load each quarter, approximately 64 units per year. Next slide, please.

Looking at the student body itself, it is a joint student body working with a joint faculty dealing with the nation's joint and combined issues. As you can see, the membership of the student body comes from all of the

CERTIFIED

services plus a heavy contingent from the international community. Next slide, please.

This summer, approximately 300 students were in residence from 60 Allied nations. Many of these allied students go on to become leaders of their armed forces or leaders of their nations. The King of Jordan is an NPS graduate. Next slide, please.

Military value. I remember in your first hearing, I was watching it and I believe Chairman Principi asked the Secretary, "Why didn't you close NPS." And he said something to the effect, "We could have saved a ton of money by closing NPS," and then he went on to say why the Navy leadership and the Joint Chiefs and the Secretariat said no to a Navy recommendation to close. That was because of the military value.

All you have to look at is the degrees offered and look who is sponsoring these degrees to rapidly understand that you're not going to find this academic curriculum focus on today's defense needs any other place in the United States. Next slide, please.

A great deal of what they do, you saw some of it this morning, is done in a classified world. And again, if you look at the projects and the degree, and who are they supporting, improvised explosive devices, the single most important thing a commander in Iraq is dealing with today is

CERTIFIED

being worked on right now at NPS. Ad Hoc wireless networks for PACOM, surveillance and target acquisition networks for SOCOM, and so on. These are issues that are impacting our ability to win the war on terrorism right now, and they're being worked on today.

Again, during your tour, you saw some of the projects that are underway in the classroom at Fort Hunter-Liggett, at Camp Roberts using our airspace and using our ocean. It's very hard to move our air space or our ocean anywhere, and they are very, very important components what we do at the Postgraduate School. Next slide, please.

Every bit of the research is focused on national security. You saw the virtual training technologies and how virtual training, war gaming or the games that our kids play with are actually being used as capabilities to improve the efficiency of the training in the military. You saw a set of the officers from, I think, all four services who were working together in a very joint fashion dealing with a degree in information management.

From what you saw today, you can be sure that the information management that they are doing there is totally different than the information management degree that they're getting at Stanford this afternoon. That was activities and projects focused on combatants' needs. Next slide, please.

CERTIFIED

Some of the recent initiatives -- and again, it's the responsiveness, it's the ability to turn on a dime. It's the ability to not have to go to the Faculty Senate to get permission to do this or that. This faculty, this student body is totally focused on dealing with the issues as they come up today. If you need an Iraqi voice authentication project to help deal with the prison in Baghdad requested by the DEPSECDEF, you come to NPS and they are working on it right now.

Each of these major commanders, each of these cabinet members recognize that NPS could do what no other institution in the United States could do, and they are providing those kinds of products daily. Next slide, please.

Monterey and our education activities in Monterey are the intersection of this nation's future defense and internal security needs. It's only in Monterey where we are bringing together today the needs of homeland security -- they need language, they need cultural understanding, they also need many of the same technical skills that our uniformed warriors need. Homeland Security is intersecting with the Department of State, is intersecting with the Department of Energy, is intersecting with the Department of Defense.

That is the future of our national security

CERTIFIED

capability and it is happening in Monterey today. Now, it's not happening today in Monterey because that's an institutional framework that is set up to make it happen. It's happening in Monterey today because of the ingenuity, the drive and the capability of faculty and students of the DLI and the Postgraduate School. Next slide, please.

The foundation, NPS gets a lot of money appropriated, they get a lot of reimbursable, but there are still things that need to be done. Admiral Maas and many of his colleagues have formed a foundation to further support the capability of the Naval Postgraduate School and further support the transformation of their projects and products into commercial activities for the benefit of the military. It also creates an environment where there is an incentive to invent.

Our close proximity with the high tech area up north is very valuable. A lot of people don't know that the Windows system that's not working on my computer right now -- through no fault of NPS -- was actually invented at the Postgraduate School years ago. Next slide, please.

The Defense Language Institute. The DLI is the absolute foundation of this nation's intelligence capability. It hasn't been since 1812 that we had an English-speaking enemy. And today, if we're going to win the war against terrorism and be ready for tomorrow, most of

CERTIFIED

the friends we need also don't speak English. We'd better learn how to speak their language, we'd better understand how to deal with them and how to work with them in a collaborative fashion if we are going to be safe today or in the future. DLI is at the epicenter of doing what needs to be done across this United States.

Mr. Panetta mentioned what a shame and a shambles our national language posture is right now, where DLI is out there inventing what needs to be done. They have five missions: One, teach the language. Two, because they are teaching so many difficult languages that nobody else teaches, they also have to figure out what the curriculum's going to be and so on. Once they get the people taught, if you don't use it, you lose it, so they also have to sustain the linguists throughout the United States. Next slide. And overseas.

Further, they have to establish the assessment and testing because nobody else can do it. So they're doing it for everybody else in the United States, language-testing business. And finally, they're on the cutting edge of the research that is needed to figure out how we are going to teach young Americans a foreign language that is terribly foreign to our tongue in a very short amount of time so we have enough time in their enlistment to actually put them to work with the uniform on. And finally, they have to be

CERTIFIED

ready to transform these young Americans from American citizens into American soldiers, sailors, Marines and airmen. Next slide, please.

The DLI itself, it's housed at the Presidio. It is an undergraduate university accredited by the Association of Schools and Colleges. It has some 3,600 students today, but that number -- this slide has been very hard because the numbers are changing daily as their mission grows. They teach six standard hours plus an additional hour of refresher training if needed plus three to four hours of homework each night. They work the devil out of those students.

They also provide the distance learning sustainment for every linguist in the Defense Department regardless of where they are. They have some 1200 faculty that is one of the most unique facilities in the world. Most of them were not born in the United States. Most of them were born overseas. Many of them are not even U.S. citizens. They are native-born speakers who understand the current dialects and nuances of their language. That faculty is growing to some 1600 over the next four years. They are supported by 400 staff members with an annual budget of $160 million growing to some $300 million over the five-year defense plan. Next slide, please.

The facility, there's some 1800 actually teaching,

CERTIFIED

another 300 developing the curriculum and testing and so on. As I said, 98 percent are native speakers. They didn't come here as teachers of a second language, particularly the English student. It's very hard in the outskirts of Kabul to find professors ready to teach their language in Monterey, California.

DLI goes out, finds these professionals, brings them to Monterey and, working with the Monterey Institute of International Studies, makes them highly competent teachers of a second language. They have a faculty pay system that is designed to create incentives for quality work as opposed to a pay system that is based on time in service or COLAs or anything like that. These faculty members are paid based to the quality of their students at the end of their curriculum.

There is also approximately 100 military of mid and senior grade NPOs that augment the instructors. They're linguists, but they are also mentors and drill sergeants to help with that transition from civilianhood to the military rank. Next slide, please.

I won't dwell on this. The Senators mentioned this. As was pointed out this morning, ten of those 26 Arabic linguists really didn't go to civilian college; they're graduates of West Point, so it's really a smaller number. DLI is providing essentially all of the language

CERTIFIED

capability that is necessary for the current and emerging threats to our national security. Next slide, please.

The Presidio itself, has just under 400 acres in the heart of Monterey that also has some support from some 700-plus acres remaining at the former Fort Ord. Basically the Fort Ord community provides commissary, PX and housing support for both the Naval Postgraduate School and the DLI, as well as the other military activities or DOD activities in the region. They have approximately a $40 million facilities budget.

The housing unit I know you've heard about. It is a joint project between the Navy -- and it's the only one in the United States where the Army and the Navy have cooperated to this extent. It's absolutely the key of us getting over the perception that Monterey's a high-cost-of-living area and soldiers couldn't live here. We dealt with it when the division was here.

We built 6,400 units at the former Fort Ord, the largest inventory within all of the United States. We had solved the cost of living program -- problem, rather, for our soldiers. The Presidio Navy problem is solved based on the fact that they kept 2,200 units. But more importantly, they kept the water capacity and the land capacity for future mission growth.

We have a unique relation here in the City of

CERTIFIED

Monterey. We have special legislation that was granted by the Congress on a permanent basis about a year ago that allows the commanders in Monterey to buy municipal-type services directly from the City of Monterey if they choose to do so, if -- in other words, if it makes sense. We've been doing it for a number of years with the Army. The Triple A, the Army Audit Agency, said that if you include fire protection with the base ops, it's 41 percent savings for the base ops. If you throw in fire protection, we're doing the work 49 percent more cost effectively than it was being done in the past through an ISSA, Interservice Support Agreement, with the Navy in-house workforce from the private sector. Next slide, please. They also commented on the quality, efficiency, and responsiveness of that service. Next slide, please.

There are other DOD assets that really help the combat power, so to speak, of NPS and DLI in the area. Fleet Numerical that you had a briefing on this morning; the Naval Research Lab that was referred to; the Defense Manpower Data Center, and DPSRC, Defense Personnel Security Research Center. All of these are very high-powered organizations, many of them defense activities with an incredibly talented human infrastructure that is mutually supportive in their pursuit of DOD needs. Next slide, please.

CERTIFIED

Quality of life, the housing I have mentioned. One aspect of the housing that is a little bit unique, the heart and soul of the DLI and the Postgraduate School is its civilian faculty. That faculty also needs housing. So again, through the creativity of the local -- my local counterparts at the Navy School and DLI, they have put together, with Congressman Farr's help, a project whereby they worked with the City of Seaside to do a land transfer to actually create the capability of starting to build houses that would be available for incoming staff and faculty through something that's sort of like the RCI program.

You may have heard that we had a medical care problem about a year ago with the change of the Tri-Care contract. The Tri-Care contract pays low, pays slow, and there's not a lot of incentive for the private sector doctors to participate in that program because of its tie to Medicare and the unusual Medicare rates we have here in Monterey.

As soon as we heard of that problem, Congressman Farr and Mayor Albert pulled together a meeting of all of the leadership of our regional medical community and we solved that problem. I provided your staff a listing of a wide range of practitioners who are now ready and eager to provide support and medical care for the military and their

CERTIFIED

family members.

An example of how this happened, our local hospital, CHOMP, offers a $150,000 forgivable loan to new doctors; a condition of that loan is they must participate in the Tri-Care system, an example of how this community has come behind our military. Next slide, please.

Another example that I did refer to slightly this morning, NPS and DLI both need a lot of broadband capacity beyond the normal dot mail. They need the dot E-D-U system to facilitate their offsite work. The Postgraduate School was in the process of buying the capacity they needed for $1.5 million a year. My Assistant City Manager heard of this, was aware of our capacity within the City. He was also aware of the emerging needs of DLI.

He brokered a deal whereby the DLI and the Postgraduate School have joined forces with the City of Monterey and CSU Monterey Bay to provide triple the band width that they were going to pay $1.5 million a year for, for $88,000 a year. Now that's a granularity that's won't reflect in any COBRA model, but it's an example of how the community -- the greater community works to look for ways of increasing mission effectiveness and cost effectiveness of these military missions in Monterey. The base op support that I recently, or just a moment ago spoke to also saves millions of dollars each year. Next slide, please.

CERTIFIED

Privatization. This community became very concerned when we were hearing, right up to the first week of May, that the Navy was recommending the closure and contracting out -- in other words, the privatization of NPS. We couldn't understand it because it was hard for us to believe that they didn't understand the military value of their own school.

But they were being driven by a report that said it will save over a billion dollars in the next twenty years. When you look at the model that they were using, as the Senator said, it was flawed. Now I know that you've heard every model that has ever been run, from the community's perspective, is flawed. In this particular case, we're happy to sit down with the staff and show you piece by piece where tuition was forgotten for the non-DOD -- Department of Navy students.

The law -- the BRAC law says they must consider all government agencies that are impacted, not just, in this case, the Department of Navy. It indicates the short -- they forgot the short courses, another full student body. It indicated they forgot the salary impacts, and so on. Basically their recommendation, if it had not been turned around by the Chairman of the Joint Chiefs and by the leadership of the Secretariat, it would have been a violation of the criteria regarding the military value and

CERTIFIED

actual cost efficiency. In reality, if you actually do the numbers, it would come to $142 million a year to contract out rather than the $90 million a year savings. Next slide, please.

This is a really hard slide to read and I apologize, but it basically tries to normalize tuition. It tries to say, if you spend as many classroom hours at a private university as you do at NPS, what would it cost? At NPS, it would cost $33,300 per year. At Columbia, it would cost you $70,000. At MIT, $68,000. And at Carnegie-Mellon, $58,000. George Mason, $35,000. That gives you a sense of why NPS is so cost effective. Next slide, please.

Admiral Watkins was so concerned about the idea of contracting out, he wrote you a letter just several days ago, and this is an extract of that letter. The full letter is in your packet. But basically he expresses his concern about the red herring of contracting out. Next slide, please.

Privatization doesn't make military value sense. I've beat on this already, so I won't beat on it again other than to say that the civilian education leaders have written you letters saying they cannot replicate what you do at the Postgraduate School or DLI, either in quality or in quantity. Privatization absolutely undermines military value. We did a -- we did do a study several years ago

CERTIFIED

where we sent out the -- I'll call it the resumes of an incoming class of NPS students to civilian university entrance programs, and they found that some 75 percent of those students would not have gained admission into their civilian university. NPS takes them because they are eager, they are professional, and they are ready to defend this nation. And going to school is their mission. They do it and they do it well.

Most importantly, the Navy's recommendation that was turned around would have totally lost interaction with the foreign students, which seemed to be terribly important to the former Secretary of State as well as the leadership and the Secretariat right now. Next slide, please.

This is specifically what Mr. Shultz read to you -- or wrote to you, rather, and I believe it was quoted from just a moment ago. Next slide, please.

Relocation to Ohio came up as a result of your process in Washington a few weeks ago. We believe that many of the same issues of moving to a civilian university would happen moving to Ohio. Basically, you have to dismantle and destroy what you have here and try to recreate it some place else. It won't work. Additionally, if you took the whole academic plant -- not the PX and commissary, but the whole academic plant, it would cost you almost $1.4 billion to put NPS and DLI there. Next slide, please.

CERTIFIED

If you just looked at the NPS and unifying it with AFIT, you get a potential savings of $9 million a year, but the front-end cost, some $522 million to build the new facilities, and $85 million to move gives you a hundred-year payback if ever. Next slide, please.

The Commission, in '93, actually said, there are additional opportunities for efficiencies in Monterey. They found that. There's specific recommendation? Next slide.

They specifically recommended that there be a closer base op support arrangement between the DLI and Postgraduate School. That was tried through an ISSA; it didn't seem to work effectively for either side, so that was the birth of our contract with the Army. There's probably more that could still be done. Next slide, please.

There are probably opportunities. We would never -- I mean, the Navy School, as you heard this morning, has done an extraordinary job of working with the Army, working with the City to further reduce their base ops costs. I don't think there's any way you would ever recognize the 41 percent we recognized when we first took over the Army, but there are probably additional efficiencies that could be found if they were consolidated into a single installation.

The NPS/DLI/AFIT alliance, there is an alliance there; it should be strengthened. But it is an alliance that probably would require a title change, and it may be an

CERTIFIED

alliance beyond the responsibilities of this commission. But at some point in time, there should be some look at combining the university overhead to see if there's additional savings beyond the savings that has already been recognized through the alliance amongst the schools. Whatever this Commission's recommendations, I hope you never lose touch with the fact that we must remain responsive to the war fighter needs or we're not doing the right thing. Next slide, please.

Regarding AFIT to Monterey, we have a community policy that we're not trying to recruit other people's missions. The MOU recently coordinated between the two schools we believe coordinates curriculum and research in such a way that each side is doing what is best. We should be looking for ways of strengthening the governing structures to ensure they're getting the support from their parent service as well as the support that they're currently getting from Dr. Chu and from the Joint Chiefs and from the new CNO. AFIT itself would suffer mission disruption if it were moved to Monterey. Next slide, please.

This actually addresses some of the collaboration that exists and has been formalized through the agreement. I believe last night at the reception, you met the President of the NPS Board who works closely with the President of the AFIT Board to give additional oversight on these two

CERTIFIED

curricula to make sure that they complement each other rather than compete with each other. Next slide, please.

In summary, the DLI and the Postgraduate School receive much of their mission value because of their relationship with each other, because of their relationship with the City of Monterey, and because of their relationship with a wide spectrum of human infrastructure, educational infrastructure, research infrastructure that exists within the Monterey region. Privatization of NPS or DLI would absolutely destroy their military value, at least for a period of time and would not be cost effectively.

The relocation of NPS and/or DLI to Ohio is cost prohibitive, and more important, at a time we are at war and we need linguists more than ever, we cannot be allowed to disrupt the mission that they're doing at the DLI or the mission that you saw being done at NPS this morning. There are probably opportunities to look for more efficiencies, but they wouldn't involve moving from Monterey. Next slide, please.

Finally, these would be our recommendations: Do not privatize NPS, AFIT or DLI. You would destroy military value. Do not relocate NPS, AFIT or DLI due to the cost and mission disruption. Do consider realigning the installations to look for any duplicate installation management overhead that remains. Do strengthen the

CERTIFIED

alliance, and again, look for opportunities to further create efficiencies in the university overhead.

We must remain responsive to the war fighters. I must say, I was surprised in 1993 when the Army was going to throw the DLI away and privatize it by contracting out to a private university. In 1993, it was the Defense Department, Secretary of Defense that stepped forward and said, That's a bad idea, and it didn't happen.

Again, we were surprised and dismayed when we heard that the Navy, as an organization, was recommending the privatization of this school up until early May. Again, it was the Secretary of Defense's office, it was the Joint Chiefs that said, this doesn't make sense. We can never forget the war fighter. Good luck with your considerations. That's all I have, unless you have questions.

ACTING CHAIRMAN COYLE: Mr. Panetta, there isn't a lot of time left, but did you have a statement you wanted to make?

MR. PANETTA: Sure, but I think I've already made my statement. I really do want to express my thanks to all of you for the service you're providing. I know you've taken a lot of time.

This is a tremendous responsibility that you have, but I thank you for taking the time to come here, to visit these facilities. And I just urge you to consider the

CERTIFIED

arguments that have been made because I think they're right on point.

Hopefully, you will consider them in ensuring again that the work of the BRAC commission results in improving our national defense.

ACTING CHAIRMAN COYLE: It's been our pleasure, and thank you very much. We may have a couple of questions.

Mr. Muerer, yesterday I think it was, the "Monterey Herald" had a comparison of the costs -- housing costs, I believe it was, between Monterey and Ohio. Would you say something about those cost differences? That's one question I have.

And the second question I have is, could you say something about what you think the Title 10 changes would be that would be required for the opportunities that you mentioned?

MR. MEURER: Thank you, sir. On the housing costs, I actually wrote an e-mail to the reporter saying I wish she had checked her numbers with myself. I know they would be, and I know Admiral Maas wrote a similar letter because -- you can do almost anything you want to do with numbers. What you really have to do is what that one slide does, is you have to essentially start unitizing to make sure you're comparing apples and apples or you can come up with something else.

CERTIFIED

We do have a reputation for providing a high-cost-of-living area, but we believe that the RCI program has taken care of the bulk of that problem. I think if you ask the people who are serving here, they will tell you that their quality of life is quite high even though they're enduring a very, very difficult curriculum regardless of which school.

In terms of the Title 10, right now, you have the Postgraduate School that is a Navy school that is providing a much wider mission to the other services, to the other departments within the government. DLI, on the other hand, is a DOD school with the Army as an executive agent. As I mentioned earlier, over the past years, each service has tried to unload that educational responsibility.

So the question is, is it time -- because each time, it has been at the Secretariat level, at the DOD level where the people have stepped forward -- right now it's Dr. Chu that is driving the train, the DEPSECDEF is driving the train on the expansion of language capability. It seems to be at that level that you get the most long-term interest.

Now, we have leadership in the services that come and go that have various levels for the schools, so it would be -- I think it would be a recommendation to just -- what would be the best long-term way to ensure that we have long-term support and long-term resources to these schools to do

CERTIFIED

this critical mission.

CONGRESSMAN FARR: Mr. Chairman, I might add on the cost, there's a lot of other federal entities that are here. This is not only the Navy and the Army, but the Manpower Development Center is here for the Department of Defense; Fort Hunter-Liggett, the BRAC is increasing and bringing more personnel to the southern part of the county. The Navy Lab is here, Fleet Numerical's here. Numerous civilian entities are here as well, so as far as federal costs are concerned, you really have to compare those as West Coast costs versus Midwest costs. I don't think there's any more expenses living anywhere in California along the coast or in Oregon or in Washington, for that fact. That they are essentially -- it is more expensive on the Pacific Coast compared to the Midwest, but no more expensive than the East Coast, or in Florida in other areas in the sunshine state.

ACTING CHAIRMAN COYLE: Are there any other questions? Mr. Bilbray.

MR. BILBRAY: Yes, Mr. Chairman. I first would like to say it's nice to be back in Monterey to spend some time here. The last time I was here, I won't even tell you. But the 6th Division was at Fort Ord, and I was crawling through an infiltration course for -- I think I'm still out there. But it's a beautiful community, and I was very

CERTIFIED

impressed with the -- both institutions we saw today.

I almost got to the Defense Language Center. By a mistake in processing, they brought me there and sent some other guy to a basic training company, but he squealed so loud, they finally pulled me out of there.

But I'm very impressed and I want you to know that I -- I can't say what the Commission's going to do, but I really feel in the long run, it looks fine for Monterey. (Applause.)

COMMISSIONER GEHMAN: Thank you very much for your statements, ladies and gentlemen. Help me through two issues.

One is, by the statistics that we've seen today and that were presented today, it appears that about 40 percent of the total expenditures or operations at the Naval Postgraduate School are provided by the Department of the Navy and about 60 percent come from other reimbursable kinds of activities. And that about 47 percent of the students are Navy officers and 13 percent are Marine Corps officers, so 60 percent -- well, take it the other way, 40 percent of the student population are not Naval, in the Naval Postgraduate sense and about 360 students from 60 different countries are in residence here.

So it would not be too much of a stretch to call this the Department of Defense Postgraduate School. Is

CERTIFIED

there any merit in pursuing that?

MAYOR MEURER: Sir, it all depends on who you ask. Some would say it's dumber than dirt; others would say it's a good idea. You actually have letters from people with far more expertise than I to address that, people with academic background. You have a letter from Ray Clifford, the former Provost, who would like me to say yes. If you did a quiet survey the faculty at the Postgraduate School, you would probably get a yes. If you talked to General Bob Guard, the former president of NDU, the former president of MIIS, former member of the NPS Board, he would probably say yes.

But there are also a wide range of other folks of high rank and high prestige who have great concern that it would cause loss of focus.

MR. GEHMAN: It would cause what?

MAYOR MEURER: A loss of focus on the needs of the Navy. But as you so clearly point out, it really is a defense operation. The Navy's actually getting a hell of a good deal in terms of how much are they paying versus what's the total amount of money going into that school.

MR. PANETTA: Could I comment? When I was in the Congress, I actually introduced legislation to establish a National Defense University that would, in fact, bring together those responsibilities, because I think -- you know, obviously, both of these facilities, DLI and Navy

CERTIFIED

Postgraduate School, provide their curriculum not just to the branches that run the schools. They provide it to all of the branches plus, as you said, to foreign students as well at the Navy Postgraduate School.

And they really do serve a larger defense mission by virtue of what they do. The problem is, as always, when you get into the turf wars, when you immediately touch -- start saying to either the Army or the Navy, you know, We'd like to bring this together, then they automatically go into defense mode. Even though, to a large extent, they haven't been that supportive to the mission to begin with, but when you threaten their turfs, then they suddenly become very supportive of the mission. And so that's the problem we're dealing with right now.

MAYOR MEURER: In 1996, there was actually an OSD DOD decision -- I forget, I think it was 719, something like that -- that actually looked at the unification. And they finally came to the conclusion that while the Army had just put -- or just finished putting DLI on the closure list and was essentially selling the mission to others, they couldn't agree with the Navy in terms of what would be the level of reimbursement to the Navy from the Army budget if they were to all go under a Navy operation, and it fell apart at the last minute.

CONGRESSMAN FARR: When the Defense Department

CERTIFIED

took over the Army Language School, they kept the Army as the executive agency. I think that the fact that other departments, such as the Department of Homeland Security, now the Department of State, have been coming to the university -- to Naval Postgraduate School to essentially do this cross-training of civilians, they're moving in that direction, although I'm not sure you'll get a better bang for the buck making it a national university.

COMMISSIONER GEHMAN: Thank you very much. And my second question is -- and once again, this is probably not the right audience to ask this question to, but anything that you can add would be helpful.

The speakers this morning and also yourself mentioned this thing called the Joint Oversight Board, which is an effort -- an ad hoc, informal effort between the leadership of AFIT and Wright-Patterson and the Naval Postgraduate School to reconcile course curriculums that are -- seem to be duplicate and things like that. And it's a voluntary kind of an organization with no -- no authority.

But it does appear that perhaps if something somehow enhancing the role of the Joint Oversight Board, or giving it a little bit more -- maybe putting a little more energy into it might be a useful realignment.

MAYOR MEURER: Sir, I think we probably ought to provide you something for the record, but it might be a

CERTIFIED

stronger board if, in fact, you actually had representatives from Congress, folks that actually have to fund the mission and it became more official. Obviously it's official when the Secretary of Army and the Secretary of Air Force come in agreement, it sounded official to the two institutions, but there probably could be more effort and officialdom associated with it. But I really would defer to the Postgraduate School and AFIT to comment.

ACTING CHAIRMAN COYLE: Mr. Chairman, I just want to say, I think the City of Monterey and its City Manager deserve a lot of credit for finding innovative ways of supporting DLI and the Postgraduate School. Perhaps there are other examples of that around the country, but this one seems especially effective. I think you've done a great job there.

Thank you all for your testimony. (Applause.) And thank you also for your support for this hearing. Thanks a lot.

Now we will have the Navy Broadway Complex Panel next.

ACTING CHAIRMAN COYLE: Miss Wright and gentlemen, I understand you've already been sworn in earlier; is that correct? And if you don't mind, I think we'll start and let the other two commissioners catch up as they can. So I think we'll start. And I don't know who's leading off here

CERTIFIED

for the group, but, please.

MS. WRIGHT: Good afternoon, Mr. Chairman and Commissioners of the 2005 Defense Base Closure and Realignment Commission. Clearly we've lost some of our audience; I guess they're not worried about San Diego, but -- well, good. Thank you for staying.

My name is Julie Meier Wright, and I'm the Chief Executive Officer of the San Diego Regional Economic Development Corporation and the City of San Diego's representative in matters concerning the 2005 round of defense base closures and realignments.

With me today is Pete Hackman, Vice Admiral (Retired), who has been a member of our BRAC San Diego Steering Committee and is also a member of the Governor's BRAC Advisory Council. And Bill Cassidy, Former Deputy Assistant Secretary of the Navy, and who, for the last two and a half years has been our technical consultant on matters related to the 2005 round of BRAC; and Mr. Peter Hall, who is the President of the Centre City Development Corporation, and I'll introduce him in a couple of minutes.

Thank you for inviting us to appear before the Commission at this regional hearing to present the City of San Diego's position concerning the Navy Broadway Complex in response to the Commission's July 19th decision to consider the Complex for addition to the list of military

CERTIFIED

installations being considered for closure or realignment.

In the interest of time, I would ask that our written testimony be made part of the official record, and my comments will be more brief.

We're here today to ask that the Commission accept the Department of the Navy's decision to address disposition of the Navy Broadway Complex outside the BRAC process. Thus, we ask the Commission not to add the Broadway Complex to the list of military installations being recommended for closure and realignment.

And, at the outset, I want to affirm the City of San Diego's complete and unwavering support for the Department of the Navy and the Department of Defense throughout the 2005 round of base closures. In all of our discussions with the Navy and with the Office of the Secretary of Defense over the last two-and-a-half years, we conveyed the same clear message: San Diego believes that every Navy and Marine Corps installation in our region contributes high military value to the nation's defense, to the Department of Defense's transformation initiative, and to the Pentagon's efforts to establish joint military activities wherever possible.

We have consistently expressed our interest in the Department of Defense basing more forces and activities in the San Diego region. We believe that our case was well

CERTIFIED

received, as reflected in the Secretary of Defense recommendations of May 13, 2005 to the Commission. No Navy and Marine Corps bases and no major activities in San Diego were included on the 2005 list from the Secretary, and moreover, additional forces and activities, including about ten mine-warfare ships, would relocate to San Diego under the Secretary's recommendations.

On July 1, the Chairman of BRAC Commission sent a letter to the Secretary of Defense concerning possible additions to the list of installations to be considered for closure or realignment. They asked him to explain why 12 installations that the Commission identified had not been included on the Secretary's May 13 list. Two installations in San Diego, Marine Corps Recruit Depot, San Diego and the Navy Broadway Complex, were among the installations that the Commission identified in its July 1 letter.

On July 14th, 2005 the BRAC Commission held a public regional hearing in Los Angeles for California communities potentially affected by base closures. As the City of San Diego's representative, I led a presentation at the regional hearing on these two installations, and on July 19th, the Commission voted to remove one of these installations, Marine Corps Recruit Depot, San Diego, from further consideration.

So today, I'd like to focus on the Navy Broadway

CERTIFIED

Complex and provide additional perspective concerning the discussions that have occurred within the San Diego community and within the Department of the Navy over the past month, and address the conclusions that were reached as a result of the Commission's inclusion of the Navy Broadway Complex on the list.

Participants in the BRAC process, both in San Diego and in Washington, I believe, gave this alternative full and fair consideration. But after evaluating each of the alternatives, both the Department of the Navy and the City of San Diego concluded that we should not proceed under the BRAC process for three reasons that I want to discuss today.

First, the Navy Broadway Complex has high military value under the selection criteria set forth in the Defense Base Closure and Realignment Act of 1990 as amended through the National Defense Authorization Act for Fiscal Year 2005. It is not excess property. Consequently, it's not a proper candidate for closure or realignment in BRAC 2005.

Second, the legal requirements for disposing of base closure property introduce risks for both the Navy and for San Diego that could adversely affect both the Navy's ability to gain sufficient proceeds from the 1992 Broadway Complex Development Agreement in order to build a new headquarters for Navy Region Southwest and related

CERTIFIED

activities, as well as for the City's ability to achieve its planned redevelopment of the downtown waterfront area along San Diego Bay, which is the area known as the North Embarcadero.

And third, there's an alternative approach that both the City of San Diego and the Navy prefer, and it is embodied in the 1987 federal statute that authorized the Navy to participate in the redevelopment of the Broadway complex property, and the 1992 Development Agreement and Entitlements. This approach better serves the interests of the Navy and of San Diego, and continues a very long tradition that the Navy and the City of San Diego have established of working together on real property matters to achieve solutions that serve both parties.

Peter Hall, President of the Centre City Development Corporation, which is locally known as CCDC, is the City of San Diego's Redevelopment Agency, and he has joined me in Monterey today. CCDC has a 30-year track record of great success in redeveloping property in the City of San Diego, and that includes working with the Navy on real property issues similar to those presented today by the Navy Broadway Complex.

So I'd now like to introduce Mr. Hall, who, with the assistance of a Power Point presentation, will describe the ways in which the City has worked with the Navy on the

CERTIFIED

Navy Broadway Complex matter. Peter.

MR. HALL: Thank you, Julie, and thank you, Members of the BRAC Commission.

I'm pleased to highlight redevelopment in San Diego and our long and fruitful partnership with the Navy. The Navy Broadway Complex is outlined here in red. Next slide.

CCDC, or Centre City Development Corporation, which is its formal name, was created by the City of San Diego in 1975 for the sole purpose of redeveloping the 1500-acre downtown. We are not a private developer. Centre City Development Corporation is a wholly-owned, non-profit subsidiary of the City, which, amongst other responsibilities, acts as the planning authority for downtown San Diego.

We are the appointed representative of the Mayor and City Council to act on the City's behalf with respect to the redevelopment of the Navy Broadway Complex. Our business model has been to facilitate public-private and public-public partnerships to implement our downtown's redevelopment. Next slide, please.

Over the past 30 years, redevelopment has had a dramatic effect on our downtown. The economic gains from redevelopment have reverberated throughout the City, providing a solid base that anchors the region. Today

CERTIFIED

downtown San Diego is becoming an urban success story. Next slide, please.

I would like to give a brief history of the Navy Broadway Complex and the development agreement between the City of San Diego and the United States of America that entitles this property. Next slide.

In 1987, the Navy and the City of San Diego received Congressional authority to plan for, lease and redevelop the site which would meet the Navy's future occupancy needs as well as the City's redevelopment goals of creating a variety of uses along our waterfront. To help facilitate this joint venture, a Memorandum of Understanding was reached between the City of San Diego and the Navy. Next slide.

In that same year, the San Diego Association of Governments, or SANDAG, created the Broadway Coordinating Group, which included our partner, the Navy, to help plan the area's buildout. During the ensuing five years, this joint effort resulted in a redevelopment plan meeting our respective interests and needs. Next slide.

In 1992, after five years of planning with a collaborative basis, the City and the Navy reached an agreement concerning the Navy Broadway Complex resulting in full entitlement, including urban design guidelines for the Navy Broadway Complex project. Coincidentally, this marked

CERTIFIED

the beginning of a national recession that hit San Diego particularly hard.

But of great significance, this plan has received approval from the California Coastal Commission, the California Environmental Quality Act, CEQA, and the National Environmental Policy Act, NEPA. Next slide.

In 1998, the Department of Navy and the City of San Diego, along with San Diego Unified Port District and the County of San Diego, completed another significant joint planning effort, the North Embarcadero Visionary Plan, affecting this property. This mile-and-a-half, $250 million plan for rebuilding the public space from the airport to Seaport Village will make the Navy Broadway Complex development the anchor for the entire western waterfront. This multi-agency agreement is the lynchpin of one of the last great waterfront development projects on the West Coast. Next slide.

Currently we are completing the community plan update for our city, and it will be approved a little later this year. The plan outlines the next 30 years of urban development for our downtown, and includes this North Embarcadero Visionary Plan and the Navy Broadway Complex. Next slide.

My point to all this is that there has been a tremendous amount of effort and public investment of the

CERTIFIED

Navy and the citizens, and the City of San Diego including public outreach and consensus building, that have gotten us to where we are today. Both Navy priorities and the office market conditions have aligned for the completion of this effort.

Today, the time is right, and we and the Navy are ready to move forward pursuant to our 1992 agreement.

Current market conditions are ripe for an RFP process to dispose the property to a private developer which would generate sufficient funds for the Navy to construct suitable headquarters for Navy Region Southwest here or inside the fence of an existing military base to fulfill the goals and commitments of the past years of work. Next slide.

The 1992 Development Agreement, which I previously mentioned, contains stipulations for maximum allowable uses at the site, which include a variety of product types to stimulate the local economy, improve the quality of life downtown, and provide for the Navy's needs. Fine-tuning of the product mix and design elements will accommodate current market conditions and changing community needs. Next slide.

The development agreement contains fairly stringent design guidelines that provide for architectural standards, street-level frontage, form and scale, access,

CERTIFIED

parking and landscaping to enhance both the development and the public amenities of this very significant project. And we are sensitive to and recognize the need to work with the Navy to accommodate its post 9-11 security needs. Next slide.

I also mentioned how this project anchors and is critical to the North Embarcadero Visionary Plan, previously approved by all five agencies including the Navy. This waterfront area is a critical part of the completion of downtown San Diego's redevelopment. And as you can see, the Navy Broadway Complex site is a crucial part of this grand plan for our city's front porch. This project will remake our western waterfront on a dramatic scale. And as a Navy town, it should include the Navy. The North Embarcadero Visionary Plan has recently received a hundred percent design approval. This is a great example of interagency cooperation for the public good. Next slide.

As mentioned earlier, the City of San Diego and the Department of the Navy have a long history of cooperating in matters involving real property. Much of our waterfront was formerly Navy property, and through highly productive partnerships, we have benefited both the Navy and our City. For the Navy, property transfers resulted in expansion of Naval Station, San Diego, allowing the Navy to build additional piers to the south end of our waterfront

CERTIFIED

along with support and training facilities.

For San Diego, as you can see on this slide, the partnership has resulted in important new public and private developments for the City: a modern, state-of-the-art convention center, several waterfront hotels, public parks and marinas. Most recently, the conveyance of the Broadway pier from the Navy to the Port of San Diego has resulted in a wonderful new public space, enabling the establishment of the USS MIDWAY Naval Museum, which, in its first year, attracted over one million visitors.

We ask that you allow us to build on this record of success by moving forward under the provisions of the 1987 federal statute and the 1992 Development Agreement with the City and its crucial entitlements, both major milestones that are reflected in the 1998 North Embarcadero Visionary Plan and today's updated Community Plan. Our partnership with the Navy has been a major success, and we ask that you allow it to continue. Thank you.

MS. WRIGHT: Thank you, Peter. I believe that Mr. Hall has outlined the tremendous investment to date, as well as a clear process for moving forward. So now I'd like to elaborate briefly on the reasons why San Diego supports the Navy's decision to proceed under the 1987 statute rather than under the Defense Base Closure and Realignment Act of 1990, as amended.

CERTIFIED

First, under the selection criteria for closing and realigning military installations in the 2005 round of BRAC, the Navy Broadway Complex has indisputably high military value and is an essential component of the Force Structure Plan. It serves as headquarters for Navy Region Southwest and is the office for Fleet and Industrial Supply Center, San Diego, and the Naval Facilities Engineering Command, San Diego, Southwest Division. The Navy Broadway Complex clearly meets the selection criteria's definition of high military value as set forth in the statute and is not excess property.

Second, compared with the provisions of the 1987 federal statute, which were tailored specifically for the redevelopment of the Navy Broadway Complex, the property disposal process that is mandated by the Defense Base Closure and Realignment Act of 1990, as amended, presents risk to both the City of San Diego and to the Department of Navy.

The first risk is the introduction of unnecessary and additional delay to the redevelopment of the Navy Broadway Complex. While both Navy concerns and real estate market conditions have caused much of the delay to date -- and I would say parenthetically, as a benchmark to this, San Diego, only in the last year has built any new Class A office space downtown since the early 1990s for the same

CERTIFIED

market conditions. But the legal requirements of the BRAC process for property disposal introduced the likelihood of significant additional delay in redeveloping the property because the BRAC property disposal process first would require the Navy to offer the property to other DOD agencies, and then to other federal agencies, and then the Navy would thereafter have to consider requests by other public and private entities for a public benefit conveyance of the property at the Broadway Complex, all or part of it. And all of these processes have statutory and regulatory time lines, but they can, upon request, be extended which would add further delay to the date when the property would be available for redevelopment.

By contrast, the 1987 statute, in concert with the 1992 Development Agreement and Entitlements provide a clear path to redevelopment. Third, the market value of the property may be placed in jeopardy. If some or all of the Navy Broadway Complex property were transferred to another federal agency in response to a Request for an Interagency Transfer of Surplus Federal Property, and if a waiver of the payment of fair market value were granted to the requesting agency, or if some or all of the property were conveyed to another public or private entity by way of a no-cost public benefit conveyance, the market value of the Navy Broadway Complex would be introduced.

CERTIFIED

And the result could be that the Navy wouldn't gain sufficient, or perhaps not gain any, revenue from redevelopment of the remaining Navy Broadway Complex property with which to build a new headquarters for Navy Region Southwest, and its associated Navy activities.

Fourth, the 1992 Development Agreement and Entitlements would be placed in jeopardy. The BRAC process could not only be time-consuming, but also could result in the division of the Navy Broadway Complex property among several owners. And such an outcome would adversely affect redevelopment of the City's North Embarcadero waterfront area in conjunction with the Development Agreement and Master Plan. It's possible that in the BRAC disposal process, the 1999 -- the 1992 Development Agreement and Entitlements could be revisited and changed, or even abandoned.

Additionally, the BRAC process would afford those who seek to gain ownership of property at the Navy Broadway Complex and those who seek to limit that property's future uses, opportunities to seek to preclude the redevelopment that is currently envisioned and planned by the five parties to the North Embarcadero Visionary Plan, who are CCDC, the Navy, the City, the County and the Port, a really tremendous public-public alliance.

And as you heard from Peter, this has been

CERTIFIED

reaffirmed in the City's General Plan update with the Community Plan just being completed through the leadership of CCDC.

And fifth, to our knowledge, there are no other suitable Navy-owned facilities in the region that have sufficient available space to accommodate Navy Region Southwest staff and the other activities that presently occupy the Navy Broadway Complex.

There is a reasonable alternative that the Department of Navy and the City of San Diego prefer, and that's the 1987 federal statute, which was specifically enacted for the Navy Broadway Complex. The 1987 federal statute authorizes the Navy to participate in redevelopment of the Navy Broadway Complex and remain on the property. And combined with the hard-fought Development Agreement and Entitlements, which resulted from extensive public consideration and rigorous federal and state agency review, as you heard from Mr. Hall, this 1987 statute provides a clear and readily available means to accomplish the goals of the Department of the Navy and the City of San Diego for redevelopment of the Navy Broadway Complex.

You know, the July 1 letter from the Chairman of the BRAC Commission to the Secretary of Defense and the July 19 decision of the 2005 BRAC Commission to consider the Navy Broadway Complex for closure or realignment served to

CERTIFIED

catalyze very important discussions both in Washington and in San Diego. These discussions focused on the different elements and legal requirements of each of the two federal statutes under which the Navy Broadway Complex could be redeveloped.

And I believe that both statutory authorities were fully and fairly considered with two goals in mind. These goals were to gain a modern and secure new headquarters for Navy Region Southwest and the associated Navy activities there, and to redevelop the North Embarcadero area according to the plan developed by the partners in the North Embarcadero Alliance.

The public discussion precipitated by the BRAC Commission's July 1 and July 19 actions engaged all who have an interest in the future of the Navy Broadway Complex, and we want to thank you for that. That was very important. We objectively considered all the opinions and concerns expressed by the broad range of participants in these discussions. I believe the Department of the Navy and the City of San Diego truly seek to achieve both the Navy's goal of gaining a new modern and secure headquarters for Navy Region Southwest, and the City's goal of revitalizing its waterfront by completing the last link in the North Embarcadero Visionary Plan.

The City of San Diego supports the Department of

CERTIFIED

the Navy's decision, and, therefore, the City of San Diego respectfully asks the 2005 Defense Base Closure and Realignment Commission to accept the Department of the Navy's decision to proceed outside the BRAC process with respect to the Navy Broadway Complex and not to add the Navy Broadway Complex to the list of installations that the Commission recommends for closure or realignment in the 2005 round of defense base closures and realignments.

Thank you very much for this opportunity to present the City of San Diego's position during the 2005 BRAC round to all of you. Thanks very much.

ACTING CHAIRMAN COYLE: Thank you. Are there any other comments from anybody else on the panel to be made at this time?

MS. WRIGHT: They're available to answer any questions you have.

ACTING CHAIRMAN COYLE: This commission has -- in past hearings, the members of this Commission have said that they think it's important for our military to benefit from the sale or transfer of properties. So I think on this Commission there is considerable support for the idea that, in this instance, the Navy should benefit as should other services in the case of other properties.

But there's two ways for -- in this case, there's two ways for the Navy not to benefit. One is to do it the

CERTIFIED

wrong way, as you've pointed out. The other is to not do it at all. And as our Chairman pointed out the other day, it's been nearly twenty years.

You say that the -- that the 1992 Development Agreement might be placed in jeopardy. It appears to me that it's been overtaken by events -- the 1992 agreement has been overtaken by events. Namely, the Navy saying just last week that they now wanted to lease the property and didn't want to transfer it. Do you have a comment about that?

MS. WRIGHT: Well, the 1987 statute provides for leasing, and there are many ways leases can be executed, and Mr. Hall may want to comment further on that. But we simply see that as a much clearer and more certain path to redevelopment.

I would also point out that in the early '90s, just about the time that this development agreement and entitlements were executed, California was in the midst of losing 750,000 jobs; in the San Diego region, 58,000 jobs. And so I think one of the major reasons that this has not moved forward and been executed already is because the market demand wasn't there.

The beauty of your raising this question at this time and the intense analysis of the operation -- of the options going forward has really put us in an ideal position to execute the 1987 agreement and the Development Agreement

CERTIFIED

and Entitlements with no risks to any of them in going forward.

ACTING CHAIRMAN COYLE: Well, I understand the economic conditions in the early '90s. But do I have it correct, is the '92 agreement overtaken by events? Did it contemplate a lease?

MS. WRIGHT: Yes. Peter, you might want to comment on it.

MR. HALL: Not only did it contemplate, that was the fundamental structure derived from the '87 authority. So it is anticipated that this property will be disposed of through a lease just like all of the adjacent properties along our waterfront are under the State tide lands. If you look at our hotels, cruise ship terminals, all of the property at the waterfront is under State Lands control and is exactly that. It's leasehold, long-term leasehold. And I believe that the economics of a long-term lease, prepaid, will be very similar to the economics of a sale.

ACTING CHAIRMAN COYLE: Perhaps I misunderstood, but I thought one of your charts said that '92 agreement intended full entitlement of the City.

MR. HALL: Full entitlement by development rights, not full entitlement of ownership.

ACTING CHAIRMAN COYLE: Thank you.

MR. HALL: It will still be redevelopment property

CERTIFIED

that way.

ACTING CHAIRMAN COYLE: Mr. Hansen.

CONGRESSMAN HANSEN: Thank you, Mr. Chairman.

We visited with the Navy last week, and it was very educating to hear what had gone on for the period of time. The Admiral was pointing out the various things that occurred, and it kind of tied in with what you had, Mr. Hall, on your flow chart.

We got the impression that the Navy wanted to stay there. They wanted to be part of this. They could see where the value could be kind of divided up among the City and others, and it was -- just kind of lended itself to be Navy anyway, being in a Navy city, especially with the MIDWAY across the street and all that type of thing.

The conclusion of it, though, definitely came down to the idea where they, in a very diplomatic way, said, Why doesn't the Commission butt out of this thing and let us finish our work? And basically it seemed to me a very reasonable approach they came up with.

On the other side of the coin, your flow chart just picked up on what Mr. Coyle was talking about: Why does it take so long? It's gone on and on and on, and it just doesn't seem like anyone took it too seriously. We suggested to the Navy that, in our language -- and this was -- and I don't know how the Commission will finally come

CERTIFIED

down. But at the time, we left with the impression that we suggested to the Navy that, Fine, we'd do that. But, as you know, our report, it goes to the President on September the 8th, and then it goes through the rigmarole of the 45 days to the Congress, and 15 days back to the President. And if it survives all that, which the last four rounds have, then it becomes the law.

But we suggested that report, which would become statutory law when voted on by both the House and the Senate and signed by the President, we put in it a limitation, saying, in effect, we're going to spur you a little bit and we're going to put a time length in there. And if that doesn't come about, there'd be a revisionary clause in it that it would go back to the thing that you were all alluding to of where the property would go.

As you know, there's certain statutory provisions for the property that can be carried out, and most of them, I don't find too desirable, but, you know, there's one for homeless people and one for a penitentiary and one for a lot of things which I don't think you would find too desirable, especially in that spot.

But, how does that seem to you? Would you find that -- if the Committee did that -- and I can't speak for the Committee, I'm only one of nine. But if the Committee did that, how would that affect you? But the second part of

CERTIFIED

that question's pretty obvious, and what length of time would you think would be good?

MR. HALL: On the first issue, as you know, as you're aware, the Navy, in fact, had carpe diem. I mean, they were out with an RFP ready to hit the market when the BRAC process got started. The stars have aligned. It takes five years in California on coastal properties -- and that's an efficient process to get entitlement. So I really think the benchmark is '92, because that was the first time where they could do anything.

In 1992, we were in free-fall, and it resulted in over 30 percent vacancy in the office market in San Diego. Julie commented the other day, the very first new high rise office building will open up later this year, in 15 years! So they have a year-and-a-half ago started -- or a year ago started the process for the RFP. And notwithstanding your responsibilities, I would hope that we would be able to see that RFP go back into the market, post the BRAC hearing process, and move it forward as, you know, bringing the private sector to bear on the property.

As far as the time line question, well, if we are moving forward the RFP, we fully expect over the next, you know, year to two years everything to be in place and executed. I think that's a reasonable expectation for a military disposal process.

CERTIFIED

CONGRESSMAN HANSEN: Would you be amicable to one that had a statute of limitations, not to the completion of the work or the property, but the completion of the agreement?

MS. WRIGHT: Let -- let me --

CONGRESSMAN HANSEN: I mean, signed, sealed, delivered, legal. All that stuff.

MS. WRIGHT: Let's me say, there's already an incentive for the completion of the agreement because the Development Agreement and Entitlements expire in January of 2007. So I believe that the Navy heard you loud and clear when you asked the question, and that was a very valuable contribution to the process.

I'm quite satisfied that everyone is paying attention to moving this process forward, but most importantly, that the market is aligned in a good way to achieve maximum value for the Navy. I think that is sufficient incentive to get moving as quickly as we can.

CONGRESSMAN HANSEN: What's the date of your agreement, the date you just gave us?

MS. WRIGHT: January 1, 2007.

CONGRESSMAN HANSEN: January 1, 2007,

MS. WRIGHT: The development agreement and the entitle --

CONGRESSMAN HANSEN: -- says what?

CERTIFIED

MS. WRIGHT: -- that that is the expiration date of the Development Agreement and Entitlements. And let me say -- I don't want to say this, but as a former Secretary of Trade and Commerce for California, one of the biggest challenges we face is recalibrating that clock to zero and starting over through the Coastal Commission and CEQA and NEPA when, in fact, we have a very current community plan that anticipates the development that's outlined in this development agreement.

CONGRESSMAN HANSEN: Well, I can well understand that.

MS. WRIGHT: So we are very incentivized to move forward.

CONGRESSMAN HANSEN: I see. Well, maybe if we gave you one more incentive with the same date on it, it would give you a real incentive to get moving on this thing. Thank you, Mr. Chairman.

ACTING CHAIRMAN COYLE: Thank you, Commissioner Hansen.

Commissioner Bilbray, any questions?

COMMISSIONER BILBRAY: Yeah, I got it.

First, I want to make it clear to the people of San Diego I'm not Brian Bilbray, I'm James Bilbray. He's younger and a Republican and he represented the San Diego area, not the Las Vegas area. So don't blame Brian for my

CERTIFIED

comments.

What I wanted to ask is on the same line as Congressman Hansen asked. We got the impression at that meeting with the admirals that there was kind of like, you guys don't know what you're talking about. You're not bright enough to understand all this, and -- which is not a very good comment to make to the Commission.

But the fact is that I think that we want some sort of pressure on them, not just from what we said today. This BRAC is going to end in about 30 days, and there may not be another BRAC for ten years. If Senator Warner has his way, there will never be another BRAC.

But what happens when we go out of existence and we haven't put any pressure on them, and the Navy now has been, since '87 -- and I understand there was an economic downturn, but that's what, 19 years or 18 -- 17 years since they first started this negotiation. And I think Chairman Principi was really strong on this feeling that he was an officer in the Navy that helped draft the '87 agreement, and was in shock, really, or angry, at the fact that nothing has happened in that period of time.

I think there was a strong feeling within this Commission that we want to put some sort of leverage on the Navy to make sure that they go forward and get this agreement done. And I think that's why Commissioner Hansen

CERTIFIED

pointed out, what's the reasonable time to put it? Two years? At the end of two years, if no agreement has been made to develop this property, that the facility will be closed? And that's what the question is, two years, 18 months, 20 -- 30 months? We want some sort of pressure on it. I think that's where we're leaning. I can't speak for everybody else on the Commission, but just hearing what other people have said, I got the feeling that there is some support for the Chairman on this provision.

MS. WRIGHT: Let me just say -- I want to go back and revisit. The five years to reach this Development Agreement and Entitlements, which includes an inordinate number of public hearings and all of these regulatory processes is actually a good time line for property in Coastal California.

The market in '92 tanked, and I think the most compelling thing that we can say to you is that despite the fact that the residential market in downtown San Diego has exploded, and that the economy has been strong.

And that San Diego has actually done better than California and better than the nation throughout the early 2002 recession is that there was just not demand for the kind of property represented in this Development Agreement at the Navy Broadway complex. And, therefore, if the Navy had seen fit to proceed, they would have realized far less

CERTIFIED

money than they would have by waiting until the market timing was right.

With great respect to the Commission, I believe that if the Commission says nothing, that this community and the Navy are ready to more forward aggressively to take advantage of the market window that's currently open and to get things done before the Development Agreement and Entitlements themselves expire in about a year-and-a-half.

COMMISSIONER BILBRAY: I want to make a comment on that. Since 1998, I have been involved on a voluntary basis with the Chamber of Commerce as First Chairman of the Military Affairs Advisory Committee to the Chamber, also Chairman of the Infrastructure Committee which facilitates the transfer of property, amongst many other things, between city agencies, other military agencies, the authorities, et cetera. There's something like 17 different pieces of property being considered and moved around at this time. And I do that just on an unofficial basis.

I've been working with the Navy on this piece of property, and the Navy's reluctance to move ahead because of this economic downturn in there because they could receive no value to the property. They had to wait until there was a time when the value of this property with the markets reached a point where it became advantageous, a win-win situation for both sides, in order to move ahead. We were

CERTIFIED

at that point until I was called by the Navy about a year -- was it 15 months ago, Peter? To back away because we had the RFP ready to be issued, to back away from the process in deference to the BRAC process because it -- the Navy said it would be seen as a predisposed disposal, or a transfer of property ahead of the BRAC process. So it was a delay caused by that.

But the original delay back in there when we were ready to go was the fact that the Navy could achieve nothing out of a transfer at that time because there was no economic value attached to the property. So there was quite a loss there. I will just pass that on as having worked in that equation for -- since 1998 until the present time. Thank you.

ACTING CHAIRMAN COYLE: Thank you. Admiral Gehman, any other questions?

COMMISSIONER GEHMAN: Just a very short one, and I appreciate all of your comments and help with this issue.

For myself, I agree with what my fellow commissioners have said here. We certainly would not -- I don't believe that this Commission -- just speaking for myself, we certainly would not want to do something under the authority of the BRAC legislation that would do harm to your project.

And I believe that we are clever enough to write

CERTIFIED

language or something like that that would in no way take away from the advantages that you have under these statutes, that you have for the redevelopment. It's a very, very unique arrangement.

By the way, we have been all over the country, talking to people all over the country about bases and things like that that are closing who do not have this wonderful agreement in which the Department of Defense doesn't get any benefit from the closing of a base. So, you know, good for you.

On the other hand, you know, it does strike me that I've heard this argument several times that, in the years that have gone past while the clock has been ticking and you had this authority, but because of the economic downturn in Southern California, the property really wasn't worth developing, I mean, there couldn't be any economic development from it; therefore, the Navy could not accrue any benefit from it either.

Meanwhile, though, you forget that the Navy is paying for this place. Paying upkeep on it, it's -- about a third or a quarter of the square footage is being utilized, so I do feel that -- that if this Commission could find language which would spur the consummation of this deal, I would be -- I think that would be helpful as long as the language in no way harmed either party.

CERTIFIED

For my colleagues, for example, if you put a date certain into it, then that kind of takes all the steam out of the negotiations because one side or the other would just sit there with their hands folded across their chest waiting until the date certain comes. So I do -- I am kind of sensitive toward some kind of a process by which the BRAC could help you do your job.

In furtherance of that, or my question is -- sorry for the speech. My question is, I want to make sure I understood you correctly. You referred to the five-year timetable under California statues of various coastal and environmental wickets that you have to go through that I'm not familiar with.

But did I understand you -- and this is the key point I think I want to make for the Commission. Did I understand you to say that, based on certain filings or agreements of plans that you have submitted, that that clock has already started running?

MR. HALL: The five-year I was referring to was post the '87 authorization or legislation. It took us five years working with the community, the city, the Navy and all of the California and Federal Environmental Protection Acts just to get to the point where there was entitlement to build something there.

That's why I suggested that the real index would

CERTIFIED

be, you couldn't do anything before 1992 because all you had was military land. 1992 was the moment where there was an executed development agreement with full entitlement and all of the state and federal hurdles having been satisfied, the statutory requirements. It was '92 where everybody was ready to go, and I would agree with you. Gosh, let's go to the market. The problem was, we had three million square feet of empty space in downtown and an economy still falling.

COMMISSIONER GEHMAN: Right. So if we are going to craft language to spur this agreement along, we would not want to craft language which would require you to go back and start all over again, because that would not be helpful.

On the other hand, if the conservation of this agreement depends on market conditions in your city, and a year from now market conditions change again and you're not in a position to take advantage of this, I don't think we should leave the Navy waiting at the door forever.

So I don't know what kind of language it would be that we would craft, but I fall someplace in between the two.

MS. WRIGHT: Commissioner Gehman, maybe I could make a suggestion that might be helpful. I do want to say, there is plenty of incentive in the Development Agreement and Entitlements themselves. They add real value to that

CERTIFIED

property. They have a timetable; they're due to expire in about 18 months, so there's the first incentive.

We want to move forward as a city and as a region because this is the -- what Peter sometimes calls "the front porch of San Diego." It is beautiful real estate now anchored by the MIDWAY Aircraft Carrier and a wonderful museum. It would be a gaping hole in what some people call the smile of San Diego if we were not to move forward with redeveloping. It is an 80-year-old facility. So I think we're all very aware.

What I would like to suggest is that perhaps we could consult with the Navy and we could come back to you in advance of your decision process with a clear schedule for proceeding between now and January of 2007 so that you would have some confidence that we're ready to move forward. But I want to assure you in the strongest possible terms that the City of San Diego, and indeed the entire region, are anxious to move forward. If you were in San Diego last week, you saw the tremendous vibrancy of downtown as anchored by Petco Park moving to the east.

We are very anxious to move that redevelopment to the -- to the San Diego Bay, and we are extremely concerned that the new uncertainties that would be added by the BRAC process could be a detriment to moving forward at the very time that we're ready to go.

CERTIFIED

ACTING CHAIRMAN COYLE: Thank you very much.

Just in the interest of the right hand knowing what the left hand is doing here, I want to say for the record that we asked the Navy when we visited there the other day how they would like us to write this. They said they would provide that. They said they understood that that meant in a week -- not a month, because a week is all we have before we're going to be voting. And so clearly you, who represent the City, should be consulting with them about how they would recommend this be written. We shouldn't -- you know, get something from them that you wouldn't support of vice versa.

However, the fact that the development agreement expires in 18 months, if anybody knew it, it was not apparent to me that they did because when we asked them how much time would you need, they said two years, three years, as though there was no milestone in as little time as 18 months. You could say, well, if, in their heart of hearts, the Navy really wants to stay right there the way they are, they could be smart to let the agreement expire and then go back to square one, just as you have said would not be a good idea.

So I agree with what Commissioner Gehman has said. We've already asked the Navy how they would like it to be said, we hope you will coordinate with them and provide a

CERTIFIED

joint response.

MS. WRIGHT: Thank you, Chairman Coyle. We will be in contact with them tomorrow.

ACTING CHAIRMAN COYLE: Thank you all for your testimony. We appreciate it very much, and appreciate your help with our -- all of our many questions.

MS. WRIGHT: Thank you for the opportunity to be here.

ACTING CHAIRMAN COYLE: We're going to take a very short break, just a couple of minutes, and we'll be ready for the delegation from Alaska.

(End of record.)

STATE OF ALASKA

ACTING CHAIRMAN COYLE: Thank you very much for being here and please begin. We first have to ask you to stand and be sworn in by the BRAC secretary.

MR. COWHIG: Would you raise your right hands, please?

(The Witnesses are sworn.)

MR. YODER: I'm here for the City of Galena. This is Dean Westlake, and he is the travel administrator. He is going to speak first and the only expert Galena has and that's Commander Yoder from the Navy. He gave me a little advice, but the main reason we used him is because the price

CERTIFIED

was right. So from that, we'll go forward.

ACTING CHAIRMAN COYLE: Thank you. And by the way, we have in our books an important letter in support of the community of Senator Stephens, and we'll make that part of the record.

MR. WESTLAKE: Before I begin, thank you for your wonderful staff. They've made us feel at home and we wanted to tell you that you chose them well. Thank you.

On September 19, 1993, the United States of America officially closed the military installation in Galena, leaving it on warm status. We recognized what a great opportunity this presented, and we thank you for loaning us the necessary buildings to continue to serve the American people.

Since you last left us, I am pleased to inform you what we have done in Galena with your installation. We now have a boarding school on your FOL which has approximately one hundred students from across Alaska. We envision a time when we will have up to 500 students there. We have had students from Barrow to St. George Island that have received the best education that Alaska has to offer. We have had every major Alaskan native group represented in our school in Galena. We take and educate children regardless of race, creed, tribal affiliation or lack thereof.

We want all Alaskans, and especially native

CERTIFIED

Alaskans, to compete successfully in the world market. This is only possible because of your warm status, and Coleacon Athabascans take this honor seriously. High school students graduate from Galena Interior Learning Academy with higher SAT scores than most places in Alaska. The No Child Left Behind Law has not impacted us as we vie for the best academic scores in the state. We also graduate chefs, cosmetologists, private pilots, small engine and automotive mechanics. If not ready for the job market, most are almost there, and only a minimal amount of time on additional training is needed.

If not for your warm status, our closest institute of higher learning would be in Fairbanks, Alaska. If a child from Kaltag wished to return home today, it would cost three times as much from Fairbanks as it would from Galena. This is only one of the six native tribes impacted. We have the added benefit that our children can now afford to return home for special occasions, and we thank you for that precious gift.

Every year, we invite our armed forces to speak to our youth about futures in the military. We are proud of our country and what we stand for. During World War II, Louden Tribal Council was sawing and selling wood and using the proceeds to buy war bonds to serve our country. Today, these war bonds hang in our offices as a reminder to all we

CERTIFIED

are Americans first.

In every major conflict, even those today in Afghanistan and Iraq, you will find that Americans from Galena, Goosenia, Ruby, Koyukuk and Nolado, Kaltag, Galena, being a hub town, know that we are interdependent on each other. Louden's motto is, we work together. We help other. You have helped us and we have been gladly helping you in every way we can.

The Bureau of Land Management, with 93 million acres to protect in the Galena fire zone alone, utilizes your warm status as firefighting bases for 23 native towns which congregate their flights there, gear up and are transported to front lines of fires in Alaska as well as down here in the United States. Last summer, we had 1,472 fire troops rotate through Galena's FOL.

When the Space Shuttle Challenger went down, you called on our fire troops to come and pick up the pieces. With heavy hearts, we were there, and we cherish the letters of thanks that we received from NASA. As always, we launched out of Galena's FOL. For many of us native Alaskans, firefighting is our primary source of income. We thank you for maintaining a base that is by far the safest for our primary breadwinner.

The Fish and Wildlife utilizes your support services and your buildings in Galena to keep their offices

CERTIFIED

for the 750,000-acre Innoko Wildlife Refuge, a 2.1 million acre Nowitna Wildlife Refuge and the 4-and-a-half-million acre Koyukuk Wildlife Refuge and is supplied with personnel and logistical support for these seven million acres. On occasion, we see the United States Coast Guard fly here to Galena to refuel and rest. At other times, for a refuel before a rescue or to patrol the thousands miles of the northwestern coast of Alaska. We welcome their presence.

We have our own subsidiary, Ukana Corporation, which employees 14 highly-trained local people on the military base to ensure operational readiness in time of crisis. Because of our training, we were the first native tribe summoned at the EXXON Valdez oil spill.

Currently, Louden is involved in community gardening, various elderly assistance programs, housing, public as well as community wellness, and we take pride in our college scholarship program. We sponsor an after-school program open to all, and teach sports as a healthy lifestyle choice.

Should the base close, most of the income and all of our dreams for Louden Tribal Council to become a self-sustaining entity will be seriously jeopardized. Drastic cutbacks will have to be implemented and our services to the community would be, at best, minimal.

Louden Tribal Council endorses the nuclear power

CERTIFIED

study slated to begin in Galena. The State of Alaska had begun the disbursement process for this project study; now we wait. The model for this project had included the energy consumption of Galena's FOL. Safer, cheaper energy for all with the added benefit of a major reduction in the cost of living for our community.

As you are all aware, Galena's FOL is closer to northern and western Alaska than any other air base. We keep hearing of these wonderful new F-22s that will be stationed at Elmendorf in Anchorage. God bless America for having the capacity to still build the best in the world. This also gives us pause as we consider our future conflicts. Our opposition will also have faster airplanes and longer ranges. Time will become even more critical, not less so.

Galena, built as an air fighter town, understands the Air Force philosophy that states that speed equals life. In this day and age, it applies to our national defense now more than it ever did. You trained our nation's best and brightest young people to become air superiority fighters.

"Tigers in the sky" is what they called themselves when they came to Galena. They came to Galena to serve our country on the northern front, to defend America and to buy time. The Tiger Freeway, which cuts through the middle of our town, leads to what was Campion Air Base. In honor and

CERTIFIED

respect to these brave souls, it will always be Tiger Freeway.

We have heard how closely tied we are to Fairbanks. We respectfully have to disagree. Because of our location, Galena is, and always was, an air fighter town. Commissioner Bilbray and Commissioner Coyle, when you flew into this FOL in smoky conditions, in the last fifteen minutes of your flight, had an air emergency occurred, Galena would have been the only paved airport that could safely capture your airplane in about 300 miles. Now imagine our land in seven months of winter. Dark, 40 below, and an ice pond.

Gentlemen, we have first-hand experience from living here. We can say unequivocally that the military chose wisely when they put Campion Air Base in Galena. We know why the military did not recommend our FOL for closure. Our location is vital to all trans-Alaskan air travel. Whether for a civilian passenger airline crisis, national emergency, or if Elmendorf goes to an alert status, Galena has been there for any American planes. Our air fighter squadrons have the safety net of Galena's paved airport and barriers, and we wish the best and safest alternative for our air forces. You have that now in Galena.

We have many stories of local people coming to the rescue of airmen who have been caught out in our environment

CERTIFIED

or involved in accidents. I recently read a letter dated January, 1962, which thanked our very own Patti Alder and Dick Evans for saving five Americans in 50-below weather. Before this time, their fathers were involved in another rescue of a downed airman. Their history is our history.

We don't have any dollars to spend on advertisements to woo you. We don't have thousands of people to stage demonstrations showing the devastating effects the closure of this FOL will have on the residents of Galena. Even if we had the money and the people, we would not do so. We understand this is a military decision. It was a military decision which started Galena, formerly known as Louden. It caused our tribal membership to increase, with many of your personnel choosing to stay and marry into our community after their careers in the Air Force.

We were there when your first aircraft landed and the 27 men exited to build the Air Force Base. They came with little food or bedding, and we took them into our homes and have welcomed your presence ever since. As a result, you'll find many people like me, an Alaskan native, who proudly claim both heritages as our own.

Those warriors in the sky, these are our friends and our family as well as yours. We want what is best for them. As first Americans, we want to continue our tradition of helping fellow Americans by having a safe refuge in

CERTIFIED

Galena, Alaska. The western and native worlds met in Galena in 1942, and have blended to produce people who understand that it takes a combination of both our worlds to give the best service to our country in this land of 80 below.

Because of our unique people, the tribe, the city, as well as state and federal governments work closely together in all matters to continue making Galena the best possible forward operating location the United States of America has.

Honorable Commission Members, we thank you for your time and consideration to Galena's FOL status. And we hope that you've found we've done a credible job in utilizing these services you have availed to us. We would like to continue to serve our country and are proud to be doing our part in defense of this nation.

Finally, we recognize you are doing your duty in serving this great country of ours. We know you have some hard decisions in front of you, and we do not envy you your task. We salute you for doing a difficult and odious job, and wish only the best for America. Thank you.

ACTING CHAIRMAN COYLE: Thank you, Mr. Wesley. Mr. Yoder?

MR. YODER: We'd like to focus a little bit on what we understand are the numbers from the final selection criteria from the DOD BRAC process, and I want to refer you

CERTIFIED

to the map. I realize if I get up there, I'm going to lose the microphone, but I hope you can see that it comes out to here. Fairbanks, Anchorage, King Salmon here, and Galena's here. In August of 2003, less than two years ago, there was an interception of a Russian bear just south of Gamble, and that's where the end of the string is. There was also an alert deployment in 2004, of August, that had five F-15s sitting on the tarmac in Galena ready for another alert.

I put the dot out there where that interception took place for the purpose of showing you that the distance from Eielson and the distance from Elmendorf to that particular point are equal.

There was a lot of discussion at the July 19th hearing, when we first learned that we were going to be on the BRAC list, that Eielson also could serve as an FOL for -- if Galena were to close. What needs to be pointed out is that to transport aircraft from Anchorage up to Fairbanks or up to -- from Elmendorf to Eielson does not gain you any distance. So if you're going to look at the need for an FOL, the distance from Fairbanks to that spot is the same as the distance from Elmendorf. King Salmon, then, of course, is much farther south and, again, we need to understand the distances we are talking about.

To fly from Elmendorf or Eielson out to that location would be similar to starting in New York City,

CERTIFIED

flying across New Jersey, across Pennsylvania, across Ohio, and going to Indianapolis. Of course, when you get to Indianapolis, you're out in the middle of the water and there's no landing sites. If you got as far as Pittsburg, you're where Galena is, and the rest of the time, you're flying over area that is -- that is not covered.

So I think Commissioners Bilbray and Coyle got a chance to see the distances involved, and so we just want to make it real clear so the BRAC understands, that the Commission understands, that the distances we're talking about are huge, and that moving forward with this process, you just have to be clear that it's not -- that Eielson is not a substitution. It could have other missions, it's could have some real purpose to the Air Force and to the military, but it is not going to get you closer to that area out there where this interception is.

We had the privilege of going up and looking in the alert cells that are still on the base in Galena. And upstairs in that building is a map that the airmen kept very carefully during the Cold War days. There are 70 different spots on the map where they intercepted Russian aircraft during the Cold War. And this one here, of course, is much later but there are others that have been later. But I just wanted to make sure you understand that.

That is the northern border of the United States,

CERTIFIED

and again, Alaska has more miles of coastline than the rest of the United States put together, so you're talking about a huge area up there. We don't go as far south as King Salmon; we would not be protecting that part. But if you're talking about protecting the northern part of Alaska and the United States, that's where it's at.

That also gives you pause when you start to consider the safety implications. One of your number two things is land and airspace. We have had hearings in Galena because of the upcoming F-22s where they were trying to look for air space and their environmental impact statement on where they would be flying and doing maneuvers, and some of that area is over Galena.

There are wide open spaces out there. As you travel from Anchorage to Galena, it's 300 miles. During that time, you will not cross a freeway, you will not cross a paved county road, you will not find another paved airport. The only paved airports I've marked in a little bit of yellow there. There is Kotzebue, which is way up in the sound to the north. There is Nome that's on the end of the Seward Peninsula, Bethel. These are small commercial airfields made for 737s. The longest one is about 6,000 feet and the others are shorter.

So if you are in the area being mentioned, the 93 million square miles, the state of Nevada -- I'm sorry,

CERTIFIED

acres. I'm sorry, not square miles, square acres. Nevada, by contrast, is 70,000 square acres and not a piece of pavement anywhere not on a road, not on an airport, no place. That's the size of the area you're talking about.

We feel like it's a serious safety issue to consider sending people from either Eielson or Elmendorf out into that area, to have 300 miles to return home and no asphalt to land on. Galena has a functioning air fire support system for aircraft to come in there. It has barriers. If a plane comes in with a problem -- even at your Fairbanks hearing when the Commissioners asked General Gamble about this, he indicated that there had been three or four aircraft saved at Galena at that time.

The price tag we're talking about to keep Galena open of $11 million a year doesn't go very far towards buying an aircraft. You don't have to save many to make this a worthwhile endeavor just from a cost standpoint. Besides all that, the cost of losing a pilot out in this rough terrain, they're traveling out there, it's mountains; as Dean mentioned, it's cold.

So you find yourself out there in the middle of this area, if you were to come down, you know -- yes, they have beacons to find you, but it's going to take some time and the terrain is very, very rough and hard to get to. So you're talking about some very remote areas and there's not

CERTIFIED

many options.

So if you have an electrical problem, you have a hydraulic problem, the one thing that a pilot wants to do is get down just as fast as he can because you don't have much time before you're out of control, and you can't control an aircraft with no hydraulics. So we think that from a safety standpoint, that would be necessary.

Now we do understand that it's possible to have this as an alternate airport and keep it up to standards for catching aircraft without having the whole base to the standards of deploying aircraft. Those are two different things. And what we'd really like to see is something in the language that allows Elmendorf, PACAF or NORAD, whoever's going to make the final decision, that they can determine a level. We think it would be less than 25 percent of the total cost you're spending now. It would still give you that safety net but without the option for deployment, and that's a decision that should be made at that level, the people that are flying, the people that are involved out there.

Galena does have the capacity to a serve as an alternate staging or landing site when there's a natural disaster, disruptions or even terrorist acts on either of the other two bases. So again -- you know, the last big earthquake in Anchorage was in 1964. Another one of those,

CERTIFIED

if that were to disrupt the air base in -- in Elmendorf, Galena would be a good option for them to be able to stage at. You also have Eielson. Again, any of those natural disasters or so on.

And the other thing to consider here is that Galena has some of the best flying weather around. If you are in Anchorage, you can have storms. King Salmon is a stormy area. In Galena, we have very clear weather. We have less ice and fog than Fairbanks, and so that's another thing to consider.

I'll also like to talk to you briefly about economic impact, and I want to give you two scenarios. Scenario number one is that the base closes and there's no redevelopment. If that happens, according to the census, there's 337 people employed in Galena according to the last census, which is not very many. But 30 percent of those would be a direct loss of employment either because of -- the contractor has 44 people. The City, through this cooperation agreement that Dean mentioned with the school, has another 45 to 50 people working there. The airport -- and again, I want to emphasize that if the base were to close and there was no work with the state and the Air Force to keep the airport at ready, they would go from eight people down to two.

Because the standard for Alaska commercial

CERTIFIED

airports of that type, a non-certified airport is hard-packed snow in the winter. So you end up with simply a snow-packed base and that's not an alternative landing site. So the base -- we'd lose people at the airport.

BLM firefighters, as he mentioned, there's 15 all summer. In this area, you need to understand that 70 percent of the people in the subregion -- which is the 2,000 mentioned in your July 19th hearing, that's the sub-region. Seventy percent of those people, according to the census, are living below what is minimum wage wages. And also they don't work a full year, so you're talking about a very small percentage of people. One of the things they count on is this BLM firefighting and so taking that away as well.

I did talk to the BLM. They have a mutual aid agreement with the military in Alaska. They fight fires on military property. The military supplies them with the utilities and the space on that air base. They say it would cost them $50,000 a year just to upgrade that. As soon as the announcement came out about the BRAC closure, they immediately started talking about moving their operation to Fairbanks to get it -- because of the expense, so you have that federal agency that's already considering making a move unless there is some kind of operational funds there that will assist them in keeping their operations in Galena, which would mean more economic impact.

CERTIFIED

Under the other economic impact, scenario B, or 2, would be that there would be redevelopment. It would probably be through the ways we've already started, but it would also include partnerships with people like BLM. And I think it would also necessarily include keeping the runway option, as I said, at the safety status, not necessarily at the deployment status. But if that were done, that would give us funds to start working on a plan to keep the BLM there, to supply them and do what they need for their operations.

Coast Guard was mainly coming in there -- when they had big, high-seas operations, they came into Galena for refueling and for staging to go out and to monitor the high seas. When that fishery changes, they change their patterns. But nevertheless, that is another thing that we would continue to help with and would have that base available for. U.S. Fish and Wildlife Service is leasing space over there now and would need space as well. So we think we can make partnerships with those federal agencies and with state agencies, and would continue our vocational program.

Last year we had about 85 students in a boarding school operation. We also had about 75 students go through a vocational training program. We are post-secondary certified in five disciplines, and we're working hard to

CERTIFIED

expand that program to provide educational opportunities even past high school for students in rural Alaska.

The final thing that I would mention is the environmental compliance is ongoing. In the 1940s, the way you brought fuel to Galena for all of the operations was that you rafted barrels in Fairbanks and floated them down the river. The high flood in 1944 spread barrels over many, many acres, and much of that has been cleaned up.

In Galena, there were some spills. I serve on a technical project team that has been working with the Air Force and their contractors to define that. There's a couple of large hydrocarbon plumes that they're now working on with active remediation through soil vapor extraction, through air injection and some other methods to try to get those plumes to go away. There's a smaller TCE plume that at this point in time, they're not sure what's going to happen to, but it seems to be rather benign and not moving far, so that's the other issue, where we're at.

But one of the things that we think that is absolutely essential is that that cleanup process continue. It's probably going to take several years, so I guess our bottom line here is that we feel like that, as the safety net, the Air Force -- or the Commission needs to identify the need for safety and that we have the -- to go forward to negotiate with the Air Force to make sure that we can

CERTIFIED

maintain the level that they need, and also that we have enough time to work on redeployment.

We don't have large people, large corporations waiting in the wings that are ready to move in and help us out. This is something that we're going to have to do from a grassroots standpoint, and we would appreciate any help we can get from the Commission on that. Thank you.

ACTING CHAIRMAN COYLE: Thank you very much, Mr. Yoder. Any questions? Commissioner Hansen.

COMMISSIONER HANSEN: I appreciate your testimony and appreciate you coming here.

You know, in the Armed Services Committee, when we set the budget, we always say we'd set it on the threat. The crossover members over to the Intelligence Committee, usually we'd go into executive session and they'd talk about, what's the threat?

I would appreciate it if you would give me your best opinion of what the threat is in that area. I know that's not the only consideration -- I'll stipulate to that -- but what do you see as the threat that it is necessary to keep this base open -- or keep this facility open?

MR. YODER: Let me be real blunt in that I don't know that I can measure that.

I am very aware in the Cold War, Galena was a high

CERTIFIED

-- there was a high threat from intrusion from the Russian aircraft. Now, that -- and if you look at the map, we're talking about between the 62nd parallel north and the 68th parallel north, and that seems to be the band where Galena was, had their main impact.

Right now, the threat has moved down to the -- between the 30th and the 40th parallel from Afghanistan, North Korea, Iran, Iraq, so we certainly understand that. I guess I would leave it to the military folks as to whether it's a three or what level of threat that is, but it's certainly not -- it's certainly not equal to the war on terrorism. It's not equal to the threats of the lower areas.

COMMISSIONER HANSEN: Do a lot of bush pilots use that area?

MR. YODER: Yes.

COMMISSIONER HANSEN: So basically the traffic, it would be bush pilots going through; is that right? Is there a charter line going in there?

MR. YODER: We have regularly scheduled aircraft that are in there. That's two scheduled carriers carrying passengers, and they're in there twice a day to three times a day --

COMMISSIONER HANSEN: What are they, RJ -- or regional jets, little stuff?

CERTIFIED

MR. YODER: They're turboprops. One of them is a Beechcraft 1900, carries 18 passengers, and it's in there twice a day from Anchorage, twice a day from Fairbanks. There's also some twin-engine aircraft, smaller twin engines. There's also a larger cargo aircraft that's in there twice a week.

COMMISSIONER HANSEN: I noticed in the written reports that we have in front of us that the school's heated by -- what, is it the --

MR. YODER: The Air Force maintains a central heating plant. They use about a half a million gallons of diesel a year to operate their central heating plant. The Air Force also buys all of their electricity from the City of Galena. We operate the power plant and we sell them electricity.

One of our real concerns is that a -- is for the City and school district to try to pick up that additional cost immediately would be very difficult. It would be a long-term redevelopment process for us to be able to take that over. As we -- as Dean mentioned, we are looking at a real small nuclear power plant that would provide -- would cut the utility cost in half for both heat, electric, and water and sewer. Through privatization, we can cut those costs in half of operations. But that's kind of where we're headed.

CERTIFIED

COMMISSIONER HANSEN: What percent of the people that live there are native Alaskans?

MR. YODER: Fifty-five percent. In our village and the region, it's higher.

COMMISSIONER HANSEN: Have you thought -- I'm sure you're way ahead of me. I know the Bureau of Indian Affairs has provisions for things such as heat. Have you ever applied to those folks for it? I used to have jurisdiction over that in another life, so I'm pretty aware of that.

MR. DEAN: Well, we have talked to BIA initially, and they have yet to come over so -- to come to Galena and look at the situation.

COMMISSIONER HANSEN: You probably have one of the most powerful legislators in America.

MR. DEAN: Yes, sir.

COMMISSIONER HANSEN: There's nothing as powerful as the Chairman of the Appropriations Committee. You may want to give that some prayerful thought.

MR. DEAN: Thank you, sir. We shall.

COMMISSIONER HANSEN: There may be a way if this goes down. I was just curious when it came out. You already alluded to another point, and that was the -- as I understand it, Elmendorf is one of the candidates to get the new F-22s that's starting to now roll off. Of course, it cruises at supersonic, which about doubles the speed it's

CERTIFIED

going to cover, so probably cuts in half those hours.

I would be more concerned about Eielson going into a cold situation. We went in and visited Eielson, and it seemed like a fantastic base, and I don't know of anywhere in the world that you have a better training range than you have at Eielson. And also it's really a very, very fine base, and

that will be quite a discussion when we get to that point.

And I'm sure -- they have a -- what, A-10s and F-16s in there. Do they stop through Galena on occasion?

MR. DEAN: The A-10s? I'm not sure, sir. What we do look at is that, should Eielson close, you still have the capacity to land jets here. Should you close Galena, that option is not longer there.

COMMISSIONER HANSEN: Do you pick up some of those F-16s from Elmendorf? Do they come through there?

MR. YODER: Yes, they -- mainly whenever they're on alert status, they deploy out here. As I said, in August of 2004, they had them there for a month, and at one time, there were F-15s sitting on our tarmac on alert status at one time.

COMMISSIONER HANSEN: I guess my point is, it's not just for the possibility of a Russian bear -- which isn't a big threat anymore, but it's always nice to have an

CERTIFIED

alternative place to put down if you're experiencing any trouble.

MR. YODER: Absolutely.

COMMISSIONER HANSEN: And I guess that makes a pretty good facility for that.

MR. YODER: That is really key.

COMMISSIONER HANSEN: Thank you very much.

ACTING CHAIRMAN COYLE: Mr. Bilbray? Commissioner Gehman?

COMMISSIONER GEHMAN: Thank you very much for helping us out and traveling a long way to talk to us. I appreciate it very much.

First of all, my understanding is that the Galena Airport is on state-owned property; it's not Air Force -- it's not Air Force property?

MR. YODER: That's correct. All the buildings are owned by the Air Force, all the land is owned by the state.

COMMISSIONER GEHMAN: Right. And now there are -- I gather there are some Air Force built and owned buildings there?

MR. YODER: Yes.

COMMISSIONER GEHMAN: The reason I'm getting at this, of course, is that we are an infrastructure and real estate commission. If there's no Air Force property here, then I'm not exactly sure what we're talking about. The

CERTIFIED

contract, as I -- based on information that's been presented to us, is a multi-year contract which is renewed annually.

MR. YODER: Yes.

COMMISSIONER GEHMAN: And the contract can be terminated at any time?

MR. YODER: I believe that's true.

COMMISSIONER GEHMAN: Okay. Well, we are not a contracting commission either. And if the Air Force wants to not reissue the contract, they can either do it or not do it as they see fit. We're not -- we're not in the contracting business, so I'm trying to find out exactly where we are here.

For myself, as a military man, I make a distinction between -- I'm going back to military value and threats right now. I make a distinction between trying to analyze a threat and a distinction between the old formula we learned in 5th grade, that distance equals rate times the time. You cannot substitute a fighter sitting at Fairbanks for a fighter sitting out of Galena. Sorry, you can't change D = R x T. However, you can change -- you can change the formula or you can change the algorithm into which you would say, based on my analysis of the situation, I accept the risk of a fighter on alert sitting at Fairbanks rather than Galena, but you can't tell me that a fighter sitting at Fairbanks is going to get there, you know, just as well. I

CERTIFIED

don't care what kind of a fighter it is, so I make that distinction. It's important to me when I decide how to vote on that this.

You mentioned a lot of people that use this airport -- Bureau of Land Management, Coast Guard, you went on and on. And is it possible that some of these agencies might, in the future, have to stop relying on the Air Force paying their way and they might have to start paying user fees or something like that?

MR. YODER: Yes, I do think that's true. And that's a discussion I did have with BLM a little bit because, as I said, I got rumors within two or three days after the July 19th decision that they had been talking to the people in Fairbanks about relocating, and that was a real concern to us.

And so I talked -- I spoke with them, and they feel like they're getting quite a bit of services. We would want -- of course, if they're going to become a partner and there was a redevelopment going on with the State of Alaska owning the land and the City of Galena working on some of the other facilities, we would want a partnership where they help pay part of the overall freight; otherwise, we can't afford to be giving free stuff to the federal government.

COMMISSIONER GEHMAN: Okay. Thank you very much. I appreciate your presentation. It's been very helpful.

CERTIFIED

ACTING CHAIRMAN COYLE: Gentlemen, thank you very much. I don't think we have any other questions.

I want to thank you for the kindness and hospitality that you showed Commissioner Bilbray and I when we visited, and I want to thank you for coming all this way again today. We appreciate it very much.

And we will take the Colorado delegation next, please.

STATE OF COLORADO

ACTING CHAIRMAN COYLE: Miss Rodriguez and gentlemen, I want to thank you very much for being here today.

First matter of business, we need to ask you all to stand and take the oath as required by the BRAC statute.

MR. COWIG: Thank you, Mr. Chairman. Please raise your right hands.

(Witnesses are sworn.)

ACTING CHAIRMAN COYLE: Senator Allard, I think you have the lead for this delegation, so you can conduct it however you like.

SENATOR ALLARD: Well, thank you, Mr. Chairman. And if it's appropriate, I'd ask unanimous consent that our full statements be made a part of the record.

ACTING CHAIRMAN COYLE: Without objection, so

CERTIFIED

ordered.

SENATOR ALLARD: Okay. Again, thank you, Mr. Chairman.

Let me begin by first introducing our state delegation. I'm Senator Wayne Allard, the Senior Senator from Colorado. Also here on behalf of Colorado is my good friend and colleague in the Senate, Ken Salazar, and the State of Colorado's Governor, and, I might add, a long-time friend of mine, Bill Owens. There is the President of the Denver City Council, Miss Rosemary Rodriguez; and the president of the Metro Denver Chamber of Commerce, Mr. Joe Blake.

We'd like to thank you, Mr. Chairman, and your distinguished colleagues for the opportunity to share Colorado's perspective regarding the Commission's July 19th vote to add the Denver Finance & Accounting Service to the DFAS sites to be considered for closure.

Mr. Chairman, I was deeply troubled after reading the transcript from the BRAC Commission's July 19th hearing. I respect the Commission's desire for fairness, and recognize your need for additional analysis. However, I strongly disagree with the concept of closing the Denver DFAS. I believe this is the wrong course of action and could greatly endanger the Department of Defense's financial well being.

CERTIFIED

From responses to questions posed to the Department of Defense, I have gained a greater appreciation for the keen, business-minded and farsighted approach of the Department of Defense's DFAS recommendation. It is an approach that balanced business, operational and facilities considerations to develop what the Department of Defense has stated is the optimal business and facilities solution for DFAS. Further, I believe the recommendations represent best-value results that should be refreshing to every taxpayer.

As that recommendation pertains to the Denver DFAS, I notice the following. Number one, Denver DFAS is ranked number one in military value, which by law, the Department of Defense must use as its baseline for all recommendations.

Number two, Denver DFAS is one of five DFAS central operating locations. Remaining sites are field operating locations without the magnitude of depth, skill and operational capabilities found at a central operating location.

And three, in workforce size, Denver DFAS is third among five central operating locations exceeded by only Indianapolis and Columbus, and FORA optimization has consistently demonstrated that Denver is one of the sites to be retained.

CERTIFIED

Our review of the operating cost data as shown in the COBRA tools suggest Buckley Annex is an efficient and inexpensive location with $1.2 million in annual operating costs. Movement of the DFAS personnel and other personnel currently operated at Buckley Annex would incur additional movement costs and would likely experience higher operating and sustainment costs as well as potential new military construction costs. These facts suggest savings generated from a Buckley Annex closure would be minimal at best, and may not likely lead to cost effective alternatives.

The following are some key points that I think are important for your consideration. The facility in which Denver DFAS is housed is owned by the Department of Defense and has a secure or controlled perimeter. It meets the force protection requirements for the Department, and does not require additional expenditures for a lease.

The facility Denver DFAS is housed and is ready to receive additional workload and personnel without further renovation or facility improvements. No new military construction funding would be necessary. The Coloradans who work at Denver DFAS are well trained, well educated, and among the best in the business.

Mr. Chairman, the City of Denver is all too familiar with the BRAC process. In the last BRAC round alone, Fitzsimmons Army Medical Center and Lowry Air Force

CERTIFIED

Base were closed. Thousands of jobs were lost and it took years to recover. Indeed, one of the reasons --

Let me just stop and say here that we must also look beyond the effects of past BRAC rounds on the Denver area. The very concept of closing Denver DFAS, a central operating location and a DFAS workhorse, while retaining smaller field operating locations is ill-conceived from a business practice approach, and by design, endangers financial support to our national defense organizations.

Now, the Denver DFAS facility was recommended by the Department of Defense for expansion, not closure. I believe this recommendation is founded in sound business principles embodying both operational and facilities considerations that will improve service and reduce costs for the Department of Defense.

Mr. Chairman, it is clearly in the best interests of the City of Denver, the State of Colorado, the Department of Defense, the nation's taxpayers, and most importantly the 2.2 million soldiers, sailors, airmen and marines who depend on DFAS Denver for their military pay.

Thank you, Mr. Chairman, Commission members, for hearing my concerns. I'd now like to introduce my colleague on my left, Senator Ken Salazar.

SENATOR SALAZAR: Thank you, Senator Allard and thank you members of the Commission for giving us the

CERTIFIED

courtesy of your time this afternoon to explain to you our strong, strong commitment and support for the DFAS facilities and for the recommendation of the Secretary of Defense for the DFAS facility.

At the outset, let me just say that for us to be here today, in and of itself, will demonstrate to the Commission the importance of this facility to the State of Colorado and the City and County of Denver. I sit here as a United States Senator, as a Democrat, along with Senator Wayne Allard, a Republican, along with Republican Governor, and a good friend of mine, Bill Owens along with the President of City Council, a Democrat for Denver, along with -- I won't even say his party, but a great champion for Colorado and for this facility, Joe Blake from the Denver Chamber of Commerce.

I state that only because I think what this ought to demonstrate to all of you is that we spent a day coming here to Monterey, California just to make sure that you know that the State of Colorado is committed, from the federal level as well as at the State level. So that this DFAS facility is recommended by the Secretary of Defense and moves forward with the recommendation of the Secretary of Defense.

Let me secondly say that with respect to this particular facility, it is our view that we already have a

CERTIFIED

world class facility that was established to accomplish exactly the purpose that is envisioned by the Secretary's recommendation. I want to refer to the facts that, from our point of view, underscore the importance of moving forward with that recommendation.

The DFAS facility already exists. It's part of the Buckley Annex, and I believe that the support -- the supporting facts for the Secretary's recommendation are very strong. His recommendation will result in increased efficiency for DFAS. That means it's going to mean greater savings for the clients that are served by DFAS. It also means that we are going to save taxpayer dollars by moving forward with that recommendation.

The Base Closure and Realignment Act makes it very clear that the first and most important criterion in determining whether to close or realign a facility has to do with the facility's military value. The facts for Denver DFAS with respect to this particular criterion are indeed very strong.

In May, the Secretary of Defense initially ranked the Denver DFAS operation as third for military value among the country's 26 DFAS activities and organizations. Since then, additional analysis within DOD moved Denver DFAS from third to first in military value. That's a very important fact that we all ought consider as you move forward with

CERTIFIED

your decision. The question in all of our minds might be, Well, why is it that DFAS at Buckley has that top ranking with respect to military value? I believe that the following are the key facts.

First of all, there is a very strong workforce that will support the functions of DFAS, and Joe Blake will speak about that in more detail in a few seconds.

Secondly, the fact that Denver DFAS is already located on a DOD facility, that means no property has to be acquired and the cost of moving forward with the DFAS as configured at this facility, which is already owned by DOD, which already has a controlled perimeter, is one of the great efficiencies to be achieved here.

And thirdly, the condition of the facility. The facility itself was constructed to have -- to be able to provide these kinds of services, and it's in the kind of condition that will allow the expansion to occur without significant additional cost to the taxpayers.

Commissioners, it seems to me that the only way to undervalue the DFAS conclusion for its military value would be to take the unusual step -- and I call it "the unusual step" -- of changing the military value calculus that the Pentagon and the joint cross-service working group have spent nearly two years developing.

Allow me to address that specific concern, which I

CERTIFIED

believe some members of the Commission and staff have raised.

That concern, as I have understood it, would talk about the relatively higher locality costs of some major metropolitan areas with the concept being the higher metropolitan costs might limit some of the savings of the DFAS consolidation. I'd like to note some facts with respect to that concern that I hope that the Commission keeps in mind as it moves forward with its decision.

The first is that DFAS has already made it clear to this Commission and to the Department that its job requirements are such that the centers of excellence need to be located in a major metropolitan area. So the fact that the requirements that are being looked at for these jobs are held by the people who live in places like the metropolitan area of Denver is something the Commission should keep in mind.

Secondly, in a letter that was sent to Senator Lugar, our colleague in the United States Senate, the Director of DFAS stated that the efficiencies created by the Secretary's recommendations are good ones and can result in even greater savings than are already estimated by the 2005 BRAC estimate.

And finally, the necessary employment makeup of DFAS in the three centers for excellence proposed by the

CERTIFIED

Secretary of Defense will, by necessity, be more highly concentrated in personnel at the higher end of the government GS scales, and that's because of the accounting functions and the other financial functions that will be formed by DFAS staff.

This final point is a critical one, and one that I hope the Commission keeps in mind as you move forward with your decision. I'd also like to point out that DFAS is located in a very low-cost facility. Its annual operating cost is only $1.2 million. And I know as you have dealt with all of the different facilities that you've looked at around the country, when you look at an operating cost of $1.2 million, it's a very, very small operating cost. I think that's one of the indicators that we're looking at a facility here that is highly, highly efficient.

Finally, I would like to simply summarize that the facts of the Secretary's decision for Denver DFAS, in my view and in the view of my colleagues are very, very strong. First, Denver DFAS is first in military value. It is not sixth, tenth, or twenty-sixth. It is first, number one.

Secondly, the best analysis demonstrates that the location of the consolidated center in Denver will bring about the increased efficiencies and savings that are, one, important to the clients that are served by DFAS -- that's our soldiers, the men and women who make our nation strong.

CERTIFIED

And secondly, that it will result in savings to the taxpayers and to the Department of Defense.

So for all those reasons, it is my hope as a United States Senator that this Commission move forward with the recommendations that came out from the Secretary of Defense with respect to the consolidated DFAS Center in Denver, Colorado.

With that, I will turn it over to my good friend, Councilwoman and President of the Denver City Council, Rosemary Rodriguez.

COUNCILWOMAN RODRIGUEZ: Thank you, Senator Salazar, and thank you, Mr. Chairman -- Acting Chairman Coyle for visiting Denver last week. We arranged for it to rain for the third time this summer.

I'm not going to repeat anything that the previous speakers have said in the interest of your time. I've sat here most of the afternoon listening to this. It's been a fascinating process, probably exhausting for you, but by that admission, I'm not conceding any of their points. I agree exactly with everything that's already been said.

On behalf of the residents of Aurora and Denver, Colorado, I appreciate this opportunity. Denver DFAS plays an important role in our community. Its 1746 employees not only live and work in our community, they are our friends and our neighbors. They play in our parks, their children

CERTIFIED

attend our schools, they attend and participate in our cultural activities. We value them and their contributions.

Denver DFAS is the gem that provides significant military value. The Denver area's highly motivated and highly educated workforce is a tremendous asset to the success of the Denver DFAS. And these highly trained professionals provide a wonderful pool from which DFAS can select workers.

Our region has a proud history of working with the country's military. The former Lowry Air Force Base -- and parenthetically, I wouldn't be here, but for Lowry. My father, who was from Kansas, met my mother, who was from southern Colorado, and here I am today, President of the Denver City Council -- and the Fitzsimmons Army Medical Center played important roles in protecting our country over the years.

In addition to its important service as an Air Force base, Lowry Air Force Base was the first home of the United States Air Force Academy. Fitzsimmons was the one of most important Army medical facilities in our country. While both of these facilities have now closed, Buckley Air Force Base remains our country's newest Air Force Base and plays an invaluable role in our defense, particularly as the Air Force Mission in space is enhanced.

But as you consider where consolidated DFAS

CERTIFIED

facilities should be placed, please remember that both Lowry and Fitzsimmons were closed in the last two base closure rounds. Our sacrifices to the BRAC process have exceeded those of most American communities. While the reuse of most facilities is among the most successful BRAC transition stories, it wasn't without an incredible amount of work by the governments and residents of our two communities, Denver and Aurora. We are very proud of our reuse activities, but we have no desire to go through it again. The time, expense and trauma have taken a toll on our communities.

Denver DFAS should remain open so our communities are not placed in the position of needing to undertake both the planning and implementation of base closure for the third time in three rounds. Additionally, with our current unemployment rate of 5.7 percent, the last thing we need is for these employees to lose their jobs. Thank you very much for your consideration of my comments and your service today and throughout this process.

In conclusion and on behalf of the people of Denver and Aurora, we urge you to retain and enhance the DFAS mission in Denver both to benefit the accomplishment of its mission and in recognition of what our communities have already contributed to a more efficient military through the closure of Lowry and Fitzsimmons.

SENATOR ALLARD: I'll introduce Joe Blake, our

CERTIFIED

Denver Metro Chamber of Commerce President.

PRESIDENT BLAKE: Thank you very much, Senator Allard. Thank you, Mr. Chairman, and thank you, Members of the Commission, for this opportunity to speak to you and for the unified support about which you've heard so much already.

Mr. Chairman, I'd also like to just say personally, thank you again for the time that you and Commissioner Newton took on Thursday to be with us out for a site visit at the DFAS Denver site. It meant a lot to the people and it meant a lot to all of us who are so proud of this facility.

On behalf of Denver's and Colorado's business leadership, we appreciate the work of the Commission, and we're pleased to have the opportunity to join Senators Wayne Allard and Ken Salazar representing the entire Colorado congressional delegation, along with Governor Bill Owens and City Council President Rosemary Rodriguez, to discuss the Defense Finance & Accounting Service site in Denver, which is, as you know, located at Buckley Air Force Annex.

I'm Joe Blake, President and CEO of the Denver Metro Chamber of Commerce, and I'm speaking today on behalf of our partners at the Aurora Chamber of Commerce. One of the universal themes you're hearing throughout our presentation is unified support, whether that's from the

CERTIFIED

public sector or the private sector. And we're all grateful to have this opportunity to tell you about that support, and more importantly, to convey our unified support for this facility.

The Denver DFAS location is the largest pay system in the world with 1400 DFAS personnel and approximately 346 Air Reserve Personnel Center jobs. Currently, there are approximately 1,746 total jobs at this site. Note that per the 2005 BRAC recommendations, the ARPC may be realigned to Randolph Air Force Base in Texas. But the economic impact of this site is $150 million a year in wages and purchasing. If we put that in context of what Senator Salazar has said about the annual operating cost of this facility of $1.2 million, do you see what a wonderful cost benefit ratio we have with the Denver site?

DFAS Denver is located on the Buckley Air Force Base Annex. This is the former Lowry Air Force Base site. As a result of the 1991 and 1995 BRAC recommendations, Lowry closed in 1994 along with Fitzsimmons Army Medical, which closed in 1999. This resulted in a total loss of 8,000 jobs. The 600,000 square foot, 73-acre Buckley Annex Site has been owned by the Department of Defense since 1976. It was built for this specific purpose and this specific mission.

Currently, approximately 330,000 to 400,000 of

CERTIFIED

vacant office space is available to be developed. Additional space may be developed and developable if the ARPC is realigned to Randolph Air Force Base. We, as a delegation, see that as an efficient opportunity for the expansion of the DFAS site in Denver.

The economic impact of Buckley Air Force Base is considerable. Already it has an annual impact to the front range communities of $1.2 billion a year; that is all the Denver communities along Denver's central north-south corridor.

We appreciate the Commission's difficult role in reevaluating or evaluating military installations. We understand that the Department of Defense has conducted its own assessment of the DFAS sites and provided their findings and recommendations to you. The criteria for the DOD findings are integrated between military value and other considerations.

As you know, Denver ranks number one in the DOD analysis of scenario results for military value. Please note that the military value model included in the May DOD report ranked Denver DFAS as number three; however, that model contained an error in calculation. The corrected, updated version, which has been submitted to the Commission by DOD, ranks Denver DFAS as number one. The average military value prior to optimization was .625 with the 26

CERTIFIED

locations analyzed. DFAS Denver's value a .856.

We understand that your process and recommendations will not be based solely on DOD findings and that you will investigate the results of all 26 DFAS sites in a universal manner, and that is exactly the reason we're here today. Aside from the DOD ranking, I would like to highlight additional advantages to the Denver DFAS site.

First, unified community support. In addition to our congressional delegation led by Senator Wayne Allard and Senator Ken Salazar, the public and private sector of the Denver metro community are unified in support, not only of maintaining this great center, but we are also encouraged by the opportunities to expand on the site.

I mentioned earlier that I'm here representing Colorado's business leadership. The political and jurisdictional leaders are also working and partnering with a collective spirit in support of the DFAS Denver facility. We appreciate the great working relationship between Aurora Mayor Ed Tower and Denver Mayor John Hickenlooper and Colorado Governor Bill Owens. Not only are they working together, they are coordinating with the private sector and regional partners as well. This has to be regional cooperation at its best.

Commissioner Coyle, you had the opportunity last Thursday to learn about that support in the discussion led

CERTIFIED

by Aurora Chamber of Commerce President Kevin Hogan. It included, I thought, a very special testimony by the homeowners' association in Lowry supporting the continuation and expansion of this facility.

We all point out that we have the housing, education and transportation infrastructure in place to support this faculty in an unparalleled quality of life and special opportunities for expansion. In short, Colorado is proud of the remarkable record of achievement of DFAS Denver. We have the ability and the commitment and the leadership to continue this mission presently and to build on it should the other bases allow our expansion.

Second, Colorado has a skilled workforce. Colorado ranks third in the nation for percentage of residents with a Bachelor's degree or higher. Colorado has a highly skilled and available workforce in both private sector industry and military government sectors of the economy.

Colorado has the fourth largest space economy in the nation with 142,000 jobs as well as a strong financial services industry. Additionally, the Denver Metro region is the regional hub for federal employment, with 33,000 employees.

Here's a very quick view of our Denver Metro profile. In short, what this says is that this population

CERTIFIED

in this region is steadily growing, and we have an economy which is just now beginning to recover.

There are nine industry clusters in the Denver Metro area. The numbers represent direct employment in the industry. I will highlight financial services and aerospace, as I think these may be of interest as they relate to this Denver DFAS facility, and the availability of a skilled workforce and proximity of military commands to our aerospace industry.

Denver has a strong industry cluster in the area of financial services. We rank seventh out of the 51 largest -- 50 largest Metro areas for financial services industry cluster.

Here is more detail about the financial industry employee force. Key criteria evaluated in the DOD review are hiring -- that is, the average amount of time measured in terms of days to fill vacancies from outside of DFAS and local population workforce pool. Denver DFAS ranked number five in hiring, at 10.8 days.

Number five, local Denver population workforce pool. Colorado has the fourth largest aerospace economy in the nation, with approximately 142,000 jobs related to this industry cluster. I've included aerospace employment information because of the strong connection to the military. Colorado is home to four military commands: The

CERTIFIED

Air Force Space Command, the Army Space Command, the North American Air Defense Command, NORAD, and the U.S. Northern Command.

Military commands are the primary customers for space-based development, acquisition and operations from space technology companies of all sizes. Again, key considerations used to evaluate sites in the DOD review are ability to hire and the local workforce pool. Additionally, proximity to military installations is important.

This aerospace employment information is provided to demonstrate that a deep labor pool exists in the Denver Metro area, and that Denver DFAS personnel are among their piers in both financial and armed services.

As mentioned earlier, Denver is unique in that it is a regional federal hub, home to more than 33,000 federal employees. Being located in Denver provides a synergy of federal government activity.

In conclusion, on behalf of Colorado's business leadership, we appreciate the difficult task before you. Thank you in advance for considering the DOD evaluation, the unified Colorado community support for this facility, and the highly skilled workforce available in the Denver Metro region.

I believe that the high level of quality that supports the world's largest pay center with a distinguished

CERTIFIED

record of service is reflective of the fact that people are highly motivated and productive when they can work in the same place where they want to live and raise their families. Indeed, the Denver Metro area and the Denver DFAS site create that productive intersection.

Colorado's business leadership respectfully requests that the BRAC Commission consider the Denver DFAS facility as a site suited to expand to accommodate consolidation and realignment of other DFAS centers.

I thank you again, and it is now my honor to turn this over to our Governor, Bill Owens.

GOVERNOR OWENS: Joe, thank you very much. And Mr. Chairman and Members of the Committee, thank you for what you're doing for our country. I can only imagine how many of these presentations you've sat through, but I do appreciate, as a citizen and as a governor, what you're trying to do, and that is to make sure that we have as much power and force at the end of the spear as we can in terms of protecting the homeland. I am a strong supporter of the BRAC and what it is doing, even as the governor of a state that, in years past, has seen some significant facilities reduced and, in fact, closed.

You know, my role today is to be the closer in our discussion and in our case. My father made his living selling insurance. When he was young and when the insurance

CERTIFIED

industry was in its infancy, he actually sold insurance door to door. He told me that one of the things he learned from that experience was that when you've made the sale, quit talking or you might end up buying it back. We're going to leave about 22 or 23 minutes on that clock today hoping that we made the sale.

Every community that's come before you has talked about the importance of the particular facility or base to their economic livelihood, and we're no different than anybody else. It would obviously have a significant impact on Colorado and on Denver. But I think that what you have to consider most, as a commission, and what we as Americans also have to consider is, what's the impact on the military? What's the impact on the force structure and the people that we are all pledged to protect?

I truly believe it's in the national interest to keep this facility open for a very simple reason. The Denver accounting facility is an accounting facility that attracts some of the best and brightest from around the country for a simple reason. Colorado is a wonderful place in which to live, raise a family and work.

We know this: In case after case, if you talk to enlisted people or officers who have served at Buckley or Fort Carson or at Peterson or NORAD, time after time, I'm told that when they retire, they want to come back to

CERTIFIED

Colorado to live. I'm told that they hope to get transferred to Colorado when they're pulled out of some of the bases and facilities we have.

We know that Colorado's a wonderful place to live and that makes it easier to recruit the type of professionals we'd want to have continue to work at a facility such as we have at the Buckley Annex. Colorado has proven time after time that when people have a choice, they simply do want to live in our wonderful state.

Level Three, which is a major employer in Colorado, a major new company that was created six or eight years ago, had to decide where in the country they wanted to set up its headquarters. They did a poll of the people it hoped to attract, high-level engineering personnel, people who were active in terms of computers, the professionals, many of whom we would seek to hope to keep in the accounting field. And Colorado -- based on their recommendation, Denver, Colorado is where Level Three chose to set up its world headquarters.

We saw this recently when Boeing and Lockheed set up the joint venture called United Launch Alliance to serve NASA. Where did it choose to set up its headquarters? Colorado. The reason is that, as you've heard, Colorado's one of the best educated states in the country. We're third in the country in terms of the number of college-degreed

CERTIFIED

individuals per thousand. We happen to have the most technology workers per thousand of any state in the country. We're ahead of Massachusetts, we're ahead of Texas, we're ahead of California.

We have the most technology workers per thousand of any state in the country. And our business climate is broad-based enough that it's a state that, I think, is going to be successful in the future. The Corporation for Economic Development has consistently ranked Colorado as one of the best places in the country in which to do business.

Why is that important? Because when you have 1700 people already at the Fitzsimmons facility, and if you're considering a place to -- to merge or in fact collocate, I think Colorado actually might be that place. We're hoping not to protect this facility. We're hoping that, because DOD already owns the buildings, because there's plenty of room to increase its size, because it's already well protected; because Colorado's a place that, again, people like to move to, that you'll choose to actually allow us to increase the size of the facility we have.

We're very proud of the job that Denver DFAS does. We are very proud of the fact that the military ranks it number one. We hope that you'll keep these factors in mind when you make the difficult decisions that you are charged with making.

CERTIFIED

Thank you again for what you're doing for all of us through these sometimes probably less than exciting hearings. We really do appreciate it. We'd be glad to answer any questions, should you have any.

SENATOR ALLARD: Mr. Chairman, that concludes our presentation. We thank the Commission for their kind attention.

ACTING CHAIRMAN COYLE: I think the Colorado delegation has set the record in all of our hearings for the most concise presentation of any. Let me see if there are any questions.

COMMISSIONER GEHMAN: And I agree. Thank you very much for traveling out here and helping us see our way through this.

As I think that you are aware, the Commission heard the DOD recommendation, which was essentially to consolidate the DFAS organization from 30 centers in 26 different locations down to three, and then that's what we were presented with. And the rationale was, Well, we ran an optimization model and this is how it came out. Well, in order for us to peer into that process, we have to put everything back on the table again, and that's how we got here.

But as we evaluate -- we put the three on the

CERTIFIED

table so we could evaluate all 26 on an even playing field, but from listening to you, your arguments, I would gather that if the Commission were to look at the optimization model which the department used, and I'm just -- I'm hoping that I'm reading your argument back to you. That if we considered such factors as whether or not we're at a secure site, that there is an ability could expand with no milcon; if the facility is not too old, if it's relatively modern; and if the local demographics can support a first-class local workforce and the facility can take on additional work, we should consider that the department's recommendation is a good one.

Is that kind of the criteria that you -- that's what I heard in your arguments. So if that is pretty close to what you consider to be the algorithm for evaluating DFAS sites, then I, for one, will look at the other 26 with the same argument.

SENATOR ALLARD: I think that's fair, Commissioner. And that's all that we ask, that you give us all the same fair consideration in that. But I do think we have a real strong case.

I just reiterate again that Denver DFAS is ranked number one in military value, and I think that should have

CERTIFIED

considerable significance. I feel like they were fairly objective about it, and obviously we're proud about what we have in Denver, and we just wanted to share that with you today.

ACTING CHAIRMAN COYLE: I understand that your testimony today has been focused on DFAS. We also visited ARPC when we were out in Denver, Commissioner Newton and I. They were pretty straightforward that they didn't see a value in moving to Texas.

When we asked the commander, I think the way it was put was, Yes, you could do it. It fell into this category of, Yes, it's physically possible to do it, but why would you? It works where it is. There is considerable synergism with DFAS; they're in the same building and work together on some matters.

Do you have anything more you want to add onto that?

GOVERNOR OWENS: No, I'm going to jump in here just because I'm from Texas, and I left there as soon as I reached the age of majority. (Laughter.)

SENATOR ALLARD: I don't have anything else. Any comments from the Commission?

ACTING CHAIRMAN COYLE: I just wanted to ask, did you have anything more you wanted to say about ARPC since most of your testimony was focused on DFAS?

CERTIFIED

GOVERNOR OWENS: Well, we are proud --

ACTING CHAIRMAN COYLE: Oh, you guys already have your lights on.

GOVERNOR OWENS: Let me just say that, you know, we came here today in the delegation that was put together by Senator Allard, and our focus today in this hearing was to let you know how important DFAS is.

I don't know what reception you've gotten at other places around the country on these very difficult hearings, but I think what this shows is the unanimity of support that we have for the military's recommendation with respect to Denver DFAS.

I personally -- and I don't know whether any of my colleagues came here to address the other issues. We were told frankly that it was outside of the jurisdiction of this commission hearing to address other facilities. So I personally did not come prepared to address issues with respect to other items on the BRAC list.

ACTING CHAIRMAN COYLE: Thank you.

GOVERNOR OWENS: But it would be, I think, remiss for me to say that it is certainly something that we, as a delegation, can take back and we will look at. And hopefully, we can at least get a letter in to the Commission with our studied views of the issue that you raise, Commissioner.

CERTIFIED

ACTING CHAIRMAN COYLE: You've done a lot already, and so I certainly don't want to add to your burden. But if you have further thoughts on that in the next week -- that's all we have -- that would be helpful.

I don't think we have anymore questions. So thank you very much for your testimony today.

This concludes today's Regional Hearing of the Defense Base Closure and Realignment Commission. I want to thank all of the witnesses who testified from California and Alaska and Colorado. And thank you, those of you who came from especially long distances for those trips. You've brought to us today very thoughtful and valuable information, and I want to assure you that your statements will be given careful consideration by all the Commission members as we reach our decisions.

I also want to thank all the elected officials and community members who have assisted us during our base visits in preparation for this hearing. And in particular, I want to thank, again, the City of Monterey for their assistance in obtaining and setting up this fine site.

And finally I want to thank the citizens of the communities that are represented here today that have supported the members of our Armed Services for so many years, making them feel welcome and valued in your towns and communities. It's that spirit that makes America great.

CERTIFIED

This hearing is closed.

(End of record, 4:57 p.m.)

CERTIFIED