

**DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION
OPEN MEETING**

9:00 a.m.

**106 Dirksen Senate Office Building
Washington, D.C.**

Tuesday, March 7, 1995

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COMMISSIONERS PRESENT:

Senator Alan J. Dixon, Chairman
 Mr. Alton W. Cornella
 Ms. Rebecca G. Cox
 General J.B. Davis, USAF, (Ret.)
 Mr. S. Lee Kling
 Rear Admiral Benjamin Montoya, USN, (Ret.)
 Major General Josue Robles, USA, (Ret.)
 Mrs. Wendi Louise Steele

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C O N T E N T S

	PAGE
Opening Statement of The Honorable Alan J. Dixon, Chairman, Defense Base Closure and Realignment Commission	3

Testimony:

The Honorable Togo D. West Jr. Secretary of the Army	4
General Gordon Sullivan Chief of Staff of the Army	10
Questions and Answers:	13

AFTERNOON SESSION

Testimony:

Lawrence P. Farrell Jr. Principal Deputy Director, Defense Logistics Agency	152
John F. Donnelly, Director Defense Investigative Service	172
Questions and Answers:	175

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P R O C E E D I N G S

1
2 CHAIRMAN DIXON: Good morning, ladies and
3 gentlemen, and welcome. This is the third of four hearings,
4 held yesterday and today, at which the commission is hearing
5 from and questioning the secretaries of the military
6 departments, their chiefs of staff, and the directors of
7 defense agencies, regarding proposed base closures and
8 realignment. We have had the honor to hear The Honorable

10 Togo D. West Jr., the Secretary of the Army; General
11 Gordon D. Sullivan, the Chief of Staff of the Army;
12 The Honorable Robert M. Walker, Assistant Secretary of the
13 Army for Installations, Logistics and Environment; and
14 Brigadier General James E. Shane Jr., Director of Management
15 of the Office of the Chief of Staff.

16 Before we begin with Secretary West's opening
17 statement, let me say that in 1993, as part of the national
18 defense authorization act for fiscal '94 the Base Closure and
19 Realignment Act was amended to require that all testimony
20 before the Commission, at a public hearing, be presented
21 under oath. As a result, all of the witnesses who appear
22 before the Commission this year must be sworn in before

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1 testifying.

2 Secretary West, General Sullivan, Mr. Walker and
3 General Shane, would you be kind enough to please rise and
4 raise your right hand?

5 (Witnesses sworn.)

6 CHAIRMAN DIXON: Thank you, gentlemen. Please be
7 seated. Secretary West, you may begin, sir.

8 SECRETARY WEST: Thank you, Mr. Chairman. Good
9 morning to you and to the members of the Commission. It's an
10 honor for all of us to be here.

11 I have a statement, an opening statement on behalf
12 of all of us, which with your approval, Mr. Chairman, I will
13 submit for the record, and I will simply make a few brief
14 points.

15 CHAIRMAN DIXON: Thank you, Mr. Secretary.

16 SECRETARY WEST: My points are about four, sir.
17 First, with respect to this process that you and we are
18 about, I would say that we in the Army understand the stakes.
19 We know that it makes no sense for this country to pay for
20 installations that are no longer needed by the Army, by any
21 of the services. Indeed, we know that the United States, and
22 certainly the Army, cannot afford to carry any unneeded

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1 capability.

2 We have been about the business of divesting
3 ourselves of unneeded capability for quite a while, now,
4 certainly since the first Commission convened in 1988. We
5 have been restructuring our bases and restructuring our
6 capability.

7 We have reduced our personnel by over 450,000, in
8 soldiers and civilians. We restructured the Army down from
9 18 to 10 divisions. We have restructured the National Guard
10 from 10 to 8 divisions, withdrawn 145 battalion or battalion
11 equivalents from Europe, and we have closed some 77
12 installations in the U.S. and 500 overseas. Indeed, more
13 than half of all the bases closed by DOD in that period are
14 Army bases.

15 I think our second point, Mr. Chairman, would be
16 that, even so, we in the Army must remember that our
17 installations are the platforms from which we do our nation's
18 defense business. The fact is that we must take care in this
19 process not to jeopardize the ability of the United States
20 Army to respond to United States security needs in the
21 future.

22 In our military judgment, we have made the decision

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1 to close those bases that need to be closed, and we do not
2 see any further that need to be done. We understand that
3 views on that may differ, and we will work with you as you
4 form your own views on that matter, but we regard many of our
5 installations as precious national resources that need to be
6 protected, and we have tried to be careful about that.

7 Indeed, we are now closing some 7 out of 10 sites
8 overseas as evidence of a shift from a forward deployed force
9 to one relying rather on forward presence. We made great
10 progress in previous BRAC rounds: 83 installations closed
11 and numerous others realigned. We realize that there could
12 be considered more to be done, but for us, we believe the job
13 of closing installations for now has been attended to.

14 A word about our process. We began preparing for
15 this round of BRAC more than a year and a half ago. Some 20
16 analysts went to some 70 installations around the country to
17 begin that process. We then prepared our stationing
18 strategy, which is derived from the national military
19 strategy. We followed DOD selection criteria by putting them
20 into a format of quantitative measures by which we could
21 evaluate both the installations, their assets, their value,
22 and their importance, and then compared them.

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1 And finally, Mr. Chairman, and members of the
2 Commission, we have audited, audited, audited. A staff of
3 some seven auditors has checked and double checked our
4 calculations to make sure that we were getting the facts,
5 getting the situation correct. Out of that we have come up
6 with a recommendation of some 44 installations and sites to
7 be closed or realigned.

8 They are not easy choices. If there were easy
9 choices to make in this process, and I'm not sure there are,
10 they were made in the three previous BRACs. All that's left
11 now is the really hard stuff.

12 Even so, by following a strategy of minimizing
13 costs and maximizing savings, we begin that we will -- we
14 believe that we will be able to spend only one third of what
15 was spent in the entire three previous BRAC rounds in order
16 to come up with realignments and savings that will be some 17
17 percent more than were achieved in those rounds. Obviously,
18 we hope we'll be able to reinvest those savings in
19 modernization, quality of life, training, all components of
20 future readiness.

21 A word, then, about what we've actually
22 recommended. Our proposals include reducing infrastructure

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1 and overhead by downsizing, and reducing two maintenance
2 depots with excess capacity by closing and realigning five
3 major training installations, and thus capitalizing upon the
4 efficiencies of collocating three Army schools.

5 We're recommending the closure of three ammunition
6 storage sites, in accordance with the major restructuring
7 plan. We'll take advantage of commercial ports on the
8 eastern seaboard, enabling us to recommend to you the closure
9 of a major port on that seaboard, and we are looking to
10 vacate several high-cost leases, eliminating 15 smaller sites
11 that are not required.

12 The DOD cross-service effort has benefitted us. We
13 have largely taken their recommendations in the case of
14 depots and in the case of medical facilities. Once again,
15 Mr. Chairman, we're going to try to consolidate training for
16 engineers, chemical specialists, and military police to
17 enhance training and reduce costs. This will be our third
18 effort to do this.

19 I recognize, the Army recognizes that this has been
20 an area of contention. I would only point out that in the
21 past it has received support from three successive
22 secretaries of Defense, two chairmen of the JCS, three

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1 secretaries of the Army, spanning two different
2 administrations of, I might say, differing political views.
3 I ask you to consider this carefully as you consider these
4 and other recommendations.

5 Finally, Mr. Chairman, we in the Army understand
6 that this is a collaborative process. That is, that we,
7 having done our job to provide these recommendations to you,
8 you now take on the task of making some sense out of them.
9 We will work with your staff and with you as you come to your
10 conclusions. We also realize that base closings have an
11 important, perhaps even a traumatic effect on the communities
12 and the individuals that they affect.

13 I come from a company town. I have a sense of what
14 can happen when the main or major, or one of the major
15 businesses says, we're closing up. We're going away, either
16 because we're not going to exist anymore, or because we're
17 going to do business elsewhere. We will take into account,
18 as the President and the Secretary of Defense have directed
19 us, the importance of working with the communities that are
20 finally affected by the decisions you make based on the
21 recommendations that we provide. We pledge to do our best to
22 work with them when that time comes.

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1 Mr. Chairman, I know that the Chief of Staff,
2 General Sullivan, has a few remarks to make, and then we'll
3 be ready for your questions. Thank you.

4 CHAIRMAN DIXON: Thank you for those very fine
5 remarks, Mr. Secretary. We appreciate it.

6 General Sullivan, we're delighted to have you here
7 this morning, and interested in hearing your remarks.

8 GENERAL SULLIVAN: Mr. Chairman, honored to be here
9 the second time before the Commission. It's not easy to
10 close bases, we all know that, but as the Secretary said,
11 it's necessary as we transform America's Army from a cold war
12 army to a power projection army. I fully support the
13 Secretary's comments, and I'd like to make three points with
14 you.

15 First, these recommendations are a result of a very
16 careful, thoughtful process, difficult choices requiring
17 careful judgment, and a lot of hard work by a lot of people,
18 some of whom are in this room. I would like you to know,
19 Mr. Chairman, that the senior military leadership, the senior
20 uniformed leadership of the department, supports fully the
21 recommendations which are before you.

22 We have, in fact, retained the bases which will

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1 keep the Army trained and ready, today and tomorrow. And our
2 challenge is to prepare for a world that we fully cannot see
3 or predict. The recommendations before you today balance
4 today's requirements with the potential of the 21st century.
5 The Army, the United States Army, is not retaining extra
6 facilities. There is not excess capacity out there.

7 The Army, unlike the other services, trains on the
8 land, primarily on the land. That's our environment. That's
9 where we train. And we are keeping the training land
10 necessary to support America's Army. That's a little bit
11 over a million men and women, active Guard and Reserve, that
12 will be retained into the next century.

13 Now, for you, I think, you should know that we feel
14 these recommendations are sound business decisions. The
15 nation is spending a historically small amount of money on
16 the Army during this period, and we must make the most of
17 those dollars. To stay trained and ready, we must tailor the
18 infrastructure.

19 The list you have before you this year gives us a
20 very significant return on our investment. For money
21 invested, we get a high return, and we get an early return
22 that we can then put into modernizing and improving America's

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1 Army.

2 Lastly, I would say in conclusion, I support the
3 recommendations. The bases we are retaining are the right
4 ones. The ones we are closing are the right ones. I, like
5 the Secretary, though, realize that there will be other views
6 on that subject, and I'm prepared to participate in that
7 dialogue. We need your support to keep America's Army ready
8 into the 21st century, and I believe this list you have
9 before you puts us on the proper path.

10 CHAIRMAN DIXON: Well, thank you very much, General
11 Sullivan. Secretary Walker, do you have anything you would
12 like to add to those remarks?

13 SECRETARY WALKER: No, sir. Thank you.

14 CHAIRMAN DIXON: Well, we certainly thank you for
15 being here this morning.

16 General Shane, do you have anything to add?

17 BRIGADIER GENERAL SHANE: No, sir.

18 CHAIRMAN DIXON: Thank you very much, General
19 Shane.

20 Mr. Secretary, my colleagues on the Commission have
21 asked me on each occasion to ask some general questions,
22 largely questions that were suggested to us by members of the

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1 Congress when we met with Senators and House members at
2 individual meetings earlier, a couple of weeks ago.

3 Secretary West, did the office of the Secretary of
4 Defense remove or add any installation closures or
5 realignments from your recommendations to the Secretary?

6 SECRETARY WEST: No, sir.

7 CHAIRMAN DIXON: Secretary West, did anyone in the
8 administration instruct you not to place any specific
9 installations on your list to the Secretary of recommended
10 closures and realignments?

11 SECRETARY WEST: These are my recommendations as
12 counseled by the Chief of Staff and the Army. No, sir.

13 CHAIRMAN DIXON: Secretary West, did the office of
14 the Secretary of Defense instruct your service to place or
15 not to place any specific installations for closure or
16 realignment on your listed recommendations to the Secretary?

17 SECRETARY WEST: To my knowledge, no, and I think
18 my knowledge is pretty extensive on that, Mr. Chairman.

19 CHAIRMAN DIXON: Secretary West, did you or the
20 office of the Secretary of Defense remove any installations
21 from the recommendations solely for reasons of environmental
22 or economic impact?

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1 SECRETARY WEST: No. We took environmental and
2 economic impact into consideration as we worked our way
3 through our decisions. But no, sir, not solely for that
4 purpose.

5 CHAIRMAN DIXON: You understand the nature of
6 that --

7 SECRETARY WEST: Not even -- for that purpose.

8 CHAIRMAN DIXON: The nature of that question is
9 largely developed as a consequence of Secretary Dalton's
10 testimony that he in fact did not put on several because of
11 economic reasons in the State of California, and it is the
12 interest of the Commission to find out whether any other
13 branch of the service made such decisions. We don't say that
14 we criticize that judgmental decision, but it's part of the
15 record we'll need to examine very carefully.

16 SECRETARY WEST: I understand.

17 CHAIRMAN DIXON: And your answer to all the
18 questions is no.

19 General Sullivan, if I went through the same series
20 of questions and asked you the same questions under oath,
21 what would be your answer?

22 GENERAL SULLIVAN: The answer to them would be the

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1 same as the Secretary's: no.

2 CHAIRMAN DIXON: Mr. Secretary Walker?

3 SECRETARY WALKER: My answer is the same.

4 CHAIRMAN DIXON: And General Shane?

5 BRIGADIER GENERAL SHANE: Mr. Chairman, you get the
6 same response: no.

7 CHAIRMAN DIXON: Now, we'll begin our line of
8 questioning this morning with Major General Joe Robles, who
9 retired from the Army, as you know, last July 1st. And I'm
10 sure he's eagerly looking forward to asking the questions of
11 his former bosses.

12 General Robles, now is your turn, sir.

13 MAJOR GENERAL ROBLES: Thank you, Mr. Chairman.
14 And I would say that is not true, in essence. Having sat on
15 that side of the stage many times, I understand what the
16 issues are behind it. But I would like to start with some
17 follow-ups of yesterday's testimonies, Mr. Secretary.

18 I note that in your opening remarks, you and
19 General Sullivan, you noted that there is no excess capacity
20 in the Army. The Navy said they had absolutely no excess
21 capacity, the Army says it has no excess capacity, yet the
22 Secretary of Defense last week said that there was still

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1 excess capacity in the Department of Defense, so I guess it
2 must all be in the Air Force or defense agencies, because no
3 one is saying that there is any excess capacity.

4 Truly, not that we expect the services to get down
5 to zero excess capacity, what is your thoughts about excess
6 capacity remaining after this, assuming this list of closures
7 was approved?

8 SECRETARY WEST: I think to the extent that the
9 Secretary of Defense had the Army in mind in any part of his
10 comments, I think we are in agreement with him on the facts
11 that I saw him referring to. He talked, for example, about
12 basing capacity in the case that we were to return troops
13 from either Europe or the Pacific. And certainly one of the
14 concerns we had was to make sure that there was capacity to
15 do that.

16 I think it is possible that in one mind and one way
17 of looking at it, that's called retaining extra capacity so
18 that you can rebase those. That is not my view. That is a
19 capacity that we need. I don't consider that capacity
20 excess, but I'm not going to get into a semantic debate with
21 those who think it is.

22 I think the Secretary of Defense stated it

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1 correctly when he said it. I think we're also correct, too.
2 Let me say that, incidentally, that is an important point for
3 us in the Army. The ability to be prepared should it occur,
4 to house those units that might have to come back from
5 overseas -- and it would be a very close fit right now.

6 Capacity is not just looking for space, it's
7 looking for the right kind of space. It would involve, and I
8 think I would defer to General Sullivan on that as the
9 professional, it would involve some shifting of units around
10 to make sure we could do it. But at this point I think
11 that's the kind of capacity that we've been looking at, that
12 some might have thought was excess capacity. We don't think
13 so, and I don't think so.

14 MAJOR GENERAL ROBLES: I understand that the
15 contingency for taking forward deployed forces, and
16 eventually the potentiality of coming back to the United
17 States. I got the impression that he was talking about
18 industrial, medical and other capacity that was still excess
19 to the Department of Defense. And his exact frame of
20 questioning was that we're biting off as much as we can chew.

21 This is a tremendous management challenge, which I
22 appreciate, and I think all of us do, and we're going as fast

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1 as we think is prudent, to not have everything come unglued
2 here. But there was still some capacity that could be taken
3 down. And that's the general thrust of my questions.

4 SECRETARY WEST: As to whether there is further
5 industrial capacity that we could reduce by?

6 MAJOR GENERAL ROBLES: Correct.

7 SECRETARY WEST: I think we in the Army think we've
8 done the right thing on this, in this round of BRAC. We did
9 not hold back. We did not restrain ourselves. This is a
10 fairly sizeable BRAC for the Army. There are lots of factors
11 that bear on it, of course. When you make a decision, how
12 much of a -- are we going to spend in advance? But I think
13 we think we've done exactly what we needed to do.

14 Is there a possibility that at some future time,
15 two or three years from now, we might look at it, look at
16 where we stand and what we have, and say there is capacity
17 that we can reduce further? That could happen. But at this
18 point I don't think the Army is looking at having excess
19 capacity.

20 MAJOR GENERAL ROBLES: Yes, Chief.

21 GENERAL SULLIVAN: I would just say mobilize, train
22 and equip. I think we're taking a risk, here. I think we're

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1 taking a risk. It's hard to predict what the future will
2 hold, and I, like the Secretary, think we have pushed the
3 edge of the envelope. There may, in fact -- I'm not going
4 to -- like the Secretary, I'm not -- I don't know quite what
5 was in his mind when he was talking about it, but we do have
6 a mobilization requirement and a sustainment requirement
7 during war. So.

8 CHAIRMAN DIXON: May I interrupt for a minute,
9 Commissioner Robles? I have to step out of the room to
10 confer with a couple of people. Would Commissioner Cox
11 please chair in my absence? I'll be back shortly.

12 COMMISSIONER COX: Certainly.

13 MAJOR GENERAL ROBLES: Thank you, Mr. Secretary;
14 thank you, General Sullivan. The ever pervasive dollar was
15 also an issue yesterday, and certainly last week, in that
16 there is some speculation that the size of this BRAC for all
17 the services in DOD was constrained by the shortfalls in the
18 budget.

19 In fact, Mr. John Beach from the Air Force made an
20 eloquent pitch here yesterday that they had shortfalls in
21 their inflation account, they had shortfalls in their
22 environmental costs, and that -- did not want to risk near-

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1 term readiness by having to borrow from the operating
2 accounts in order to pay the up-front costs of BRAC.

3 What was the Army's view on that? Did you feel
4 constrained by the fact that you have to pay up-front costs
5 out of your operating accounts, since there is no other
6 mechanism to do that?

7 SECRETARY WEST: I think we did what we had to do.
8 I don't think we felt unnecessarily constrained by anything.
9 We did a BRAC that was a healthy BRAC, that was an ambitious
10 BRAC, and was the BRAC that we set out to do in advance. I
11 mean, we pretty much expected that we would get -- have to
12 get up to a certain level. We are looking for savings while
13 at the same time being able to retain our ability to do our
14 job.

15 Unlike the other services? Well, let me be careful
16 about drawing distinctions. We are particularly proud of the
17 fact that in planning for this BRAC we put a healthy planning
18 wedge in our budgeting. We expected to spend about \$700
19 million or so to do this BRAC, up front, and so we felt that
20 that would give us room. So yes, we did look at up-front
21 costs as we tried to maximize savings out of this BRAC. It's
22 one of the things we're proud of. I mentioned that in my

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1 testimony.

2 But in terms of constrained by, no. Did it affect,
3 from time to time, some decisions? Would we look at an
4 installation and, among other things, note that a \$300
5 million up-front cost would take about half of our planning
6 wedge? We would be foolish if we didn't look at that. But I
7 don't think we felt constrained.

8 GENERAL SULLIVAN: Yeah, we didn't feel
9 constrained. And what we're looking for is a high return on
10 investment, an early return on investment. And Jimmy has got
11 a chart, a graph, here -- he can show you -- that gives us a
12 return on our investment in '99-'00, which puts back into the
13 program so we can modernize. And that's a very early return,
14 as you know, much earlier than we've had in the past. Talk
15 with that, Jimmy.

16 BRIGADIER GENERAL SHANE: Mr. Chairman, let me make
17 a couple comments about this. One, if you take a look at all
18 previous BRACs that we've done to date, the costs for doing
19 that was \$3.3 billion.

20 CHAIRMAN DIXON: May I interrupt you, General?
21 Would you be kind enough to say who is making the remarks? I
22 know it is Brigadier General Shane, but for the record, we

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1 need to keep this straight so we don't attribute those
2 remarks in the record later to the Secretary or somebody
3 else.

4 BRIGADIER GENERAL SHANE: Yes, sir.

5 CHAIRMAN DIXON: Thank you. Brigadier General
6 Shane.

7 BRIGADIER GENERAL SHANE: Thank you, sir. As I
8 would like to point out, in the previous BRACs, '88, '91, and
9 '93, we spent \$3.3 billion in costs, up-front costs. This
10 year's BRAC, in '95, we spent one third the amount of that,
11 which is \$1.1 billion. And I'd like to call your attention,
12 if you would, please, to the savings that's been generated.

13 All previous BRACs, we generated just a little bit
14 over \$600 million, and if you look to the chart, on the
15 right, the top graph, there, the return on that investment
16 starts -- for all previous BRACs was 1998. In '95 we get
17 about 17 percent larger return on our investment for one
18 third the cost, and we get that return on the investment in a
19 much shorter period, 1999-2000, that time frame.

20 And the reason for that, and the way we approached
21 this in our analysis, was the fact that we felt like we
22 needed to get the Army to a steady state in the early 21st

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1 century in order to buy back our modernization, quality of
2 life. And those type of imperatives are key to our core war
3 fighting competencies. So that is kind of, in a nutshell,
4 how we approached that, and the approach the Army took. Does
5 that help, Mr. Chairman?

6 CHAIRMAN DIXON: Thank you, General.

7 MAJOR GENERAL ROBLES: Secretary West, probably, or
8 General Sullivan, probably more appropriately, can you, would
9 you underpin sort of the strategy you used -- alluded to --
10 at about potential return of the six or so brigades that are
11 forward deployed, eventually, and how that played into your
12 decision making in this particular BRAC round, sort of the
13 over-arching strategy?

14 GENERAL SULLIVAN: Well, what I had to do is, first
15 of all, station -- station the divisions in the United States
16 in a place -- in places where we could train, house,
17 adequately house them and their families, and 70 percent of
18 the Army is married today. And that was -- that is always a
19 challenge, is to maintain that infrastructure, and to provide
20 training land for the troops.

21 And then we had the size of the Army to consider,
22 which as I pointed out is actually a little bit over a

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1 million. That's active Guard and Reserve. And most of us
2 will be based in the United States. I can house -- we can
3 house approximately 500,000 troops in adequate billets in the
4 continental United States. Now, we don't have 500,000 here
5 now, because we'll have 65,000 forward based in Europe, and
6 about 30,000 in Korea, and small groups here and there.

7 But what we did was, we stationed the Army, and we
8 looked ahead with a plan for this 10-division, million men
9 and women Army, and retained the posts we would need to
10 station, train, and provide a reasonable quality of life for
11 our people. That essentially was the strategy on that side,
12 on the uniformed side.

13 But I do have a keen interest in the dollars,
14 because we have to resource it, and that's what that chart is
15 all about, there, high return on investment. And we're not
16 closing places, here, just -- just to close them. We're
17 closing the ones we need to close to get the dollars to keep
18 this organization running, because we're in a declining
19 dollar base. We've been in a declining dollar base since
20 1985. And that -- that -- is that what you wanted? That's
21 essentially what my strategy was.

22 MAJOR GENERAL ROBLES: Thank you, General Sullivan.

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1 A final question before I yield the time.

2 We had a lively discussion yesterday about depots
3 and the logistic centers in the Air Force. They took a
4 slightly different approach from the Army and the Navy.
5 Their approach was, it was economically better for them to
6 downsize their five logistic centers versus closing the --
7 like the two you closed, and the Navy had previously closed.

8 My questions are, number one, did you consider the
9 Air Force's approach to life in the way they came up with
10 their economic analysis in lieu of closing the two depots
11 that you decided to close? And the second part of this
12 question: one of the determinants in their analysis was the
13 high \$1.1 billion up-front cost. They were very high. And
14 do you have the same problems? As you close a depot, do you
15 have inordinately high up-front costs that would prohibit you
16 from closing and maybe having to take some other alternative?

17 SECRETARY WEST: First of all, we considered all
18 the possibilities. Surely we considered the possibility that
19 we could simply downsize and keep them there. And in fact
20 you will find that in some other categories of installations
21 we have done just that.

22 For us, for example -- in many ways for us it is

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1 not a base closure process, Commissioner Robles. It is a
2 look-see, to see how we can so consolidate ourselves and our
3 infrastructure that we are then able to do business in a more
4 efficient and effective way. And so we are always looking to
5 see if what we'll end up doing is being able to consolidate a
6 location so that we either leave a place where we can close
7 or that will be significantly reduced.

8 In our case, what came up for us, in terms of the
9 studies by General Shane and Assistant Secretary Walker, was
10 that we could, in fact, close. Now, we also had some help.
11 We had the joint cross-service working group advice on this,
12 too. So I think we ended up concluding, as they did in a
13 couple of instances, yes, we could afford to close.

14 In terms of up-front costs and whether in these
15 particular cases we experienced them as being so high that we
16 couldn't do it, clearly, we didn't. I mean, we were able to
17 fit the cost within our planning wedge. I think part of that
18 may be that we were able to do a little bit of careful
19 planning with the wedge in advance, so we knew what we could
20 accommodate and were able to make it work.

21 The fact is, it will always be, I think, a question
22 of, in a given BRAC, say, if you were to elect to have

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1 another one, there will always be the question of how that
2 can -- how that fit, how much it's going to cost us in order
3 to get the savings. It's not just up-front costs that we
4 look at, though. It is the savings we'll get and how quickly
5 we'll get it. All those things came into play for us. But I
6 don't think we had quite the same experience.

7 General Shane?

8 BRIGADIER GENERAL SHANE: Mr. Chairman, General
9 Shane. A couple comments about the depots. We recognized
10 early on in the process that we did have about 40 percent
11 excess capacity, and that percentage equates to about one or
12 two depot equivalents. And that was pretty much supported by
13 the joint cross-servicing groups as they did their
14 independent analysis of that.

15 So as we looked at that, we recognized that we had
16 approximately three different places that we were doing
17 ground depot maintenance. So it was a tough decision, but we
18 decided to look at that and how we could either close or
19 realign the depots that we have, and to produce more synergy
20 for the industrial base here with regards to depot
21 maintenance.

22 What that resulted in for us was really the up-

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1 front cost, was a little bit over \$100 million, 110 for the
2 two depots, if we combined them together. And it gave us a
3 return on our investment, in steady state, of -- 210 I want
4 to say -- \$210 million, with almost immediate return on our
5 investment. So we thought it was good business sense to
6 approach that in that endeavor.

7 MAJOR GENERAL ROBLES: Just a quick follow-up. I
8 understand; I just want to make sure, because what the
9 presentation yesterday afternoon focused on was that they
10 needed to do extensive military construction if they would
11 have closed two of their depots to replicate the facilities,
12 because there were unique or -- not quite understand that,
13 yet.

14 But in your case, you're saying you don't have to
15 replicate that. You don't have a large outlay of military
16 construction. You can just transfer the workload to the
17 other depots and absorb it?

18 SECRETARY WEST: Commissioner Robles, let me just
19 use the three ground maintenance depots that General Shane
20 just mentioned. We, in fact, did have to be careful of which
21 particular one we chose to close, in terms of how it would
22 fall -- the workload would fall into the other two -- to make

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1 sure that we were not creating a situation in which we would
2 have to do so much expensive additional construction as to
3 make the process not worthwhile.

4 We could not have closed the heavy ground
5 maintenance on one of the other depots, so we went the other
6 way. So we took it into account. We just were able to work
7 it out so that we actually were able to close the depot.

8 MAJOR GENERAL ROBLES: Thank you, Mr. Secretary.
9 Chairman?

10 CHAIRMAN DIXON: Thank you very much, Commissioner
11 Robles. Commissioner Steele.

12 MRS. STEELE: Thank you, Mr. Chairman. Welcome
13 Mr. Secretary, Generals, and Secretary Walker. Mike, I
14 remember back in '91 we had different roles, and I must say I
15 won't miss you reminding me of the Commission's role to be
16 attentive to the defense committees. But all the defense
17 committees can thank you, because ever since our little
18 meeting back in '91, the Commission has been very attentive.

19 SECRETARY WALKER: You never know how things may
20 turn out.

21 MRS. STEELE: Mr. Secretary, I assume you are aware
22 that the -- of the Air Force's proposal to extend the runway

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1 at Fort Drum while closing Griffiss Air Force Base. Will the
2 proposed runway extension be sufficient to accommodate all of
3 Fort Drum's air mobility and support needs? And is the Army
4 willing to assume the cost of operation of that runway and
5 air field facility?

6 SECRETARY WEST: I am aware. We are. We have some
7 concerns that we're watching very closely to make sure that
8 we and the Air Force bear that burden in the right way. But
9 yes, we're prepared to do that.

10 I'm going to ask either General Sullivan or
11 Secretary Walker if they want to add to it. I'm actually
12 quite familiar with what's going on there. I actually went
13 up and took a look at it before we made the final call on
14 that, so we're comfortable with what we're going to be doing.
15 We're comfortable with the circumstance in which the Air
16 Force will be leaving us.

17 SECRETARY WALKER: We have had a team that --

18 CHAIRMAN DIXON: Would you identify yourself,
19 Mr. Secretary?

20 SECRETARY WALKER: Secretary Walker.

21 CHAIRMAN DIXON: Pardon me for continuing to be a
22 little bit of a nitpicker about that, but it's necessary,

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1 because as a matter of record we need to know who said what
2 was said.

3 SECRETARY WALKER: Yes, sir, Mr. Chairman.
4 Secretary Walker. Commissioner Steele, we have had a team
5 that has worked with the Air Force, has gone to Griffiss and
6 has gone to Fort Drum, and that is properly sized and will
7 take care of what our needs are at Fort Drum.

8 MRS. STEELE: Thank you. Did the Army consider
9 closing Fort Drum, in those discussions, relocating the 10th
10 Mountain Division to excess capacity on other maneuver
11 installations, and saving the \$51 million of extending Fort
12 Drum's runway and the annual O and M costs?

13 SECRETARY WEST: I have two answers. First, a
14 general answer, then the specific one. The first, a general
15 answer that I'm sort of required to give, Commissioner
16 Steele. We considered every single installation that the
17 United States Army has. That's the way we started. We
18 refined it, and refined it, and refined it, but more
19 specifically, as we neared sort of final decision status, did
20 we in some way focus on Drum.

21 We focused on a number, and yes, we gave great
22 consideration to whether or not Drum and other maneuver

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1 installations ought to be taken out of the arsenal of
2 democracy. And then specifically in the case of Drum, we
3 decided not. It is an installation at which we house our
4 division better than we do at any other installation in the
5 United States.

6 It does its job better than any other. It is
7 important to us in terms of being able to house all of our
8 forces, and so for that reason and many others we kept in the
9 force. But yes, we certainly considered it.

10 MRS. STEELE: Okay. One last question in this
11 category, and you have partially just answered it. But as
12 you know, comparing maneuver installations is often comparing
13 apples and oranges in terms of typography of ranges, distance
14 of ranges relative to the base, weather, the state of
15 modernization of ranges, and even restrictions due to
16 environmental laws. How did these factors impact the cost to
17 train and still your decision to retain all maneuver
18 installations?

19 SECRETARY WEST: Okay. I thought I had your
20 question, but at the last -- how did those factors impact our
21 decision?

22 MRS. STEELE: How did they impact the cost to train

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1 at various installations? I know you can't run through all
2 of them in detail, but there are great variances in training
3 costs.

4 SECRETARY WEST: Well, let me start, I guess, in a
5 more general basis. Every cost of operating the base will
6 have a cost on our training. And I suppose that if you
7 identify a particular base as being a little bit more
8 expensive, yeah, it increases the cost of training, plus
9 there are other factors to consider as well.

10 Maneuver installations are hard to come by. Once
11 they're gone, there is a pretty good chance, and I will allow
12 Secretary Walker, who specializes in this, to try to convince
13 me otherwise, we'll never get that or equal acreage back
14 again. And so we want to be very careful when we make a
15 decision that maneuver base has to go away. And the absence
16 of a maneuver base also increases our cost of training. It
17 constricts our training opportunities.

18 So first and foremost, we have to be very -- we
19 thought we had to be very careful about easily sending one of
20 the maneuver bases out of the force. I think, secondly, we
21 don't have any maneuver installations that are in the force
22 right now that are idle, that are not being utilized. We're

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1 using every one of them, and every one of them has been and
2 is important to us.

3 So again, for us the cost of training is also
4 training opportunities. Now, you specifically wanted to know
5 about how these given factors might increase or reduce the
6 cost of training. I'm going to let Secretary Walker talk to
7 that.

8 SECRETARY WALKER: Secretary Walker, Commissioner
9 Steele. I would say that the most significant cost to train
10 in the future would be the loss of our maneuver training
11 space, our maneuver space on our division post. One of the
12 hats that I wear is, I'm the -- I oversee the Army's
13 environmental program. And what we are seeing are growing
14 constraints on all of our maneuver space, on our division
15 posts.

16 So we're finding that we can train less days, we
17 can train on fewer space, so that puts a premium on our
18 training space. So in terms of cost, the cost is really a
19 future cost, that if we don't have it, we can't train and
20 keep a ready army for the nation.

21 MRS. STEELE: Thank you, Mr. Secretary.

22 SECRETARY WEST: I think the Chief of Staff would

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1 like to be heard on that.

2 GENERAL SULLIVAN: Posts are multi-faceted.

3 CHAIRMAN DIXON: This is General Sullivan.

4 GENERAL SULLIVAN: General Sullivan. Madam
5 Commissioner, land, infrastructure, training facilities,
6 maintenance facilities, power projection platforms and
7 quality of life, that all enters into it, quality of life for
8 our people. We have to have barracks and so forth. And all
9 of that entered into our decision making.

10 And also I have a -- we have a real burden in the
11 Army, because we have in fact mobilized about four times this
12 century, fairly significant mobilizations, and we need the
13 capability to expand the organization without overdrawing
14 that. Okay? Because we are in fact eliminating a lot of
15 World War II wood which was used for mobilization. We're
16 getting rid of that infrastructure on the bases, and we have
17 dropped some maneuver bases.

18 I think what you have now is what we'll need for a
19 10-division force, a million men and women, with some
20 capacity to increase. And I wouldn't want to predict what
21 the future would hold.

22 MRS. STEELE: Thank you. Switching to Fort

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1 McClellan, reading from your report, there is a line that
2 says the governor of the State of Missouri has indicated an
3 expeditious review of the permit application can be
4 accomplished. I read that only because it says that, but it
5 does not mention whether there is any guarantee or percentage
6 of a guarantee that it will be granted.

7 So my question is, Mr. Secretary, the Army has
8 again recommended relocating the chemical school from Fort
9 McClellan to Fort Leonard Wood. Responding to a similar
10 request, the '93 commission recommended that the Army, quote,
11 pursue all of the required permits and certification for the
12 new site prior to the '95 BRAC process.

13 Has the Army received these permits? Is the Army
14 pursuing these permits? And in the absence of such permits,
15 how do you believe the Commission should respond to your
16 request?

17 SECRETARY WEST: I think that the Commission -- I
18 recommend that the Commission respond in the way that we
19 presented it to you. Let me say, Commissioner Steele, that
20 you've hit, with respect to Fort Drum and Fort McClellan, on
21 two decisions that in the final analysis ended up right on my
22 desk as they sort of came up, advised by the Chief of Staff.

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1 So I'm pleased to give the direct explanation.

2 I would say that there are no guarantees in the
3 permitting process. The one thing that I, as a lawyer, over
4 the years have learned, is that we have no real indication as
5 to how the process could turn out when a community and a
6 permitting authority begin to come to grips with the reality.

7 For that reason -- and incidentally, let me answer
8 a second question that is implicit in that -- and we did not
9 start the permitting process until after the base closure
10 announcement was made by this -- the list was announced by
11 the Secretary of Defense. That was at my express direction,
12 again, I think, advised by those who have -- with whom I've
13 been working here at the table.

14 That was because that would have, in our view, been
15 premature. It would have been before the decision. It would
16 have been pre-decisional. So first we had to decide what our
17 recommendation would be this year, and then we would be free,
18 perhaps, to proceed with the initial public steps to get the
19 permit. And so our recommendation to the Secretary of
20 Defense, which he has approved and forwarded to you, is that
21 if we don't get the permits, then we don't close the base.

22 MRS. STEELE: Thank you. My time has expired.

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1 CHAIRMAN DIXON: Thank you very much, Commissioner
2 Steele. Commissioner Cornella.

3 COMMISSIONER CORNELLA: Thank you, Mr. Chairman.
4 Good morning, gentlemen. Just a follow-up on the Fort
5 McClellan question. For General Sullivan: why does the Army
6 need to continue operation of the chemical defense training
7 facility, and can that training be simulated without using
8 live agents?

9 GENERAL SULLIVAN: Less than -- probably less than
10 2 percent of the people in the United States Army have gone
11 through the facility, as you probably know. There's probably
12 other ways of doing -- there's probably other ways of doing
13 that training. This is a pluralistic society, though. There
14 are strong opinions on the other side of that issue, which
15 I'm sure I'll hear about before the day is over.

16 But at any rate, it's a good question. I have a
17 view on it. We could, in fact -- there's a couple of ways of
18 handling it, which we tried to do in the past. It's a matter
19 of official record. It's a matter of testimony last year --
20 not last year, two years ago. There are other alternatives.

21 COMMISSIONER CORNELLA: General, in recommending
22 the closure of Fort McClellan, what weight did the Army give

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1 to the effects of the move on the prospective chemical
2 demilitarization facility at the Anniston Army Depot, and
3 what do you consider those effects to be?

4 GENERAL SULLIVAN: We gave a lot of -- we gave a
5 lot of consideration to that. General Shane and Mr. Walker
6 can speak to the details of it, but the Secretary and I
7 thought a lot about it. And I believe that we're able to
8 meet our commitments to the chemical de-mil program over at
9 Anniston very well from the capabilities that we have there
10 at the depot. And we've spent an enormous amount of dollar
11 resources there improving the infrastructure to accommodate
12 that effort.

13 COMMISSIONER CORNELLA: We'll change the subject
14 here for a moment, General Sullivan. In the 1993 Army
15 recommendation, the Army considered closure or realignment at
16 Dugway Proving Ground, Utah. Ultimately it was extended --
17 pardon me, ultimately it was excluded.

18 Due to its unique capability to conduct chemical or
19 biological testing, the 1995 recommendation calls for
20 realignment of Dugway by relocating the smoke and obscurant
21 emission to Yuma Proving Ground, Arizona, and some elements
22 of the chemical-biological research to Aberdeen Proving

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1 Ground, Maryland. But what has occurred to offset the unique
2 capabilities that Dugway possessed in 1993?

3 GENERAL SULLIVAN: I think -- what has occurred? I
4 think we're smarter today than we were then, and I think
5 we're, frankly, more into the process. And we need to get --
6 we need to get rid of some of the infrastructure we have, and
7 I think we can do the mission as effectively as we need to do
8 it.

9 SECRETARY WALKER: Commissioner, Secretary Walker.
10 We will continue to maintain some unique facilities at
11 Dugway. It is not a complete closure. Tests will still
12 occur there.

13 COMMISSIONER CORNELLA: Is this recommendation in
14 line with your primary stationing requirement, which is to
15 maintain adequate acreage, range capacity and facilities to
16 support the Army testing program?

17 GENERAL SULLIVAN: Yes.

18 24 Dugway's operations. How long will the Army support?

20 SECRETARY WALKER: We will safari-in -- number one,
21 we'll have a small contingent which will remain there, and
22 then we will safari-in additional test personnel as they are

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1 required, as those tests are required.

2 SECRETARY WEST: Commissioner, Secretary West.

3 What we decided at Dugway, frankly, was that we had an excess
4 in Army testing capability. And so what we've tried to do is
5 to find a way to retain the unique aspect of Dugway while at
6 the same time being able to consolidate those aspects that
7 could be consolidated at other locations. That's why Dugway
8 is not a complete closure. There will be a residual open-air
9 testing activity, I believe it is, that will be there.

10 GENERAL SULLIVAN: Right. Right. That will remain
11 open-air, and simulant testing will remain at Dugway.

12 CHAIRMAN DIXON: That last remark was General
13 Sullivan.

14 GENERAL SULLIVAN: Sullivan. Sorry.

15 SECRETARY WEST: Secretary West. The test and
16 evaluation joint cross-service group questioned the Army's
17 proposal to realign Dugway Proving Ground and recommended
18 that the Army withdraw this proposal. How did the Army
19 address the specific concerns raised by the test and
20 evaluation joint cross-service group regarding the uniqueness
21 of Dugway, the risks of moving research effort, and costs to
22 duplicate existing capabilities at Dugway?

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1 SECRETARY WEST: If my recollection is correct,
2 Commissioner, I think, frankly, we just went back and talked
3 to them about it, and showed them a better idea. My -- if
4 I'm not mistaken, I think that the group ended up agreeing
5 with our proposal and have now endorsed what we're doing.

6 GENERAL SULLIVAN: Right. I think what we told
7 them was that we're going to continue the testing there, the
8 open-air and the simulant testing. We're going to continue
9 that, but we can get some of the other activities out of
10 there. And I think they agreed with that. I think we just
11 made a presentation back to them. Isn't that right? General
12 Sullivan. That's Sullivan.

13 COMMISSIONER CORNELLA: Thank you, General.
14 Mr. Chairman, I yield the remainder of my time.

15 CHAIRMAN DIXON: I thank you very much,
16 Commissioner Cornella. Commissioner Cox.

17 COMMISSIONER COX: Thank you. You mentioned some
18 of the '93 discussions, and I wanted to follow up on some
19 other discussions in 1993, just to find out where things are.
20 For example, in 1993, the Commission had requested a full
21 evaluation of the unexploded ordnance at Fort Monroe,
22 Virginia. Was that study ever done?

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1 BRIGADIER GENERAL SHANE: General Shane. Yes,
2 ma'am, it was.

3 COMMISSIONER COX: And was a clean-up cost
4 developed for Fort Monroe?

5 BRIGADIER GENERAL SHANE: General Shane, again.
6 Yes. That approximate cost was \$22 million.

7 COMMISSIONER COX: Twenty-two million. And did
8 your consideration of Fort Monroe take into account that
9 clean-up cost?

10 BRIGADIER GENERAL SHANE: Absolutely.

11 COMMISSIONER COX: Okay. Now at the end, state
12 fore-structure has been decided that the Army is nearing the
13 end of its drawdown. Did you consider closing Fort Monroe
14 and moving the training and doctoring command elsewhere?

15 SECRETARY WEST: I think that's a question for me,
16 Commissioner Cox.

17 COMMISSIONER COX: Secretary West.

18 SECRETARY WEST: And the answer is, we did, just as
19 we considered our other facilities. But yes, we did consider
20 that. We noted that we had been urged to do it the last
21 time, and we do not take those urgings lightly.

22 CHAIRMAN DIXON: That is an answer of Secretary

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1 West.

2 COMMISSIONER COX: Right.

3 SECRETARY WEST: Sorry. Secretary West.

4 COMMISSIONER. COX: I wonder if you could give me a
5 little bit more about your thinking on that so that we have
6 just -- you looked at the costs were too high, you thought
7 you need the --

8 SECRETARY WEST: Well, no. First of all, at the --
9 I want to be careful. It's a small closure.

10 COMMISSIONER. COX: Right.

11 SECRETARY WEST: With small payback. And so it is
12 not high on our list of things, in terms of trying to get the
13 best out of this round. Secondly, it does an important job
14 for us. That is the headquarters of TRADOC, and there is
15 something to be said for the lack of institutional turmoil if
16 you don't move a headquarters of that importance to us.

17 Thirdly, it has a joint function that we consider
18 very important there. And so when we started making our list
19 of places that we thought for the benefit of the Army, in
20 terms of savings, and for the continued operational efficacy
21 of the Army, in terms of doing our mission, it simply did not
22 get up high enough on our list to warrant a proposal to

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1 either close or realign.

2 COMMISSIONER. COX: I see. Okay, thank you. Also
3 during BRAC '93, the Army basing study recommended that the
4 forces command develop alternatives for relocating units on
5 Fort Gillem to Fort McPherson or other locations. Did you
6 look at that recommendation, and could you give us some
7 thoughts on that?

8 SECRETARY WEST: General Shane?

9 COMMISSIONER. COX: General Shane?

10 BRIGADIER GENERAL SHANE: General Shane.

11 Commissioner Cox, we did. We looked at that, and the
12 determination was -- was the fact that it was unique and that
13 it supported the operational mission of forces command in
14 Second Army. So we felt, like, that the support that it
15 rendered to that particular installation was substantial
16 enough, and in the Army's best interest to retain it. A
17 modest payoff.

18 COMMISSIONER. COX: You mean facilities, or the
19 combination was --

20 BRIGADIER GENERAL SHANE: The facilities, primarily
21 the Second Army motor pool, the support that they provide to
22 Fort McPherson and Second Army.

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1 SECRETARY WALKER: Commissioner Cox, Secretary
2 Walker. It would be -- number one, it would be very
3 expensive.

4 COMMISSIONER. COX: To move?

5 SECRETARY WALKER: To move. But number two, you
6 don't have the room at Fort McPherson, as well.

7 COMMISSIONER. COX: Is that right? They're just
8 out of space? Thank you.

9 SECRETARY WALKER: That's correct.

10 COMMISSIONER. COX: In 1993 we also, at Secretary
11 Powell and -- Chairman Powell, on Secretary Aspen's request,
12 looked very closely at joint depot consolidations. They had
13 done a fair amount of work previous to the Commission. And
14 we looked at wheeled vehicle maintenance, rotary and fixed
15 wing maintenance, ground vehicle and tactical missile
16 maintenance at that time.

17 Having looked at all of that data, there was only
18 one, frankly, that we thought we could consolidate, based on
19 all of the Department of Defense data and everything that we
20 had at that time. There was one place that could be
21 consolidated, and that was the missile -- tactical missile
22 maintenance at Letterkenny.

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1 And everywhere else, frankly, we couldn't actually
2 consolidate it. This year you are suggesting overturning
3 that 1993 BRAC decision. I assume, however, that since that
4 was the statute, that you all have transferred some of the
5 systems already there. I wonder if you could give me an
6 update on where that is.

7 SECRETARY WEST: All right. The update -- General
8 Shane?

9 COMMISSIONER. COX: Mm-hmm. General Shane?

10 BRIGADIER GENERAL SHANE: General Shane. First of
11 all, we did retain the tactical missile maintenance at
12 Letterkenny. And recall it's not a closure, it's a
13 realignment.

14 COMMISSIONER. COX: Right.

15 BRIGADIER GENERAL SHANE: And what we do with that
16 is the fact that we disassemble the missiles, and we send
17 that workload, the command electronics, to Tobyhanna.

18 COMMISSIONER. COX: Yes, I know that's your
19 recommendation, which I want to ask you about in a minute.
20 But what I was asking is, have you started consolidating the
21 missile, the tactical missile mission at Letterkenny today?
22 Have you moved missiles there? Have you moved equipment

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1 there? Have you moved people there? What is the status of
2 the BRAC -- '93 BRAC statutory direction?

3 BRIGADIER GENERAL SHANE: We have started that.

4 Yes, ma'am.

5 COMMISSIONER. COX: You have. And can you -- maybe
6 you could provide for the record what workload has been
7 transferred, what equipment has been transferred, and what is
8 the cost so far?

9 SECRETARY WEST: Secretary West. We will do that.

10 COMMISSIONER. COX: Great. Thank you very much.
11 You also -- I think you started to say we're not actually
12 closing Letterkenny. In fact, we're keeping the -- it looks
13 like we're keeping not only conventional ammunition but the
14 missile disassembly and storage, and also that Letterkenny
15 will receive missile and storage surveillance workload from
16 Red River. I guess this concerns me.

17 One of the reasons we picked Letterkenny is because
18 we could actually consolidate all of the missile work at
19 Letterkenny, and in fact we couldn't consolidate it at
20 Tobyhanna, which I assume is the reason for your
21 recommendation for not consolidating it at Tobyhanna,
22 although it's -- it's listed as a consolidation. As I

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1 recall, the problem at Tobyhanna is that they didn't have the
2 missile storage capability. Is that correct?

3 BRIGADIER GENERAL SHANE: I'm not sure. I'm not
4 sure that was correct or not.

5 COMMISSIONER. COX: It couldn't consolidate? Well,
6 maybe --

7 BRIGADIER GENERAL SHANE: But it was not a deciding
8 factor with regards to how we approached Letterkenny in '95.

9 COMMISSIONER. COX: Right. I guess what we were
10 looking for was consolidating, and maybe Letterkenny was the
11 wrong place to consolidate, but the reason we consolidated at
12 Letterkenny is because all of the mission could be moved to
13 Letterkenny. I believe, and your recommendation seems to
14 back that up, that it can't all be consolidated at Tobyhanna
15 because of the missile storage problem, and that's why you're
16 leaving the missile disassembly and storage at Letterkenny.

17 I guess I'm asking that question. Is that why
18 you're leaving the missile storage and disassembly at
19 Letterkenny? Is that a fair assumption? I'm just guessing
20 from --

21 BRIGADIER GENERAL SHANE: That's a fair assumption.

22 COMMISSIONER. COX: Okay. Thank you. Also at

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1 Letterkenny, as I recall, there was a sort of joint public-
2 private partnership -- I'm not probably putting it
3 correctly -- on the Palladin?

4 BRIGADIER GENERAL SHANE: That's correct.

5 COMMISSIONER. COX: Right. And that hadn't started
6 in 1993. Has that project started, and has it been
7 successful? It's one of your biggest contracts, I think.

8 SECRETARY WALKER: Yes, Commissioner Cox.
9 Secretary Walker. Yes, it's been very successful, and
10 those -- the Palladin operations will continue until FY '97.

11 COMMISSIONER. COX: And that is being handled at
12 Letterkenny?

13 SECRETARY WALKER: That is correct.

14 COMMISSIONER. COX: Okay. Thank you very much.
15 One -- do I have more time? One last question. Going back,
16 then, to another issue from 1993. And I'm sorry, I want to
17 ask one last question on McClellan, because I want to make
18 sure I understand you.

19 If you all do not have the permits, and I
20 understand you didn't start for good reason till now, do you
21 think we should close it, close Fort McClellan without having
22 permits in hand?

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1 SECRETARY WEST: Our recommendation is conditioned
2 on getting the permits.

3 COMMISSIONER. COX: I guess maybe it's a legal
4 question, then. Can we conditionally close? A procedure --
5 I mean, is that your view, that we could -- I know that the
6 Congress can't statutorily pass conditional legislation.
7 That's why I'm concerned about it.

8 SECRETARY WEST: Well, I think it's quite -- I
9 think it's quite possible to say that we've decided to close
10 it, unless we don't get the permits, and to make sure that
11 the timing of the process -- we certainly wouldn't start
12 unless we had the permits. The timing of the process awaits
13 that.

14 COMMISSIONER. COX: Right.

15 SECRETARY WEST: I don't think there is a problem
16 with that, Commissioner, although --

17 CHAIRMAN DIXON: If I may intervene, Commissioner
18 and Secretary West, I'm reminded by staff that Secretary
19 Deutch's testimony was that we would not close unless all
20 permits were in place and approved for the transfer.

21 SECRETARY WEST: And that was our recommendation,
22 too.

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1 COMMISSIONER. COX: All right. So we wouldn't get
2 to the question of conditionally closing it, because your
3 recommendations may not act unless the permits are approved.

4 SECRETARY WEST: Right.

5 COMMISSIONER. COX: In time for us to act. All
6 right. Thank you very much.

7 CHAIRMAN DIXON: Thank you, Commissioner.
8 Commissioner Davis.

9 SECRETARY WEST: Mr. Chairman.

10 CHAIRMAN DIXON: Mr. Secretary.

11 SECRETARY WEST: I'm sorry, there was just one last
12 comment that Commissioner Cox added at the end that I'm not
13 quite ready to go along with.

14 CHAIRMAN DIXON: Please -- please answer.

15 COMMISSIONER. COX: Okay.

16 SECRETARY WEST: Unless they're approved in time
17 for you to act.

18 COMMISSIONER. COX: Right. We will have to act --
19 well, we have to get a report to the President by July 1st,
20 and we will obviously be acting before that, you know,
21 sometime in the week or so, I assume, before that. And I
22 guess -- what I understood the Deputy Secretary to say, and

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1 then what I was asking you: if we -- if you do not have the
2 permits by June whatever that is, would it be your
3 recommendation that we simply not close McClellan?

4 SECRETARY WEST: That was not my recommendation.
5 My recommendation is that McClellan be authorized to be
6 closed, except it cannot close until the permits are
7 obtained. And if they are never obtained, it can never
8 close.

9 COMMISSIONER. COX: I see.

10 SECRETARY WEST: That's our recommendation.

11 COMMISSIONER. COX: Okay.

12 SECRETARY WEST: So that you'd want to give us more
13 time than just June. I don't know how long that permitting
14 process takes, Commissioner.

15 CHAIRMAN DIXON: Well, if I may intervene, again,
16 Commissioner Cox, we have approved, subject to final approval
17 of all of you, our schedule throughout the balance of the
18 time until we give the list to the President of the United
19 States, and it will become public shortly.

20 And so with respect to this question on permits,
21 with respect to the treaty question that was raised
22 yesterday, and other things, if those things aren't resolved

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1 by Thursday, June 22nd, it would be difficult for us to
2 accommodate the services and their recommendations, because
3 beginning on that day we start voting.

4 SECRETARY WEST: Understand.

5 COMMISSIONER. COX: Thank you, Mr. Chairman.

6 CHAIRMAN DIXON: Thank you, Commissioner.

7 Commissioner Davis.

8 GENERAL DAVIS: Secretary West, Secretary Walker,
9 General Sullivan, and General Shane, as I said yesterday,
10 it's a pleasure to sit on this side of the dais. I've sat
11 over there often enough.

12 Mr. Secretary, clearly this Commission is going to
13 have to make a recommendation as to future BRAC actions.
14 Clearly your counsel would be most appreciated, as to what
15 you thought it ought to be in the future, when it ought to
16 be, what kind of substance it ought to take, et cetera.

17 SECRETARY WEST: Commissioner, we have found that
18 this procedure has worked well for the Army. Just look at
19 the success in closing Army bases before '88 and now, and
20 certainly I think that has been the report that you have
21 received from the Secretary of Defense as well. We also
22 believe that we have done the job that needs to be done. The

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1 Army has completed its back requirements. It didn't hold
2 back.

3 Even so, things can change, and so we would be of
4 the opinion, certainly I would be, that some kind of
5 mechanism that would permit a further BRAC round at some
6 future time would make a lot of sense, and we would be
7 inclined to join with the Secretary of Defense's endorsement
8 of it. We too have found that trying to digest it all within
9 two years is a bit demanding on us.

10 We'll do the job because we're the Army, and that's
11 what we do. We take orders, and we get on with it. But
12 certainly the Secretary's idea that maybe some space beyond
13 two years resonates with me as well.

14 GENERAL DAVIS: But the time frame you would,
15 Secretary West, maybe three, four --

16 SECRETARY WEST: Right, and somewhere in that
17 neighborhood.

18 GENERAL DAVIS: Turn of the century.

19 SECRETARY WEST: Sometime -- yes. Yes, sir.

20 CHAIRMAN DIXON: Maybe right after an election,
21 rather than right before, Commissioner.

22 GENERAL DAVIS: And my calendar would say that is

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1 about 2001, Mr. Chairman.

2 SECRETARY WEST: Can I -- I think the Chief of
3 Staff has something.

4 GENERAL SULLIVAN: General Sullivan, Commissioner
5 Davis. I concur on that. I guess I would say the time frame
6 would be probably turn of the century. We're going to be
7 implementing all four BRACs simultaneously, and I think we
8 need to reinforce the Secretary's point. We clean all of
9 that up.

10 We're doing a lot of -- as you probably know,
11 everybody's doing it -- automation information processing.
12 It's coming on quickly. That may well, turn of the century,
13 give us a look at some of the -- some of these efforts.

14 GENERAL DAVIS: It would probably give you a chance
15 to sort of admire what you've done already and see some
16 unnoticed impacts that you didn't expect.

17 GENERAL SULLIVAN: Yeah. Hopefully not regret it.
18 Yes, sir.

19 GENERAL DAVIS: Mr. Secretary, did the -- and it's
20 really -- this is for the Commission's process and
21 deliberation. They're trying to crawl inside the Army's mind
22 on how you did this. Were there any categories of

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1 installations or specific installations that, when you
2 started the process with your -- one and a half years ago --
3 that you excluded summarily, after looking at them, simply
4 because of their unique nature or characteristics?

5 SECRETARY WEST: It's hard to say that there were
6 categories that we excluded summarily. I think we took a
7 look at everything. For example, one category we simply have
8 not -- that you see no candidates from: schools. We didn't
9 just summarily include them. We took a look at them,
10 considered their unique nature, but yes, that was an easier
11 decision than some others.

12 GENERAL DAVIS: But for instance, some of your
13 training ranges, because that's such a national asset, did
14 you --

15 SECRETARY WEST: Didn't summarily include them. We
16 looked at them. Didn't summarily exclude them -- looked at
17 them, and then came to our conclusions. General Sullivan?

18 GENERAL SULLIVAN: Yeah, General Sullivan,
19 Commissioner Davis. We did look at the training centers. As
20 you probably know, in an earlier BRAC we moved out of Fort
21 Chaffee to Fort Polk. We moved the joint readiness training
22 center because that seemed the appropriate thing to do to

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1 capitalize on the base at Fort Polk. So we looked at both
2 the national center and the JRTC, but we were comfortable
3 with where they were and what they were providing.

4 SECRETARY WALKER: Commissioner Davis, Secretary
5 Walker. We looked at 13 different installation categories,
6 and my recollection, there was only one category where there
7 was -- or a couple of categories where there were no study
8 candidates. The primary category was the ammunition
9 production category, where the Army has already laid away and
10 closed substantial ammunition production.

11 GENERAL DAVIS: Okay. And I appreciate it because
12 clearly, as you stated, the training capability and
13 mobilization capability is especially essential to the Army
14 because of their mission and the way they go about things.
15 Mr. Secretary, now '91 and '93 become very clear, and '95 is
16 now becoming reasonably clear with the Department of Defense.

17 Is there adequate monies in the out year for your
18 readiness and your modernization accounts, taking into
19 account these closures? In other words, you've closed
20 adequate facilities that got you paybacks, that allows you to
21 do those kind of things that the Army needs to do in the out
22 years? Or will you have to come back to the Congress and ask

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1 for additional monies for readiness and modernization in the
2 out years because you didn't close enough?

3 SECRETARY WEST: Well, I'm not sure it will be
4 because we didn't close enough, but we're certainly going to
5 need modernization help in the out years, and the Secretary
6 of Defense has promised it. In terms of our base closures on
7 those considerations, I think we're doing the -- frankly, the
8 best we can. I'm not sure I've gotten to the heart of your
9 question.

10 GENERAL DAVIS: Let me -- yeah. Well, originally
11 there was some talk about not having a BRAC '95, and I think
12 the services stepped up and said that we've already eaten
13 some of our seed corn in the out years, based on the planning
14 for BRAC '95. And so we need a BRAC just so we can sustain
15 our readiness and modernization accounts in the out years.

16 SECRETARY WEST: Well, you're absolutely right,
17 that we are counting on the savings from our BRAC. And in
18 fact, the Sec Def has committed to us that it will go to --
19 that those savings will go -- will be available to us to go
20 to modernizations, and that's especially important to the
21 Army.

22 SECRETARY WALKER: Commissioner Davis, Secretary

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1 Walker. If I might add -- over the next six years the Army
2 will save a billion dollars from the budget as a result of
3 this base closure alone. And by the time we reach a steady
4 state, in the year 2001, the Army will be saving the
5 equivalent of \$700 million a year. That's over 1 percent of
6 the Army's budget, a substantial savings which can be
7 reinvested in modernization and readiness.

8 SECRETARY WEST: Secretary West, Commissioner
9 Davis. At the same time, every time we add an installation
10 to that we affect the savings in some way. We drive up that
11 front cost, say -- I don't know. Take an example of your
12 typical maneuver base that will run a \$300-or-so million add-
13 on to the costs up front, that will affect the savings that
14 we were counting on. Six hundred?

15 SECRETARY WALKER: Six hundred.

16 SECRETARY WEST: Six hundred. Sorry. That's about
17 half the impact. Six hundred or so costs to your average
18 maneuver base. Well, that affects the savings, and then it
19 does affect what we can count on in the out years.

20 GENERAL SULLIVAN: Commissioner Davis, General
21 Sullivan. I think you ask a very interesting question.
22 That's very, as you know, complex -- the answer to which is

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1 very complex.

2 If we presumed a steady funding stream that was
3 inflated for -- for inflation, annual inflation, and then you
4 make the assumption that we could take this 1.3 billion and
5 reinvest it, and the base number was an adequate number, then
6 you could make the kind of assumption I think you're making,
7 that yeah, we could in fact modernize and keep the Army
8 trained and ready. The challenge we're faced is, we're on
9 a -- with that un-declining dollar base and getting out in
10 front of these numbers sometimes is challenging for us.

11 So I think I would just say in summary, I think
12 you're on to something there, but you'd have to make some
13 presumptions about the steadiness of the funding stream, the
14 stability in the funding stream.

15 GENERAL DAVIS: Yes, sir. You're exactly correct.
16 I'm obviously worried about the savings that have been
17 predicted, that we achieve those savings, because frankly,
18 your budgeteers have probably already taken credit for a lot
19 of those in the process, or required to take credit by higher
20 authority. And you end up short in your readiness, clearly,
21 and modernization, which is the one that probably scares me
22 the most. Thank you, sir.

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1 I have just a couple other small questions. Did
2 you consider, Mr. Secretary, complete closure of Dugway, or
3 did the up-front costs deter you from that process?

4 SECRETARY WEST: We considered it, but I think it
5 was that we needed to retain one of -- we needed to retain a
6 kernel of unique capability there that we can't do elsewhere,
7 at least essentially. That more than up-front cost, I think.

8 GENERAL DAVIS: Would you -- can you, just for the
9 record, identify or submit that portion that you wanted to
10 keep open, and why?

11 SECRETARY WEST: We will submit it.

12 GENERAL DAVIS: And another very short question.
13 Did the proximity of air combat command to Fort Monroe play
14 in that decision of keeping Fort Monroe open as it has in the
15 past?

16 SECRETARY WEST: I see the Chief of Staff shaking
17 his head, here. I'll let him answer that, Commissioner.

18 GENERAL SULLIVAN: Commissioner Davis, General
19 Sullivan. Yes, it did, and the Navy's doctrine command.
20 It's the synergy of all three of the doctrinal commands, to
21 include the Marine Corps, has, as you know, their effort
22 there at Quantico. So yes, it did.

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1 GENERAL DAVIS: Mr. Chairman, I have -- am enthused
2 with more in questions, but my time has expired.

3 CHAIRMAN DIXON: Thank you very much, Commissioner
4 Davis. Commissioner Kling.

5 COMMISSIONER KLING: Thank you, Mr. Chairman,
6 Secretary Walker, and General Sullivan and General Shane.
7 Thank you for being with us. We appreciate it, of course.
8 Just to follow up a little bit on one of the questions back
9 there. It's to our understanding that, during the base
10 closures in the past, that the Navy ran short of the funds
11 available for that, and in essence borrowed funds from the
12 Army for their closing facilities. Is that correct?

13 SECRETARY WEST: In essence, yes. There was an
14 effort in which basically the Office of the Secretary of
15 Defense sort of looked at what we had and said, okay, let's
16 try to fund what's necessary.

17 SECRETARY WALKER: Commissioner, Secretary Walker.
18 From my past life on the Hill, I must tell you that that was
19 initiated because the Congress took a recision to the base
20 closure program, which most of that recision came from the
21 Navy. And that's what necessitated the Department of Defense
22 to reconfigure the funding for both the Air Force and the

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1 Army.

2 COMMISSIONER KLING: Are you expecting that those
3 funds be returned to you, to be used for this round of
4 closures?

5 SECRETARY WALKER: Well, those funds are for a
6 previous round of closures, and they are being returned.
7 Yes, sir.

8 COMMISSIONER KLING: You are expecting those to be
9 returned?

10 SECRETARY WALKER: Yes, sir.

11 COMMISSIONER KLING: Okay. Thank you very much.
12 Maybe we could turn to some of the major training areas.

13 We have a chart up there, and this chart shows the
14 '93 and '95 military value rankings for the major training
15 areas. And Secretary West or General Sullivan, would you
16 please explain why the Army now ranks Fort Chaffee as 10th
17 out of 10 among our major training area installations, when
18 it was 5th of 10 in 1993?

19 CHAIRMAN DIXON: If I may interrupt, is it
20 possible, sir, to make that a little clearer in the right
21 column? Because I think people trying to read that might
22 have trouble with the right column. I'm having a little

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1 trouble over here. Maybe my specs aren't working good.

2 COMMISSIONER KLING: There you go.

3 CHAIRMAN DIXON: Now you've done it, my friend.
4 Thank you. Now the next problem may be -- and I hate to
5 interrupt you, sir -- you might be in the way of the camera
6 that's trying to show that to the public at large. Thank
7 you, sir. Go ahead, now, Commissioner.

8 BRIGADIER GENERAL SHANE: Commissioner Kling,
9 General Shane. Let me take that question on. This is a
10 question that deals with the various changing in the
11 attributes from '95 to -- from '93. And specifically what we
12 talk about there is, there were some changes that caused them
13 to move, such as, the age of the facilities we looked at real
14 hard, because that was a quality of life issue.

15 We looked at the barracks -- interested in the
16 barracks. And we looked real hard at the permanent
17 facilities associated with these installations. And then we
18 took a good hard look at the ranges, with regards to the
19 major training areas.

20 So what that did, it basically showed -- it
21 reshuffled the order, based on the installation assessment,
22 which was the program we ran on that, which really showed

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1 Chaffee did not do well. And they moved Dix up in those
2 categories.

3 COMMISSIONER KLING: And A.P. Hill you moved up the
4 same --

5 BRIGADIER GENERAL SHANE: That's correct, same
6 reason.

7 COMMISSIONER KLING: Yeah. Right. Do your
8 recommendations leave both active and reserve components
9 forces adequate remaining major training areas?

10 BRIGADIER GENERAL SHANE: We studied that in
11 detail, and the answer to that is yes. And I might add to
12 that is the fact that we did an in-depth analysis using what
13 the Army calls train load, which looks at both the active
14 component and the reserve component training requirements.
15 And we used that as a major analytical tool to do our
16 studies, and we coordinated that with the Reserves. So we
17 feel comfortable with that.

18 COMMISSIONER KLING: Thank you. Secretary West, in
19 the Army's recommendation on Fort Chaffee it states that,
20 quote, it intends to license required land and facilities to
21 the Army National Guard. Could you maybe elaborate what that
22 means? And does that include all of the 72,000 acres? And

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1 which of them more than -- I understand there is roughly 1200
2 buildings -- so what really -- what is the intention of the
3 Army, there?

4 SECRETARY WEST: I think you'll need some detail
5 from General Shane. Let me just say that that's not an
6 unusual decision by us. In almost every case we're looking
7 to reserve, needed reserve component lands for use by the
8 reserve component. And just about all of our closures, not
9 all of them, but just about, we've tried to be very attentive
10 to that. Now, to the specific question of what is going to
11 be licensed, General Shane has the details.

12 BRIGADIER GENERAL SHANE: Commissioner Kling,
13 General Shane. What that means is the fact that we
14 understand the requirement to insure that the reserve
15 components, National Guard, have adequate facilities to
16 conduct their annual training. And when we looked at that,
17 when we say license to them, we mean turn over a memorandum
18 of agreement, which they would have those facilities.

19 SECRETARY WEST: I think your question -- Secretary
20 West, Commissioner Kling. I think your question was which
21 particular acreage and which particular buildings.

22 COMMISSIONER KLING: Well, I don't -- it's kind of

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1 difficult, I believe, to get into the -- if you have that
2 available, we would like that.

3 SECRETARY WEST: We can get that to you if we have
4 it available. I don't know. General Shane?

5 BRIGADIER GENERAL SHANE: Well, my comment with
6 regards to that is, when we look at that in the
7 implementation phase, then we would go that -- but we do have
8 an idea, and we can provide that for the record, you know,
9 for our general planning purposes.

10 COMMISSIONER KLING: Thank you. Fort Chaffee also
11 served as a major refugee center during the crisis
12 regarding -- requiring rapid relief, when thousands of East-
13 Southeast Asian and Cuban people fled to our shores. Should
14 a future contingency occur on such a scale, what other Army
15 installations could replace Fort Chaffee if it is closed?

16 SECRETARY WEST: Commissioner Kling, Secretary
17 West. I wonder if I might answer that question.

18 COMMISSIONER KLING: Please.

19 SECRETARY WEST: I have two points on it. One,
20 unhappily I must admit to having been the general counsel at
21 the Department of Defense at the time that happened. I had
22 to have had a hand in that decision. I think there is a good

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1 likelihood that in the future we will be very hesitant before
2 we turn over a domestic installation for that purpose.

3 I think the second point that I would make is that
4 we have given some thought, in another context, not in the
5 BRAC context, to installations that might serve that
6 capacity, and we have kept that list heavily restricted and
7 heavily classified. If we need to make a way to make that
8 available to you in some other scenario, we'll do so.

9 COMMISSIONER KLING: Thank you, Mr. Secretary. And
10 I guess my last question, before I turn this -- at Fort
11 Indian Town Gap -- is centrally located to the largest
12 concentration, we understand, of reserve component forces in
13 the northeastern United States. And supporters contend this
14 proximity has significantly contributed to saving taxpayers'
15 dollars due to less travel time to and from the training
16 facilities.

17 Mr. Secretary, did your staff adequately study
18 these cost savings and how they might offset any savings from
19 closing the post?

20 SECRETARY WEST: Commissioner Kling, the bottom
21 line answer is, yes, I think so. And we'll make the details
22 available. Let me say something about Fort Indiantown Gap.

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1 That's where I did my ROTC summer camp. It is one of the
2 last things that I'd like to see the Army do is for us to
3 stop doing it there.

4 But I think the fact of the matter is, the Army
5 makes a good case in its study that we don't need to do it
6 there; we need to consolidate, and we can do it in other
7 locations better. We will -- you've asked for the details of
8 the savings and the offsets, and we'll provide those. But
9 that was not an easy decision.

10 COMMISSIONER KLING: Well, that's the important
11 aspect, of course. Thank you, Mr. Chairman.

12 CHAIRMAN DIXON: Thank you very much, Commissioner
13 Kling. Now, gentlemen, you've been very kind, very
14 cooperative, and we appreciate your forthright answers to our
15 questions. I'd like to make a couple remarks, ask a couple
16 questions right now. But I'd like to ask your leave to have
17 a second round. Mr. Secretary, I assure you, we'll have you
18 out of here well in advance of lunch -- hopefully by 11:30.

19 Is there anybody that can't accommodate that
20 additional time with us? Well, then, we're greatly
21 appreciative that you would stay, and we thank you. And for
22 the information of the people in the audience, there will be

1 a hearing at 1:30 when we do adjourn -- recess for the
2 morning, a 1:30 hearing with the defense agencies, including
3 the Defense Logistics Agencies.

4 Now let me say as a member -- former member of the
5 Senate, I felt it was important to have meetings on the
6 Senate and the House side with, oh, about 25 or 30 senators
7 showed up on the Senate side; 65 or 70 House members. Told
8 them I'd ask questions for them, and we're going to do that.
9 The problem is -- and the questions are very good ones, but
10 some are getting very lengthy. And I see some of my friends
11 from the Congress out there.

12 Here's what I'm going to do, and you can blame me
13 if it doesn't please you, but I'm going to give these to
14 Madelyn Creedon, our top attorney here now and tell her to
15 pick -- for instance, there are some that have 15 or 16
16 questions on their list. I'm going to ask her to pick the
17 best two out of that. We will give you all of them in
18 writing.

19 I remember I was trying a lawsuit one time -- I
20 won't take much of your time -- but the defense counsel gave
21 56 instructions to the judge, one of the old country judges
22 in Southern Illinois where I used to try cases. And he

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1 looked at him and instead of looking at them and reading
2 them, he said, pick the best five. (Laughter.) Which was
3 okay when I was a kid in Southern Illinois; I don't know how
4 it would work now. (Laughter.) But if Madelyn will do that
5 for us.

6 She's going to pick the best two questions from
7 each congressperson, either a member of the House or Senate,
8 and we'll ask those orally at the conclusion of the morning
9 hearing. And of course, we understand you might not have all
10 of the statistical information for responses, in which case
11 you can say, we'll supply it for the record later; but so
12 that each member of the Congress will have that opportunity.
13 Then we will give you in writing all the questions. You ask
14 15 questions, you're going to get 15 questions.

15 Mr. Secretary, we appreciate the fact that your
16 staff will take the time to carefully analyze and answer,
17 because these people in the Congress are the final judgment
18 call on what happens, of course, in this round in '95.
19 That's very kind of you all.

20 Now, the second thing, before we go to the second
21 round, who at the table there -- and I suspect it might be
22 Secretary Walker, but it could be General Shane -- did most

1 of the work with the Joint Service Working Group?

2 SECRETARY WEST: Actually, it was our
3 undersecretary, who's not at the table.

4 CHAIRMAN DIXON: Okay.

5 SECRETARY WEST: But both General Shane and Mr.
6 Walker would have been responsible for providing support.
7 So, probably General Shane.

8 CHAIRMAN DIXON: General Shane, one of the things
9 we've talked about a lot during the course of the last
10 several days, and even since the beginning when we had the
11 Secretary and the Chairman of the Joint Chiefs and Deputy
12 Secretary Deutch in here, is this question of downsizing
13 depots instead of eliminating a depot and so forth.

14 And our staff feels that there may be a difference
15 of opinion between the Joint Service Working Group and some
16 others about whether downsizing is, in fact, an economy as
17 scale as compared to closure. And we take into account
18 different sized depots and all that kind of stuff, but do you
19 have an understanding of what the view of the Joint Service
20 Working Group was about depots?

21 BRIGADIER GENERAL SHANE: Mr. Chairman, General
22 Shane. My understanding of the Joint Cross Servicing Group

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1 was the fact that they wanted to get at the issue of excess
2 capacity, okay? So as we approached our analysis, we tried
3 to do that. We tried to identify what the workload was, the
4 core workload, and we tried to size accordingly.

5 We -- and nor am I familiar with how the Air Force
6 kind of did that with regards to downsizing. We did not use
7 that approach. We used the approach to try to cut as much
8 overhead as we possibly could.

9 CHAIRMAN DIXON: Did you consider that approach?

10 BRIGADIER GENERAL SHANE: No, we didn't.

11 CHAIRMAN DIXON: Are you persuaded that you can
12 downsize the equivalency of a closure in savings?

13 BRIGADIER GENERAL SHANE: I would answer that by
14 saying, without looking at it in great depth, Mr. Chairman, I
15 couldn't really provide a record answer today. But I would
16 tell you that my experience has been, in looking at the
17 downsizing across the Army, looking at some other areas, that
18 in the past has not proved cost-effective.

19 CHAIRMAN DIXON: And I'll ask one more question. I
20 ask this out of ignorance -- it's your business, not mine,
21 you understand. Would size make that much difference? In
22 other words, I understand size can be a factor. But when you

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1 get to the numbers, would size make that much difference --
2 just the fact that it's much bigger -- make that much
3 difference?

4 BRIGADIER GENERAL SHANE: I would say not.

5 CHAIRMAN DIXON: I thank you. There was early
6 testimony by a variety of people about point systems being
7 used. And I'll ask whoever is appropriate, and would you
8 please identify yourself, just for the record.

9 And would you by any chance have a slide there that
10 would show the kind of point system you use, because one of
11 the things we seek as Commissioners when we look once again
12 at what the various services did, Mr. Secretary, and then
13 what the Secretary of Defense did, is how objective were you?
14 And one of the things that arose in our hearing yesterday,
15 for instance, was a comparison of two naval bases where the
16 point system was very, very close.

17 It makes it kind of an interesting question when
18 you close one and you leave one open and it's close. And
19 those are the things we're going to have to look at. Some of
20 those things we can show the people in the country and the
21 Congress that we're being very objective about what we did.
22 Do you have something there that shows that for us?

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1 BRIGADIER GENERAL SHANE: Mr. Chairman, General
2 Shane. Let me take that on and try to answer for the
3 Commission, please. Do you have a slide there? Okay, how
4 about putting up the one on the Army process and let me kind
5 of talk to that.

6 CHAIRMAN DIXON: I hate to keep asking somebody to
7 move. I'm sorry to do that to you, but I think the cameras
8 have trouble seeing that.

9 How are we doing there? That looks a little bit
10 better; now you're getting it. Okay. Can all the
11 Commissioners see it okay? Oh, here we go. Well, at least
12 for us, we'll be able to -- but I think that's pretty clear.

13 BRIGADIER GENERAL SHANE: Mr. Chairman.

14 CHAIRMAN DIXON: Yes, General Shane.

15 BRIGADIER GENERAL SHANE: If you recall, Secretary
16 Gotbaum used the Army as an example. He provided you with
17 some slides and a briefing in regards to military value and
18 how we approach that. And I won't belabor that point here,
19 because -- but what I want to talk to is the Army's process
20 and how it's probably a little bit different than the other
21 services.

22 First, we talked about the installation

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1 assessments. And I think most of us understand that that
2 most important is the military value assessment. That comes
3 from a series of attributes -- benchmarks, you can call it
4 what you like. But it's a series of attributes that the Army
5 thought was very important to accomplishing our mission. And
6 our linear program was ran on that, and what you ended up
7 with was a ranking of the installations.

8 Now, that is a statistical ranking, based on
9 attributes. And what that basically tells us in the Army is
10 what we have.

11 CHAIRMAN DIXON: Can I interrupt you at that point
12 in time?

13 BRIGADIER GENERAL SHANE: Yes, Mr. Chairman.

14 CHAIRMAN DIXON: You're saying, at that point in
15 time, when you're doing step one on military value, you use a
16 statistical analysis and you rank them on military value --
17 that's your testimony?

18 BRIGADIER GENERAL SHANE: That's correct.

19 CHAIRMAN DIXON: And my question on that is, when
20 you say you use a statistical analysis, do you give numbers
21 to them or something? I mean, some --

22 BRIGADIER GENERAL SHANE: Absolutely. They're

1 weighted; there's 1,000 points that are associated with these
2 four major criteria.

3 CHAIRMAN DIXON: And in your shop you have that
4 stuff?

5 BRIGADIER GENERAL SHANE: Absolutely.

6 CHAIRMAN DIXON: And that stuff can come to our
7 team chief for Army?

8 BRIGADIER GENERAL SHANE: Absolutely. You should
9 have that --

10 CHAIRMAN DIXON: So you put the hard numbers on
11 that --

12 BRIGADIER GENERAL SHANE: You bet.

13 CHAIRMAN DIXON: -- and you get the military value,
14 and you rank them according to the hard numbers that you got.
15 And if I understand the way you do it, and I'd like to go
16 through this with you, too, because I think the others have
17 done similarly. You did that numbers analysis before you
18 looked at the different installations and bases.

19 BRIGADIER GENERAL SHANE: That's correct.

20 CHAIRMAN DIXON: And then you relate it to those
21 when you look at them.

22 BRIGADIER GENERAL SHANE: Then we apply it to our

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1 13 categories of installations that were under study; that's
2 correct. And what --

3 CHAIRMAN DIXON: I want to apologize to you. I'm
4 informed by staff that we have the Army's data now, and I
5 thank you for that.

6 BRIGADIER GENERAL SHANE: Okay.

7 CHAIRMAN DIXON: Go ahead with your discussion.

8 BRIGADIER GENERAL SHANE: That gives us a start
9 point, much like the Navy and the Air Force. The key to the
10 Army's process is that called the Army Stationing Study, and
11 I think the Secretary and the Chief has talked to that a
12 little bit. But let me tell you what that is.

13 First let me tell you what it is not. It is not a
14 document that makes stationing decisions. It is not a
15 document that provides you with any types of decisions
16 regarding base closure or realignment. The Stationing
17 Strategy provides you an operational context with regards to
18 conduct the BRAC analysis in formulating our recommendations.

19 That Stationing Strategy is very important to the
20 Army because what it does -- it links the national military
21 strategy, the requirements for it, to the Army. And when we
22 looked at that, we looked at some 13 different categories

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1 across the board, the spectrum, and tried to compare the
2 major functions to the installations. And that, likewise, is
3 spelled out in our recommendations that we've provided the
4 commission. So that's in much detail, but that's a very
5 simple plot.

6 What it tries to tell us, Mr. Chairman, is exactly
7 what we need for the future of the Army, and I want to say,
8 what we need for the future. From that grows a list of study
9 candidates. And if you recall, we started with 97 and we
10 added to that some leases and we added to that some minor
11 sites. But it started with 97 major installations for the
12 Army.

13 And we went through a very rigorous process and in-
14 depth analysis, at which time we started paring out things
15 because of operational necessity, because the Stationing
16 Strategy said we need it for the Army and also need it for
17 the current Commission to retain a trained and ready force.

18 So the bottom line -- we also had input from the
19 Joint Cross Servicing Group here. So there was dialogue with
20 my analyst with the Joint Cross Servicing Group. And when you
21 look at our recommendations there, you will find that there
22 are 40-some alternatives that were worked by the Army from

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1 the Joint Cross Servicing Group. And what that equated to
2 was about \$235 million of savings -- annual savings -- and
3 about \$3 billion in the over 20 year net present value.

4 So the Army played quite a bit with regards to
5 Joint Cross Servicing Group, and took the recommendations
6 where it made good sense for us, where we thought there was a
7 cost-savings associated with it.

8 And then what we did, we ran it through some fiscal
9 analysis by which we looked at what the return on the
10 investment was -- not a sole deciding factor, but it was one
11 that you wanted to consider, especially when you're posturing
12 the Army for the 21st century. And then, yes, we did run it
13 through a series of economic analyses. And you've heard
14 testimony on that and how each service approached that.
15 There was no major impact with regards to the Army.

16 And then we also looked at environmental analysis,
17 okay? And we were consistent with the intent of the law, but
18 we also had a special work group that looked at our analysis
19 and our scenarios to see if there was some type of
20 economic -- excuse me, environmental considerations that we
21 needed to consider in the process.

22 And then what we got -- we went to the senior

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1 leadership and we gave them some recommendations. And they,
2 with their experience and their judgment, they looked at
3 that. And I can tell you from sitting in this seat, that was
4 a very rigorous process.

5 CHAIRMAN DIXON: I believe that.

6 BRIGADIER GENERAL SHANE: And we went back and we
7 studied. And I think the Secretaries testified with regards
8 to maneuver bases -- we looked at those real hard. We looked
9 at our depots. We were concerned about our industrial base.
10 There was a series of things we looked at.

11 But the bottom line, when it all came out, was the
12 recommendations you got today, which was the 44. Now, what
13 was not included in this process, all eight steps, was the
14 issue of leases. We went from criteria five to eight, we
15 looked at the leases and we made -- took a look at those
16 leases that paid us back. The fact is, there are some leases
17 we've got out here that are good investments for the Army;
18 they make good financial sense.

19 The next thing we looked at was minor sites. We
20 thought it was a good opportunity to divest ourselves of this
21 infrastructure, just for the record. And we approached that
22 in the same vein.

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1 So that's kind of a summary of our process and how
2 it kind of differs from the other services.

3 CHAIRMAN DIXON: Well, that's very good. I thank
4 you for that very excellent presentation of how you arrived
5 at your decisions. And we appreciate also having all your
6 data.

7 I'm going to declare a 10-minute recess, and we'll
8 come back precisely at 20 minutes to 11:00 and complete a
9 second round.

10 (A brief recess was taken.)

11 CHAIRMAN DIXON: We're back to you, Joe. Now, once
12 again, we thank you -- all four of you -- for being so
13 accommodating. I promise you we'll have you out of here
14 before lunch. And we'll move as expeditiously as we can in
15 this second round. And Counsel is even now looking at the
16 congressional questions.

17 We'll have a round up until me, and then as Chair,
18 I'll ask the congressional questions, but they'll be limited
19 to a couple of questions each. That may take a little time.
20 You don't need to feel you have to be extremely detailed in
21 your answers. And then we'll send the questions in writing
22 to you for the congressmen and the senators involved. And we

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1 thank you for doing that, as well. We'll begin the
2 second round again with Commissioner Robles.

3 COMMISSIONER ROBLES: Thank you, Mr. Chairman. Mr.
4 Secretary, as the Chairman alluded to earlier, one of the
5 issues we've been hearing a lot of testimony about is the
6 Joint Cross Servicing Working Groups.

7 And as you know, it was an issue in the '93 round
8 and it will be an issue in the '95 round. And the issue is,
9 there are a lot of recommendations made, and as a matter of
10 fact, the '93 Commission recommended the Department of
11 Defense take a good hard look at this area. And I know there
12 were a series of recommendations, and we have access to many
13 of those recommendations.

14 The question is two-part. First, how many of those
15 recommendations did the Army implement? And secondly, for
16 those that they did not implement, what was the underlying
17 rationale for nonimplementation?

18 SECRETARY WEST: Yes. Commissioner, I don't know
19 the exact number. I know of the most prominent examples,
20 which are the ones in the depots area and in the medical
21 facilities area.

22 Let me say that the understanding we were given

1 when we started this process and we met with the Deputy
2 Secretary of Defense and he set up those cross service
3 working groups, was that the purpose would be to try to get
4 the Services and OSD and agencies together to come up with
5 the best possible recommendations and then feed them back to
6 the Services, leaving it to the Services and the Service
7 Secretaries to make their best judgment.

8 So one thing that I would like to emphasize is that
9 all along, it was not contemplated that every single thing
10 these working groups came up with the Services would do.
11 That would have made a mockery of the process. We, the Chief
12 and I and Secretary Walker and General Shane, were expected
13 to exercise some judgment as presumably our roles in the
14 Department of the Army would have required.

15 We did that, but we did that in a cooperative, not
16 a confrontational, way. And I think that we find that we
17 have worked very well with this process.

18 As I say, the most notable examples are what we've
19 done with depots and what we've done with the medical
20 facilities. I think it's worked well. Maybe in some future
21 round, our views may be even closer together. But we can
22 certainly provide you precisely what we did and what we

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1 didn't.

2 And in those cases where we didn't accept a
3 recommendation, obviously, our judgment based on all the
4 facts that you saw and our process would have applied.
5 Because the one thing is for certain, the working groups were
6 not intended to short-circuit our own analysis in each case.
7 I don't know if General Shane wants to add to that or --

8 BRIGADIER GENERAL SHANE: Just a couple of points
9 in the five categories that were looked at, testing
10 evaluation, we worked with the Joint Cross Service Group to
11 do those type things, and we took on some initiatives of our
12 own with regards to Dugway, which we've talked about; Hunter-
13 Liggett being another. So we took a look at that in detail.

14 The other issue is under pilot training, which the
15 Joint Cross Servicing Group looked at. The Army's postured
16 to -- was ready to accept the recommendation that came, but
17 primarily the Army was a recipient of those recommendations.
18 Depots, the Secretary has already talked to -- 17 work
19 packages which we looked at; refined; worked with them;
20 adopted two major ones, which was consistent.

21 Medical, he's talked to -- they gave us six
22 recommendations and we took on three, and you heard those.

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1 Labs is an issue which you may hear about excess capacity for
2 the, you know, across DOD. But the fact, with regards to
3 labs, if you look back at the record, in BRAC '91 we closed
4 17, or realigned 17, excuse me.

5 And there's been other actions going on in the
6 Army, such as Lab 21, which implemented the '91
7 recommendations. There's been some RDs that's been out
8 there. There's been some other recommendations and studies
9 by the Army Science Board, which we've implemented. So we've
10 really tackled the issue of labs as best we could, given the
11 infrastructure we had to work with, and made substantial.

12 And we can provide that type of history and
13 overview of what the Army has done independently, as well as
14 what we've done to support the Joint Cross Servicing Groups.
15 But we supported them in almost every endeavor that they
16 asked us to. But a lot of it was just minor work around, so
17 it did not make sense from a costing standpoint in saving us
18 bucks.

19 SECRETARY WEST: Commissioner Robles, Secretary
20 West. I would like to say that I applaud both the concept
21 and the work. I think it was a good thing to do. Should we
22 have future rounds, I think we should do it again. I think

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1 it's, in many ways, the wave of the future.

2 We've got to do more of that to get, to squeeze the
3 most in terms of savings and efficiency out of what we're
4 doing. And I think it worked well for us this time. It can
5 perhaps work even more extensively the next time.

6 COMMISSIONER ROBLES: Thank you, Mr. Secretary. I
7 didn't mean to imply that management and leadership judgment
8 should be preeminent. And I understand the complex and tough
9 issues you're handling. I was just trying to get a feel for
10 did you implement 10 percent, 15 percent, what were some of
11 the specific recommendations; just trying to get a feel for
12 how far down that -- how far you bit into that tough issue.
13 And we'll try to do a little cross-service comparison, and
14 see how much the Navy bit into it, how much the Air Force bit
15 into it and see where we're at. Thank you very much.

16 The second question -- early on, we talked about
17 economic impact. I'm interested in cumulative economic
18 impact, which was a specific criterion set up by the
19 Secretary of Defense. And as the Chairman alluded, the Navy
20 used cumulative economic impact on some decisions on Guam and
21 California. I'm just interested how the Army came at
22 cumulative economic impact; was it a factor; were there any

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1 restrictions; were there any things that were put outside, so
2 to speak, the box because of it?

3 SECRETARY WEST: I think I better answer that,
4 Commissioner Robles. We are very sensitive to it. As you
5 saw in the chart -- well, it's actually not specifically set
6 up by itself, but it's one of the things that's contained in
7 the information we forwarded to you and to the Secretary of
8 Defense as well. We look at the cumulative impact in the
9 case of each one of those that's on that list.

10 It did not act as a final determinant in either our
11 decisions to include or not to include an installation. It
12 was something that we paid attention to. It was something we
13 took into account, but it was not a final determination in
14 any -- to my knowledge, in any of our decisions to include or
15 not to include.

16 It certainly made some of the choices hard -- both
17 cumulative on the one hand, and even sometimes the one
18 time -- the one-time impact -- of our Fort McClellan
19 decision. But again, you asked about cumulative impact. It
20 made choices harder, but it did not, in the final analysis,
21 add up to a determining factor in any one of ours, that's
22 correct.

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1 COMMISSIONER ROBLES: Thank you very much, Mr.
2 Secretary. Next question, which is a -- it's about hospital
3 capacity and medical capacity. And we understand that you
4 stepped forward and did some hospital realignments -- the
5 medical center at Fitzsimmons and a couple other hospital
6 closures and realignments. But in the bigger context, did
7 you look at excess civilian capacity?

8 It seems to me that as you look at the civilian
9 sector, and having come from an area where there's lots of
10 medical facilities and lots of excess capacity, there is
11 significant excess medical capacity in civilian sector. And
12 with the new emphasis on tri-care and some of the other
13 programs that DOD is looking at, how did you put all that
14 together to ensure that you aren't keeping excess station
15 hospital capacity?

16 I'm not into the force structure piece of this, but
17 into the capacity, bed capacity and medical capacity so that
18 we didn't keep more hospitals than we needed because, as you
19 know, they're very expensive.

20 SECRETARY WEST: Yes. I guess from my analysis,
21 from my perspective, I'm not sure that so-called "excess
22 civilian capacity" was as big a player in our decision as

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1 perhaps your question suggests. Civilian capacity was a
2 player. It was one of the ways in which we were able to
3 decide that we could dispense with a center here or downgrade
4 a hospital to a clinic there.

5 The one figure I can give you from your earlier
6 question is, we took 50 percent of the Cross Service Working
7 Group's recommendations in the medical arena, which is a
8 healthy percent, indeed. And so, at least at the level at
9 which I reviewed it, excess civilian capacity did not
10 influence me so much as the certainty that with civilian
11 capacity, we could be sure that that where we were making an
12 adjustment there were still going to be proper medical care
13 and treatment for those who depend on the Army.

14 General Shane, is there anything that you might say
15 about excess civilian capacity?

16 GENERAL SULLIVAN: Commissioner, General Sullivan.
17 That was considered in the joint process -- your question.

18 COMMISSIONER ROBLES: Great.

19 GENERAL SULLIVAN: What we focused our energy on
20 was providing health care for the large active duty
21 populations, plus in some cases, the mobilized, -- bedding on
22 that.

1 COMMISSIONER ROBLES: Okay. Thank you very much.
2 Final question -- as I understand it, major force structure
3 actions that occur are outside the BRAC process to some
4 degree.

5 In other words, if you do a planned force structure
6 reduction, it is not necessarily kicked into the BRAC role.
7 But let's just say in Alaska, where you downsize the brigade
8 up there -- the division up there, did you take a good hard
9 look at you need both Forts Richardson and Wainwright, which
10 has been an issue that has been around for just a few days?

11 And does it make sense to keep both those open,
12 consolidate to one, or what was the thought process behind
13 keeping them both open.

14 SECRETARY WEST: I'm going to let General Shane
15 speak to that in a minute. Let me just say that from my
16 perspective in looking at those installations in Alaska,
17 Commissioner Robles, the extent to which we went down there
18 was not quite as large as you might expect.

19 There is still a sizable brigade-size force there.
20 And so I think our needs are going to be, in terms of those
21 particular locations, fairly significant. We did some other
22 things there. Let me let General Shane talk to you about the

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1 specifics.

2 BRIGADIER GENERAL SHANE: General Shane. That's a
3 pretty tough question, but I think we've got a real good
4 answer for that. Let's talk about the force structure change
5 first. What we really saw was really not as large of a draw
6 down as you might think. We went from something like 8,000
7 to about 6,000, 2,000 a net in the force structure thing.

8 And then when you look at it, you've got basically
9 all the training that we have is the major training areas at
10 Wainwright -- I think you understand that -- with the large
11 part of the commanding control and infrastructure being at
12 Richardson. So when we crunched the numbers, so to speak,
13 what happened, we found that almost \$400 million to move that
14 infrastructure from Richardson up to Wainwright. So that was
15 the first thing that caught our attention was the
16 extraordinary cost of doing that.

17 The other thing we needed to consider was, okay,
18 what was really the strategic importance of Alaska with
19 regards to our national strategy in the Pacific. So we felt
20 like, from an operational standpoint, that we needed to kind
21 of look at that in the context of flexibility it gave us to
22 generate forces in case anything happened. So those were the

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1 type of things that generated that. And on top of that, we
2 did look at Greely, we did look at Alaska, and we did close,
3 realign Fort Greely.

4 COMMISSIONER ROBLES: So I guess the bottom line is
5 that you're convinced that the installations that are
6 remaining in Alaska that are going to remain are adequate and
7 are necessary to meet your requirements up there.

8 BRIGADIER GENERAL SHANE: Yes.

9 COMMISSIONER ROBLES: Thank you.

10 SECRETARY WEST: Commissioner Robles, Secretary
11 West. My bottom line would be that not enough change, with
12 respect to that force structure, to cause us to want to take
13 on the additional expense -- up front expense associated with
14 those kinds of further adjustments and those bases.

15 COMMISSIONER ROBLES: Very fine. Thank you, Mr.
16 Secretary. Mr. Chairman, I yield my time.

17 CHAIRMAN DIXON: Thank you, Commissioner Robles.
18 Commissioner Steele.

19 COMMISSIONER STEELE: Thank you, Mr. Chairman. I
20 actually have some follow-ups on General Robles' questions.
21 Back to UPT subject -- the Army's report to the Commission
22 states that UPT, excuse me, Joint Cross Service Groups

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1 suggested that the Navy transfer its Undergraduate Pilot
2 Training to Fort Rucker. Did the Army concur with this
3 recommendation, and do you believe that Navy helicopter
4 pilots can be trained at Fort Rucker?

5 SECRETARY WEST: The Army did concur. And that's
6 the question we choose to answer with respect to -- we
7 believe we can do the training. We understand that others
8 will have their own views. There was a time, when I was Navy
9 General Counsel, when the Navy believed that, as well.

10 Commissioner Steele.

11 COMMISSIONER STEELE: The Navy expressed a very
12 different opinion before yesterday. In your opinion, Mr.
13 Secretary, why do you feel they chose not to adopt that
14 proposal?

15 SECRETARY WEST: I don't know, but I will say this.
16 I suspect that they are the best judge of what kind of
17 training they need for their pilots. And we're inclined to
18 respect that.

19 COMMISSIONER STEELE: I don't know what else I
20 expected you to say to that question, actually. (Laughter.)

21 All right, moving to the medical issue again. The
22 Army's recommending closure of Fitzsimmons. What will happen

1 to Fitzsimmons Army Medical Center's role as a lead agent in
2 referral center for a 13-state region?

3 SECRETARY WEST: A lead -- no, I just wanted to --
4 as a lead agent in what role? In providing help?

5 COMMISSIONER STEELE: Yes, sir. Is that adequately
6 being absorbed in the area? I know there's some moves to
7 Carson and the Academy, but if I'm not mistaken, it was a
8 lead in a lot of areas and there will have to be significant
9 travel for retirees and remaining active duty.

10 SECRETARY WEST: Well, I think -- well, in terms of
11 simply providing health care, one of the reasons that we feel
12 comfortable and that the Joint Service Working Group
13 recommended the closure of Fitzsimmons as a center, was the
14 fact that there is adequate medical care nearby in the
15 surrounding area. I think that's correct, is it not, General
16 Shane?

17 BRIGADIER GENERAL SHANE: General Shane. There's
18 two parts -- it goes back to the question that Commissioner
19 Robles asked in regards to excess capacity -- civilian
20 capacity that exists. It was my understanding that the Joint
21 Cross Servicing Group looked at that real hard and supported
22 this recommendation from the Army, and determined that there

1 was capacity and that there would not be a major problem with
2 diversion of that tri-care service throughout the area.

3 So it's a matter of them looking at that in the
4 implementation phase of this recommendation.

5 COMMISSIONER STEELE: Were there different weights
6 given to the effective closures on active duty versus reserve
7 and retirees and others in the community, or was it --

8 BRIGADIER GENERAL SHANE: With regards to health
9 care?

10 COMMISSIONER STEELE: Yes, sir.

11 BRIGADIER GENERAL SHANE: I'll have to provide that
12 for the record. I really don't know.

13 COMMISSIONER STEELE: Different subject. Secretary
14 West, we've received copies of two letters from the Army to
15 the other Services, requesting retention of facilities on
16 bases recommended for closure by the Secretary of Defense
17 recommendation to the Commission. In one, the Army requests
18 portions of the Naval Air Reserve Center in Kansas, and in
19 others, the Army requests portions of Brooks Air Force Base
20 in Texas.

21 Were these two issues discussed during the DOD
22 joint review process? And if not, why not?

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1 SECRETARY WEST: The joint DOD process? I don't
2 know. General Shane.

3 BRIGADIER GENERAL SHANE: Let me confer with staff
4 just a minute, please.

5 SECRETARY WEST: Yes. I think we'll have to give
6 you -- I don't think any one of the force here can give you
7 that answer right now.

8 BRIGADIER GENERAL SHANE: I thought I knew the
9 answer, and I do. Those were requests for enclaves for the
10 Army to perform their immediate mission there in both of
11 those locations, as a matter of fact. Thank you.

12 COMMISSIONER STEELE: In the area of industrial
13 facilities, the Army recommendation is to close Detroit Army
14 Tank Plant and Stratford Army Engine Plant. Did the closure
15 of these facilities -- excuse me, eliminate the ability to
16 design production of critical items?

17 SECRETARY WEST: No. No, it won't. I mean -- it
18 won't do that.

19 GENERAL SULLIVAN: Commissioner, General Sullivan.
20 No, it does not. We have other facilities. And I'm not
21 producing enough tanks anyway.

22 COMMISSIONER STEELE: This may be too detailed, but

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1 how many contractor personnel at each site are affected by
2 those recommendations.

3 BRIGADIER GENERAL SHANE: I can give that to you.
4 Are you talking two locations, or just Detroit?

5 COMMISSIONER STEELE: Both locations.

6 BRIGADIER GENERAL SHANE: Okay. Detroit, there's
7 about 200, plus or minus a few. And in Stratford, I think
8 the number was around 2,000 or so.

9 COMMISSIONER STEELE: Thank you. I yield back --

10 BRIGADIER GENERAL SHANE: But we have provided
11 those in our recommendations. I think those are right on.

12 COMMISSIONER STEELE: Thank you. Mr. Chairman, I
13 yield back my time.

14 CHAIRMAN DIXON: Thank you very much, Commissioner
15 Steele. Commissioner Cornella.

16 COMMISSIONER CORNELLA: Thank you, Mr. Chairman.
17 Secretary West, if I told you that we've heard from
18 communities affected by the process, you probably wouldn't
19 find that hard to believe.

20 SECRETARY WEST: No, I wouldn't.

21 COMMISSIONER CORNELLA: We place an important value
22 on their input, and some communities have expressed concern

1 about inconsistent levels of cooperation from base commanders
2 in preparing their rebuttals to the DOD proposals. What
3 guidance did the Army give its base commanders regarding
4 cooperation with local communities during the BRAC process?

5 SECRETARY WEST: Well, we've met with them quite
6 recently, and our guidance is to be as cooperative as
7 possible. We understand the impact of this kind of event on
8 a community. And we understand that communities will be
9 inclined to respond in two ways. The first way is to try to
10 prepare their case. And the second way, perhaps, if they're
11 well-advised, is a track that begins to prepare for what
12 could happen.

13 We want to be helpful in either case. I think
14 that's our obligation, and that's our guidance. I don't know
15 if you're asking the question whether they are able to get
16 access to sort of all the information behind our decisions,
17 because if that's your question, they're certainly going to
18 get access to the information we provide to the Commission.
19 It's a public document, I would think.

20 COMMISSIONER CORNELLA: Well, I think the question
21 I'm asking is, would there be some consistency across the
22 commanders?

1 SECRETARY WEST: I would expect so, but I also
2 know, Commissioner, that even commanders -- even Army
3 commanders, who routinely turn out to be good and
4 extraordinarily competent, are individuals and their reaction
5 may vary from place to place. We will try to counsel them
6 and make sure that there's a relatively consistent
7 cooperation. And if you find instances where we're
8 inconsistent, then we'll try to correct it.

9 COMMISSIONER CORNELLA: Thank you, Mr. Secretary.
10 Mr. Secretary, the Army owns and operates three military
11 ports in the United States. Do we have a chart on that? As
12 this chart shows, Sunny Point, North Carolina, was ranked the
13 highest in military value; Bayonne, New Jersey, second; and
14 Oakland, California, third. Please explain why you decided
15 to recommend the closure of Military Ocean Terminal Bayonne,
16 but disapprove the closure of Oakland Army Base.

17 SECRETARY WEST: I think it's very straightforward
18 judgment, Commissioner. If you look at what we use those
19 for, their importance to us has to do with times of surge
20 when we will need to get material out. In the case of, what
21 is it, Bayonne, which is an East Coast port, Oakland is an
22 West Coast port; Sunny Point, also on the East Coast. It

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1 seems to me that the gamble we make is fairly clear. If we
2 close Bayonne, we still have another port we can use. If we
3 close Oakland, we have nothing but the commercial ports.

4 Now let me say a word about commercial, because in
5 fact, we in the Army are fairly comfortable with using
6 commercial ports in most cases. There are greater assurances
7 of commercial port availability on the East Coast than the
8 West. So just as a matter of prudent planning, we elected to
9 keep Oakland open, while we felt very comfortable that we
10 could close Bayonne and realize the savings from that action.

11 Right now we can't -- and it would cost about \$24
12 million to do it. We can't use railroads in Bayonne. We
13 have an ammunition port on the East Coast, Sunny Point. We
14 can't outload ammunition in Bayonne because of the proximity
15 to the city.

16 And that's why we -- one of the reasons in my
17 dialogue with the Secretary, we looked at doing business.
18 And only 14 percent of the cargo, of the general cargo that
19 went to the Gulf War -- we shipped over 40,000 40-foot
20 containers to the Gulf War -- only 14 percent of the general
21 cargo that went to the Gulf War went through Bayonne.

22 So it's actually -- we use it very little. And in

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1 my view, and in dialogue with the Secretary and with my
2 people, I thought we could close it.

3 General Shane.

4 BRIGADIER GENERAL SHANE: General Shane. Let me
5 make just another comment to that. As indicated, we did
6 study both ports in detail, and everything's been said. The
7 other is, looking at the Army projection, CONUS-based
8 capability, what we lose on the West Coast with Oakland if it
9 goes away is a deployment time of 3 to 17 days, depending on
10 the type unit that goes through there.

11 So when you look at the operational capability it
12 adds with the minor -- with the small number of ports you got
13 on the West Coast, it, from our standpoint, made good
14 operational sense to retain Oakland and still divest
15 ourselves of Bayonne. So there was an operational cost and
16 risk that we did not want to accept.

17 COMMISSIONER CORNELLA: General Sullivan, given the
18 emphasis on and synergy from inner-Service operations, what
19 is the Army's requirement for continuing to own and operate
20 military parts?

21 GENERAL SULLIVAN: Oh, I think we need to operate
22 certainly the ammunition ports. And from my perspective, as

1 Jimmy said, as General Shane said, we need the capability to
2 assemble our equipment and to move that equipment. Oakland
3 provides us on the West Coast with that capability. And it
4 is -- frankly, it was helpful during the Gulf War to have
5 places like Sunny Point and Oakland.

6 COMMISSIONER CORNELLA: General Sullivan, I
7 understand that Sunny Point was retained because it is the
8 sole ammunition terminal in the Army inventory. U.S. Navy
9 port facilities accommodate the Navy and Marine bulk
10 ammunition requirements. Please explain why a single Service
11 could not accommodate Army, Navy and Marine Corps bulk
12 ammunition shipping requirements. Would that be possible?

13 GENERAL SULLIVAN: I haven't thought about it much.
14 I guess it could. But I thought we shipped -- I need to give
15 you an answer back on that, okay, because I'm the Executive
16 Agent -- the Army's the Executive Agent for lots of
17 ammunition. And I think I need to give you a more precise
18 answer.

19 I think what I'm shipping -- not me personally --
20 but I think what the Army is shipping in many cases is
21 ammunition belonging to the other services. I provide the
22 Marines conventional munitions and so forth.

1 So I'd like to get back with you, Commissioner, on
2 that. Because I think what we'll find when we shred the
3 numbers that it is Marine Corps, Navy and Air Force, in some
4 cases, ammunition, other than for the Navy, the munitions
5 which are on the ships. I may be wrong.

6 CHAIRMAN DIXON: I assume staff is keeping track of
7 these answers when we're being told that answers will be
8 supplied so you can follow up. And we will do that, General
9 Sullivan, thank you. Thank you, Commissioner.

10 GENERAL SULLIVAN: Gentlemen, I'd just like to back
11 off. Mr. Chairman, I'd like to back off of that, because I
12 think it's more sophisticated than what I said.

13 COMMISSIONER CORNELLA: Thank you. Mr. Chairman.

14 CHAIRMAN DIXON: Have you concluded, Commissioner?

15 COMMISSIONER CORNELLA: Yes, I have.

16 CHAIRMAN DIXON: Thank you, Commissioner Cornella.
17 Commissioner Cox.

18 COMMISSIONER COX: Thank you. Just a follow-up on
19 Commissioner Steele's questions mentioned the two letters
20 regarding the Naval Reserve Training Center, Brooks Air Force
21 Base. And I know you all have looked at the BENS study --
22 the Business Executives National Security -- which

1 highlighted at least their concern that bases weren't
2 actually closing.

3 And I wondered sort of in context with that, do you
4 think that the Commission should change the Brooks Air Force
5 Base and Naval Reserve Training Center recommendations to
6 reflect establishment of reserve component enclaves so we
7 don't have this sort of confusion? Is that your
8 recommendation.

9 SECRETARY WEST: Why don't we get back to you on
10 the answer on that. I'm not sure how much that requires.

11 COMMISSIONER COX: Thank you. Right. Thanks.
12 General Sullivan, the test and evaluation Joint Cross Service
13 Group recommended that the Army withdraw its proposal to move
14 the test battalion from Fort Hunter-Liggett to Fort Bliss.
15 They were concerned about the loss of unique test capability
16 at Fort Hunter-Liggett and the lack of an adequate test
17 environment at Fort Bliss. How did the Army address these
18 concerns raised by the Joint Cross Service Group?

19 GENERAL SULLIVAN: Can I ask General Shane to
20 answer that?

21 COMMISSIONER COX: Of course.

22 BRIGADIER GENERAL SHANE: First of all, this is

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1 General Shane. The Joint Cross Servicing Group did not
2 address Hunter-Liggett specifically, okay? The issue comes
3 from an inquiry which was made by OSD with regards to what
4 training and testing were we going to divest ourselves of.
5 And the answer to that is none.

6 We keep all the testing facilities, all the land,
7 and we turn that over to the National Guard. And what we
8 divest ourselves of was about 300 people that was the test
9 battalion that we had there, and we move them to Fort Bliss.

10 COMMISSIONER COX: So you're keeping the base open?

11 BRIGADIER GENERAL SHANE: Well, that's right.

12 Already it's a National Guard-owned installation. So the
13 National Guard will assume that. And we just divest
14 ourselves of the overhead.

15 COMMISSIONER COX: I see.

16 GENERAL SULLIVAN: Commissioner, there are some
17 topographical aspects of that test range that are important
18 to us.

19 COMMISSIONER COX: Right.

20 GENERAL SULLIVAN: We're trying to eliminate some
21 of the costs associated with them, though.

22 COMMISSIONER COX: Thank you. Secretary West or

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1 whoever, you recommended that Fort Pickett be closed because
2 it, "focused primarily on reserve component training
3 support." Yet you decided to leave open Fort A.P. Hill,
4 which is not far from Pickett, due to the annual training
5 requirements of the reserve component. What was the
6 opposite -- why was the opposite logic used on two similar
7 and very closely located bases?

8 BRIGADIER GENERAL SHANE: Commissioner Cox, General
9 Shane, let me answer that. When we ran our analysis on that,
10 what we found was the fact that in A.P. Hill there was a
11 large density of RC battalions, about 20 or so we looked at.
12 And many of those that could not be diverted within what we
13 set as an established standard 250 miles, one way or the
14 other.

15 At Pickett, what we found was that there was a
16 training requirement there, but it was not to the degree of
17 A.P. Hill. And we felt -- and we coordinated this with the
18 reserve personnel and we felt like we could divert that
19 training load to other installations throughout the general
20 area -- Fort Bragg, A.P. Hill, so forth and so on. So that
21 drove our decision to divest ourselves of Fort Pickett.

22 COMMISSIONER COX: Okay. And then lastly,

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1 Secretary West or --

2 SECRETARY WEST: Essentially, I might add,
3 Commissioner, in a number of these instances where we do
4 this, where the principal utilization, or a heavy
5 utilization, is the reserve, we are in essence switching --
6 and I don't know that that's necessarily happening here --
7 we're switching out our active duty garrison.

8 BRIGADIER GENERAL SHANE: That's correct.

9 SECRETARY WEST: And leaving, by and large, by
10 working it out with the reserve command, a reserve garrison
11 to take care of that. That saves us overhead. Now, what
12 we're trying to do here with these adjustments is to save
13 overhead. These are dollar decisions we've made, in the
14 context of those two situations.

15 COMMISSIONER COX: So to make sure I understand on
16 this and the last question -- essentially what you're saying
17 is that we still have the ability to use these training
18 grounds.

19 SECRETARY WEST: Oh, yes, for the reserve
20 components. Yes, oh, yes.

21 BRIGADIER GENERAL SHANE: Commissioner Cox, General
22 Shane again. There will be a reserve enclave there on

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1 training so that they can use Pickett. And one of the
2 questions that we're asked about -- what do you do with the
3 petroleum facility that's there? And we opted to send that
4 to Fort Dix, and that was in coordination with the reserve
5 component people, too.

6 COMMISSIONER COX: Thank you. And then lastly, how
7 does the -- Secretary West, or whoever you'd like to direct
8 it to -- how does the recommendation to close Fort Ritchie
9 affect the Army's support to area requirements of the
10 national command? And given the importance of Fort Ritchie's
11 support to that national command authority, what alternatives
12 to closing Fort Ritchie did you examine and why did you pick
13 closing Fort Ritchie?

14 SECRETARY WEST: We did take that into account.
15 I'll let General Shane give you the details.

16 COMMISSIONER COX: Okay.

17 BRIGADIER GENERAL SHANE: Commissioner Cox, General
18 Shane. We did look at that. We can support site C & R from
19 Fort Detrick, which is right down the road. And we did look
20 at the alternative, which looked at closing and realigned
21 Detrick. But the fact is that Detrick is almost twice the
22 size of Fort Ritchie. So as we looked at the pay-off and the

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1 costs and the savings associated with divestiture, it made
2 good sense. And we did have excess capacity at Detrick to
3 accommodate this move.

4 COMMISSIONER COX: And -- I'm sorry, you looked at
5 Detrick but it was larger than Fort Ritchie?

6 BRIGADIER GENERAL SHANE: Well, when I say larger
7 -- it had the capacity to accommodate Ritchie moving there,
8 vice Detrick moving to Ritchie.

9 COMMISSIONER COX: And there are other things at
10 Fort Detrick that would dictate moving it to Detrick rather
11 than Ritchie.

12 BRIGADIER GENERAL SHANE: Well, just a larger and
13 more modern facilities, more permanent facilities.

14 SECRETARY WEST: It's just a more cost-effective
15 move from Ritchie to Detrick than from, say, Detrick to
16 Ritchie.

17 CHAIRMAN DIXON: And that was Secretary West on
18 that last response.

19 SECRETARY WEST: I'm sorry.

20 COMMISSIONER COX: Thank you very much.

21 CHAIRMAN DIXON: Thank you, Commissioner.

22 Commissioner Davis.

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1 COMMISSIONER DAVIS: Thank you, Mr. Chairman. I
2 again would like to do more of an education for J.B. Davis
3 than anything else. But in almost every fort that you
4 decided to close, Mr. Secretary, you very carefully reserve
5 and area for the reserve component. Are you doing that
6 because you're rearranging your reserve structure, or was
7 that reserve structure there all along? Can you help me with
8 that one? I've read the book, but I didn't get the answer.

9 SECRETARY WEST: Well, there are some reserve
10 structure adjustments being made, but I think what we're
11 doing here is trying to accommodate a rule of thumb that
12 General Shane mentioned, which is that in so many of our
13 installations, reserve components are using them for
14 important and needed training. And in this era, when we're
15 going to rely on the reserves even more, the last thing that
16 we in the Army want to do as we do this realignment and
17 closure process is to effect things that can contribute to
18 reserve readiness.

19 So we've tried to make sure that wherever we act
20 with respect to posts where reserves have been training, that
21 either they are able to do their training at another post
22 within a sufficient number of miles, or that we reserve an

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1 enclave so that they can do it there. And that's what's been
2 driving it -- and attentiveness to reserve component
3 readiness.

4 GENERAL SULLIVAN: Can I --

5 COMMISSIONER DAVIS: General Sullivan, sir?

6 GENERAL SULLIVAN: We need to reserve either an
7 armory or some kind of facility where the goal is to put them
8 within 50 miles -- to put the soldiers within 50 miles of a
9 facility; and then within 250 miles of some kind of a
10 training ground. The reason for that is we only get them for
11 14 days in the summer and they have to move their equipment.
12 And what we like to get is 10 out of that in the training
13 area. And as you know, when you get the Guard and Reserve, I
14 mean, we just have to -- we cover the country with
15 facilities. And that's why you'll see us maintain these
16 enclaves.

17 COMMISSIONER DAVIS: Thank you, sir. And again,
18 not being able to fully shut down a fort, though, was another
19 consideration in that process.

20 GENERAL SULLIVAN: Right.

21 COMMISSIONER DAVIS: If I could, then, and you'll
22 see what my bias is. Of course, I worry about our Armed

1 Forces being able to conduct their missions in the out years.
2 And I asked the question previously, and I think you've
3 answered it, but let me just make absolutely sure.

4 Mr. Secretary, that with the BRAC '95 closings and
5 assuming some level of confidence in your numbers, the
6 savings that you get, at what level does it start to
7 constrain? If they don't pan out to 50 percent requirement?
8 In other words, you don't get 50 percent of your savings, are
9 you really starting to hurt? Is there a threshold there or
10 have you really taken a very conservative approach and you'll
11 probably get more savings than what you've predicted and so
12 the news would only be good, not worse?

13 SECRETARY WEST: I think --

14 COMMISSIONER DAVIS: That's a long and complex
15 question, but --

16 SECRETARY WEST: My answer was clear to the first
17 part of your question, but now that you have your second
18 part, the answer is yes to both.

19 COMMISSIONER DAVIS: Okay.

20 SECRETARY WEST: I mean, the second one first --
21 yes, we have taken a conservative approach. The one thing
22 we've learned, I think, over the years is that you can't be

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1 certain how your estimates and projections are going to turn
2 out, so you have to be very careful, indeed. So we've been
3 conservative in what we have listed as expected savings.

4 But at the same time, frankly, when you think about
5 what the Chief of Staff said about the declining dollars,
6 we're tightly constrained in every direction. I don't think
7 I could say to you that we could afford to lose a single
8 dollar of the savings we anticipate here. It will get tight
9 right after that first dollar.

10 GENERAL SULLIVAN: Mr. Commissioner, I -- I've been
11 around now since '89 in the building, in the Pentagon. And
12 one of the assumptions that was made on previous BRACs has
13 really been a burden to us. And that assumption was that we
14 would, in fact, sell some of this property to investors. And
15 so the budgets in our programs were wedged in that vein.

16 We have a very poor track record because, as you
17 know, there is a congressional process that comes in and the
18 government competes for the facilities itself; and then we
19 have the presidential initiatives. So we're not doing any of
20 that. We're not betting on anyone buying any of this,
21 because there are programs that require us to give it to the
22 communities and so on and so forth. So we haven't built this

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1 effort on those kind of assumptions.

2 And I think, to the Secretary's point, now we have
3 what appears to us to be a good business decision here
4 without assumptions, which, frankly, have never come true --
5 never come true. And it's taken us a while to dig our way
6 out from that burden.

7 COMMISSIONER DAVIS: You have my sympathy for being
8 in the building that long. (Laughter.)

9 GENERAL SULLIVAN: Yeah, I had a full head of hair
10 here in 1989. (Laughter.)

11 COMMISSIONER DAVIS: Mr. Secretary, I'd like to
12 direct this to General Sullivan. Again, it's my worry about
13 our ability to -- and the Army is probably required to do
14 that almost more than any other Service -- is surge to meet
15 contingencies or national emergencies. And in your depot
16 process, you've taken some very significant actions to
17 downsize your depot capability.

18 And I know you've answered before that you didn't
19 have any surge capability, but have you sort of hip-pocketed
20 a little bit of surge capability in your depot so that if you
21 are required to surge to meet some national emergency that
22 you have capability to surge that depot, or will you have to

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1 pump it out in the commercial sector?

2 GENERAL SULLIVAN: I have some thoughts on it.
3 I'll let General -- if it's all right with you, I'll let
4 General Shane answer it and then I have some experience on
5 the subject and some thoughts.

6 BRIGADIER GENERAL SHANE: Commissioner Davis,
7 General Shane. The short answer is yes, we did take into
8 consideration the surge capability. A couple key things here
9 is the fact that when you look at the core workload that we
10 have, you find that we do that with one shift and we do it
11 and our recommendations show that we are now at about 80
12 percent capacity. So we have a 20 percent capacity in each
13 one of our three depots remaining that allows us to meet the
14 wartime surge requirements.

15 Now, there's been some debate with regards to
16 wartime requirements versus reconstitution of the force
17 following the two-MRC scenario. So I feel like that the
18 three depots, based on our Stationing Strategy laid out for
19 us, provide us the adequate depot maintenance requirement
20 that we need to take care of the force.

21 GENERAL SULLIVAN: Mr. Commissioner, in the United
22 States of America, we have the capability to surge, really

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1 surge on food. We can, in fact, produce food in America and
2 process it and get it to the troops. There are other
3 commodities which soldiers and airmen and marines and sailors
4 use which are difficult to surge to. But we can, in fact,
5 produce a lot of food in America.

6 One of the capabilities we maintained in the Army,
7 to get to your point, is Watervliet in Rock Island. Building
8 hard-wall cannon barrels is an art, and there's only one
9 place in America that does it -- probably the best in the
10 world -- and that's Watervliet. And we maintain that
11 capability for tank guns and Howitzers and naval weapons.
12 And Rock Island is now where we assemble the Howitzer -- one
13 of the Howitzers, the light Howitzer is assembled there,
14 because we're producing such a tiny quantity of it that
15 commercial industry won't do it.

16 They don't think it's commercially effective for
17 them. So we do have those kind of special capabilities. And
18 I'm glad you asked the question, because there are some
19 capabilities that we do maintain in house, because commercial
20 industry -- unless you get into a real big confrontation --
21 they're not going to do it.

22 COMMISSIONER DAVIS: And my last, not question, but

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1 it's sort of a request. We'd like to make sure we work with
2 the Department of the Army and of course the Air Force on
3 this permitting and, for instance, to move the Dugway
4 operation, there's some indication that it's going to take
5 almost two years to get all the approvals and everything
6 done. But that's very key to the process, and we'd like to
7 work with your General Counsel along with ours to make sure
8 that we get it all right in the final recommendation.

9 Mr. Chairman, my time has run out.

10 CHAIRMAN DIXON: Thank you very much, Commissioner
11 Davis. Commissioner Kling.

12 COMMISSIONER KLING: Thank you, Mr. Chairman.
13 Secretary West, you've been very forthcoming in your answers
14 concerning cross-servicing, and I appreciate and thank you
15 for that. I'd like to ask your opinion, in a practical
16 sense, can cross-servicing work going forward? And will it
17 continue without the BRAC process.

18 SECRETARY WEST: I think it will work,
19 Commissioner. I think we're still learning a lot of things
20 about it; learning the best ways in which we can cooperate.
21 There are still functions that each of the Services considers
22 unique and that each of the Services believe we have unique

1 responsibilities for. But I think it can work, and I think
2 we're seeing that it can work.

3 Much more intriguing is your question of whether it
4 will go forward without BRAC. That, I don't have an answer
5 for you. I'd like to hope it would. But the underlying
6 principle that you enunciate, that the BRAC process has given
7 a great motivation to it, I think, is an accurate one. It
8 certainly has given it life.

9 COMMISSIONER KLING: Maybe I could ask another
10 question of you from along that line, and that is, yesterday
11 the Air Force -- their statement, they said that they did not
12 really include any closures as respects medical institutions
13 because they just hadn't gotten to that yet. And I guess
14 what I don't understand -- were there not some
15 recommendations that went to the Air Force as well as
16 medical, out of the Cross Servicing Group? Were you I
17 believe said that 50 percent of those recommended to you, you
18 adhered to?

19 SECRETARY WEST: Oh, Commissioner. (Laughter.)
20 I'm certainly familiar with the ones that came to the Army,
21 Commissioner. And that's about as far as I'm able to go.

22 COMMISSIONER KLING: Okay, thank you. Well, maybe

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1 I could just follow that up one second and say that 50
2 percent of the medical cross-servicing that was presented to
3 you, you accepted and you went forward with. The other 50
4 percent -- did those deal only with the Army, or would those
5 have included some of the other Services?

6 SECRETARY WEST: No, sir. We were speaking of 50
7 percent of those that dealt with the Army. There were 50
8 percent that we did not agree on after our analysis.

9 COMMISSIONER KLING: Thank you very much.

10 GENERAL SULLIVAN: Commissioner, can I make a
11 comment? There are some activities going on in the training
12 area which are really not related to BRAC at all where I have
13 some capacity at Fort Leonard Wood where we're doing some
14 training in our training centers -- Fort Leonard Wood and
15 elsewhere. -- other services, Fort Knox, Fort Sill, the
16 Marines train with us, and I send people to other Services.
17 So there's a lot of that going on. And we're actually
18 picking up more and more -- cooks, for instance. And it's
19 not -- it's irrespective of BRAC. It's a joint --

20 COMMISSIONER KLING: And I think that that is just
21 a cross-servicing aspect as well, you just --

22 GENERAL SULLIVAN: Correct.

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1 COMMISSIONER KLING: -- pin it down to five set
2 places and say, that's the end of it. So that's really good.
3 Just a couple other quick situations. Turning to some of the
4 leases here, the BRAC '93 Commission recommended that the
5 Services review current leases to determine whether or not
6 excess government-owned administrative space could be used
7 instead of leased office space. Did the Army review all of
8 its lease facilities in an effort to get them into
9 government-owned facilities?

10 SECRETARY WEST: I believe those above \$200,000,
11 Commissioner.

12 COMMISSIONER KLING: Above \$200,000. Thank you.
13 And last question, because I believe we're probably running
14 in time a little bit. In '91 the Commission approved the
15 merger of Aviation Systems Command and Troop Support Command.
16 Would you mind explaining why the Army is disestablishing a
17 command which we just created a few years ago?

18 SECRETARY WEST: Well, it's related to your first
19 question. In our effort to try to find savings in leases,
20 the way that we could deal with getting savings out of that
21 lease, was not to try to look for where we could transfer the
22 entire thing, but to look at it going back into its

1 components. And so we've come up with a good way, and we
2 think a very effective way, of discharging -- carrying out
3 that business of each of those -- aviation on the one hand,
4 the soldier command on the other -- by sending them to those
5 kinds of components.

6 We really wanted to get out of that lease. We want
7 to get out of all the leases we can. It's not just that we
8 take the last BRAC Commission seriously, it's that it's good
9 business for the Army.

10 COMMISSIONER KLING: Thank you very much, Mr.
11 Secretary.

12 CHAIRMAN DIXON: Now, that concludes the second
13 round. And Mr. Secretary, if you'll indulge me now, counsel,
14 Madelyn Creedon has selected what she thought to be the
15 appropriate question from each of these groupings by senators
16 and members of the Congress. And I'm going to ask you those,
17 and then we will send all the written questions to you.

18 And we are going to do that immediately after this
19 morning's hearing, and would appreciate it if your folks in
20 your shop could answer these questions in some detail.

21 First, from Senator John Warner of Virginia, he
22 asks, Secretary West -- now, he asks a number of questions,

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1 I'm selecting one that counsel thought was the appropriate
2 one -- Secretary West, in making the decision to close Fort
3 Pickett, Virginia, did the Army consult with the leadership
4 of the other Services and federal agencies who currently
5 train at Fort Pickett for input concerning the value to them
6 of the installation?

7 SECRETARY WEST: Let me just see if I can get some
8 staff up here.

9 CHAIRMAN DIXON: And I think Brigadier General
10 Shane is going to answer with the help of a colonel there
11 that he works pretty closely with.

12 BRIGADIER GENERAL SHANE: Chairman, General Shane.
13 The answer is, yes. And recall that we had certified data
14 calls and Fort Pickett did provide us with that information.
15 It was considered in the process.

16 CHAIRMAN DIXON: In other words, you talked to all
17 the other people involved at Fort Pickett in making this
18 decision. The balance of those questions will be given you
19 in writing.

20 SECRETARY WEST: Commissioner, Mr. Chairman, may I
21 not say that General Shane said something in addition to
22 that. He said it was our practice to do so in every case --

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1 certified data calls.

2 CHAIRMAN DIXON: Thank you. Congressman Jim
3 Chapman, First District of Texas says, or asks -- I'll ask
4 you, Mr. Secretary, and you may refer to whoever is
5 appropriate -- "Was the combined military value and cost of
6 closure of the co-located facilities of Red River Army Depot,
7 Lone Star Army Ammunition Plant, Defense Logistics Agency
8 Distribution Depot -- DDRT -- and their tenants considered in
9 the overall evaluation as requested of the Army Defense
10 Logistics Agency and Department of Defense by the community?

11 SECRETARY WEST: I think the answer is yes, but I
12 -- by the community?

13 BRIGADIER GENERAL SHANE: Mr. Chairman, let me take
14 that on. General Shane. The answer to that is, yes, it was.

15 CHAIRMAN DIXON: Now, there are a series of other
16 questions here. And all of those questions, on behalf of
17 Congressman Jim Chapman of the First District of Texas, will
18 be sent to you in writing.

19 Here is a series of questions submitted for the
20 record by the senators from Maryland -- Senators Sarbanes and
21 Mikulski, and by Representatives Bartlett and Ehrlich; and
22 it's in connection with Fort Ritchie, Maryland. Mr.

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1 Secretary, how were the cross-service capabilities of the
2 Defense Information Systems Agency's command assessed as part
3 of the Army's evaluation and final decision to recommend Fort
4 Ritchie for closure?

5 SECRETARY WEST: General Shane.

6 CHAIRMAN DIXON: General Shane.

7 BRIGADIER GENERAL SHANE: Mr. Chairman, those were
8 considered especially with regard to DISA OSD. Our database
9 concluded that they would not be included in our figures.

10 CHAIRMAN DIXON: Their next question is, did the
11 Army coordinate directly with DISA to determine the cost of
12 moving the Network Management Center?

13 BRIGADIER GENERAL SHANE: And the answer to that,
14 Mr. Chairman, is no, because what happened in that particular
15 case -- we showed them as a loss in 1996.

16 CHAIRMAN DIXON: All right. Did the DOD take into
17 account Fort Huachuca, its critical water shortage as part of
18 its recommendation to send a significant number of additional
19 personnel there?

20 BRIGADIER GENERAL SHANE: Mr. Chairman, we're
21 talking about 100 people, I believe, going to Fort -- we did
22 not consider that, nor were we aware of that at the time that

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1 we made the recommendation -- that there was a water shortage
2 at Fort Huachuca.

3 CHAIRMAN DIXON: All right, we'll pursue that
4 later. There's a whole series of questions here, quite a
5 substantial number, given me by these two distinguished
6 senators and these two distinguished members of the House.
7 Fairly lengthy, and we are going to send it all to you.

8 Senator Abraham asks this of you, Secretary West.
9 Mr. Secretary, your report states there is no job loss
10 associated with closing the Detroit Army Tank Plant.
11 However, General Dynamics currently manufactures M-1 tank gun
12 mounts in the tank plant.

13 I understand the Army's reasoning was, since the
14 General Dynamics contract expires in '97, and the Army has
15 six years to complete the facility disposal, the job loss
16 would come from an end to the contract, not from the closing
17 of the tank plant. Is this the baseline reason to close the
18 tank plant -- to cease gun mount production by General
19 Dynamics? And that is the question.

20 SECRETARY WEST: Yes. The answer to the last
21 question is, no, that's not the baseline reason. The
22 baseline reason is that the plant is there to produce tanks,

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1 and we don't do that right now for United States use right
2 now. The only tank production we have going on, I think, is
3 in Lima and it's for FMS. We simply -- that plant is simply
4 excess to the Army's use.

5 CHAIRMAN DIXON: Okay, anybody want to add? Thank
6 you. Now, they ask one other there that I think I better
7 ask, since it impacts my state and I think would only be fair
8 to do so. I further understand Rock Island Depot in
9 Illinois -- General Sullivan, you just alluded to that in
10 your remarks -- is the only other manufacturer of M-1 tank
11 gun mounts.

12 Why are you ending a contract with a civilian
13 contractor, when the only other source of production is a
14 government arsenal? Given that this does not fall in the
15 traditional arsenal production area of barrels, why are you
16 ceasing private production for government-owned facilities?

17 SECRETARY WEST: It is -- I will answer that. Mr.
18 Chairman, it is true we produce about 10 gun mounts a month
19 -- half at the Detroit plant and half at Rock Island. But
20 that is not the driver in this decision. The driver in this
21 decision is the use of that plant for the production contract
22 that's expiring in 1996, essentially. The gun mount is an

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1 incident of the decision, and we will have to resolve where
2 to pick up that extra five a month production. But that is
3 not the driver here.

4 So we're doing it -- if it turns out to be that we
5 will do all 10 at Rock Island -- we're doing it as an
6 incidence of this decision. It did not drive this decision.

7 CHAIRMAN DIXON: Thank you, and there will be
8 follow-ups in writing on that one.

9 Now, the distinguished Minority Leader, the
10 Democratic leader in the House, Congressman Dick Gephardt,
11 asks these questions, Mr. Secretary. Others will follow in
12 writing.

13 In 1993, the Army determined that -- and he quotes,
14 so I presume it's from your determination in '93 -- "the high
15 relocation costs make realignment or closure of Adcom
16 impractical and prohibitively expensive." Has there been a
17 change in circumstance in the last two years that makes
18 relocation more affordable?

19 SECRETARY WEST: What's changed is that we're
20 smarter for one thing. We are not going to try to relocate
21 Adcom out of that lease as Adcom. It will be relocated in
22 constituent parts.

1 CHAIRMAN DIXON: And the second part of that --
2 Congressman Dick Gephardt says a 1991 Defense Management
3 report found that merging the Aviation Command and the Troop
4 Support Command into Adcom would result in management and
5 cost efficiencies. What changes led to the conclusion that
6 rather than consolidation, breaking Adcom into four new
7 entities is more efficient?

8 SECRETARY WEST: Yes, let me say this. For one
9 thing, we will be able to get out from that relatively
10 oppressive lease. I mean, oppressive is probably too strong;
11 but high-cost lease. And in fact, I think we're also going
12 to result in a savings in number of personnel, as well. So
13 the fact is, we've just found a way to do it that saves us
14 money and that still allows us to do the Army's job very
15 well. It's a smart move.

16 CHAIRMAN DIXON: There are other written questions
17 by the distinguished Minority Leader in the House that I'll
18 send along, Secretary West. Thank you.

19 Now the Senator from Michigan, Carl Levin asks
20 this. I think we're back to the Detroit Army Tank Plant
21 here. Senator Levin asks, Mr. Secretary, at the time the
22 Secretary of Defense announced the recommendation to close

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1 the Detroit Army Tank Plant, the Army did not have answers to
2 these questions regarding how and where the Detroit Army Tank
3 Plant's current functions would be conducted after closure
4 and the cost of those alternatives. Instead, the Army said
5 it will study those issues this summer.

6 Why didn't the Army study the cost of alternatives
7 to the Detroit Tank Plant as part of the BRAC process?

8 SECRETARY WEST: I believe we have now made some
9 choices about alternatives, Mr. Chairman. Am I wrong,
10 General Shane?

11 CHAIRMAN DIXON: General Shane, is this more in
12 your area?

13 BRIGADIER GENERAL SHANE: Mr. Chairman, yes it is.
14 We looked at that. The bottom line there was the fact that
15 it was truly excess capacity, the way we looked at it, and
16 from our analysis.

17 CHAIRMAN DIXON: Okay. He has a great many other
18 questions here. I'm going to send you a series that develops
19 his line of questioning. And we'll want those for the record
20 so that this distinguished senator's questions are carefully
21 analyzed.

22 Representative James V. Hansen of the First

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1 District in Utah. This distinguished congressman says, the
2 Army is proposing to move Dugway Smoke and Obscurant Mission
3 to Yuma Proving Ground. I think the distinguished
4 Commissioner Cox asked this. Are you aware that Yuma does
5 not possess the environmental permits from the state of
6 Arizona, required to permit open-air testing of this
7 magnitude?

8 SECRETARY WEST: We are, Mr. Chairman, and we think
9 it will -- we've actually included in our plan that it will
10 be about a year to two-year delay. And we will continue to
11 do that at Dugway until the permitting is available.

12 CHAIRMAN DIXON: That's Secretary West answering.
13 I know that that question has been asked by someone -- it was
14 by Commissioner Davis. But I wanted to give an opportunity
15 for the congressman to ask it as well. If these permits
16 cannot be obtained, what are your plans for this important
17 testing?

18 SECRETARY WEST: If we cannot obtain permits to
19 move the open-air testing away from Dugway, it will remain at
20 Dugway.

21 CHAIRMAN DIXON: Okay. And are you also aware that
22 Dugway already possesses these permits, as well as all

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1 permits required for the open-air release of live chemical
2 agents, as required in other realignment proposals?

3 SECRETARY WEST: Yes, sir, we are aware.

4 CHAIRMAN DIXON: And that's significant, I take it.

5 SECRETARY WEST: Yes, it is.

6 CHAIRMAN DIXON: The distinguished congressman has
7 other questions that will be sent to you in writing.

8 The Senator from Arkansas, Senator Dale Bumpers,
9 asks a question that is a -- he asks a whole series, and
10 closes with one that's a duplication. But I think it's
11 important that I ask it again. You had showed a chart
12 before, Mr. Secretary, and in BRAC '93, Fort Chaffee ranked
13 number five among 10 major training areas.

14 In BRAC '95, Chaffee was ranked last among those
15 same 10 major training areas. And I appreciate you all got
16 smarter, but the question here is, what factors cause that
17 ranking to drop so much in just two years? Now, what's the
18 answer to that? Specifically, what factors caused that
19 particular installation to drop from fifth to tenth in two
20 years? He's suspicious of that, of course.

21 BRIGADIER GENERAL SHANE: Mr. Chairman, General
22 Shane. I hope I'm insistent with his answer, because I think

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1 I've answered once before. It's the issue with regards to
2 permanent facilities, ranges, other attributes that went into
3 the refinement of the '95 attributes, which was recommended
4 by the GAO from the '93 proceedings. So as we reordered
5 those -- what happened, you get an order of merit that comes
6 out which ranks some installations lower than others; Chaffee
7 being one of those.

8 CHAIRMAN DIXON: And again, I see, Commissioner
9 Cox, did you want to ask something there? I can see you --

10 COMMISSIONER COX: You said that before, and I just
11 thought maybe we could get a little more detail. You said
12 it's ranges, it's training. What do you mean? This time
13 around we didn't need something as much as we needed it last
14 time? If you could just --

15 BRIGADIER GENERAL SHANE: Not necessarily that we
16 need it, but --

17 COMMISSIONER COX: Right.

18 BRIGADIER GENERAL SHANE: -- let me give you an
19 example.

20 COMMISSIONER COX: Good.

21 BRIGADIER GENERAL SHANE: Let's say ranges. That
22 we have more modern ranges or automated ranges that we may

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1 apply a different value to it. It may be 100 points, versus
2 50 points in '93. So when you go through those attributes
3 and you reweigh them, what happens when you get you linear
4 program will spit out the answers to you with regards to what
5 the order of merit is, based on those attributes. And that's
6 what happened in the case of Chaffee and some others.

7 For the record, Mr. Chairman, let me say that with
8 regards to major training areas, we studied every major
9 training area in the Army. We looked at each one of those
10 and made a substantial reduction in those, which we've
11 testified here today. So even though it went from first to
12 last, it didn't matter. It had the same type of rigorous
13 analysis that number one was, because we studied them all.

14 CHAIRMAN DIXON: Well, obviously mattered from the
15 standpoint of getting on the list and staying off the list,
16 and that's why they're concerned. Commissioner Cox had
17 another question. It might not matter to you, it matters a
18 lot to them.

19 BRIGADIER GENERAL SHANE: Absolutely. I
20 understand.

21 COMMISSIONER COX: I guess I'm still trying to
22 understand the categories that were different -- a little bit

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1 more of the thinking. Automated ranges were more important
2 now than they were before, because -- instead of just listing
3 them, maybe just give us a thought or two about why. Why did
4 that change this time?

5 BRIGADIER GENERAL SHANE: I think when we looked at
6 those attributes overall, what we determined was that these
7 were the enduring attributes that we needed to train and
8 sustain the Army. So the whole series of those -- for the
9 record, I could provide those to you.

10 COMMISSIONER COX: Great, that would be fine.

11 CHAIRMAN DIXON: Good. We'll pursue that at some
12 length by the written questions. Is the Commissioner
13 satisfied that she's pursued it sufficiently?

14 COMMISSIONER COX: Yes, thank you.

15 CHAIRMAN DIXON: The next question is from my own
16 congressman, Congressman Jerry Costello. And he asks about
17 the Charles Melvin Price Support Center, named after the
18 congressman that was congressman when I started out in
19 politics, well over 40 years ago. Served many years -- over
20 40 years in the House and was Chairman of the Armed Services
21 Committee for many years, as so many of you know.

22 And Congressman Costello asks a question here that

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1 occurs to me as being timely, because if you've read the
2 Washington Post today, a lot of it was devoted -- as you were
3 testifying today, General Sullivan -- to the question of
4 adequate housing. Here's what -- the congressman asks a
5 number of questions, but here he says, the Army has said they
6 must close the military family housing at Price because of
7 the Adcom move.

8 So the relation of those two things -- Adcom's in
9 St. Louis; Price is right across the river in Granite City.
10 Yet Congressman Costello says, yet only 17 percent of the
11 housing there is occupied by Adcom personnel, and there's a
12 waiting list of over one year. Why do the soldiers in the
13 commands at St. Louis not deserve equal housing
14 consideration?

15 I guess that's kind of a sharp question, but the
16 point he makes here is I think he's arguing that housing
17 there could be usefully used for military personnel. We've
18 just seen the front page of the Washington Post today about
19 what a terrible housing problem we have for our military
20 personnel. I wonder what your response is.

21 SECRETARY WEST: Do you want to answer that?

22 CHAIRMAN DIXON: I'm not picking on anybody.

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1 Whoever wants it can have it.

2 SECRETARY WEST: Let me say one thing --

3 CHAIRMAN DIXON: Mr. Secretary.

4 SECRETARY WEST: Yes, and then I'll let others
5 chime in -- either General Sullivan or Secretary Walker.
6 With respect to the Secretary's article -- Secretary of
7 Defense's article this morning, you're right, Mr. Chairman,
8 it's timely. I would remind us all that one of the things he
9 points out is the quality of the housing we do have.

10 CHAIRMAN DIXON: Yes.

11 SECRETARY WEST: And he talks about that to some
12 extent. The choice to us whenever we have had to take out a
13 support facility -- and that's not the only one that's on
14 this BRAC list; I was just at Suffrage on Friday night, and
15 that's also on the list, and that's also a housing and
16 support, administrative support area -- is whether in the
17 process, we are somehow improving the lot of those who would
18 have to stay. Is commercial housing better available? Is
19 it --

20 CHAIRMAN DIXON: Did you ask that question,
21 incidentally?

22 SECRETARY WEST: Well, we did a lot of analysis and

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1 I'm going to let them get to that now, Mr. Chairman. Did you
2 want to go first?

3 BRIGADIER GENERAL SHANE: Mr. Chairman, General
4 Shane. There are 164 section quarters there. We did look at
5 those. We looked at the cost alternatives that we pay with
6 regards to base ops to those things. This was a tough
7 decision.

8 CHAIRMAN DIXON: Yes.

9 BRIGADIER GENERAL SHANE: But we felt like that we
10 could at least sustain, if not improve the quality of life of
11 the soldier by VHA and COLA living on the economy. And our
12 analysis showed that there was housing available on the
13 economy to do this.

14 CHAIRMAN DIXON: Okay, that's your answer, then,
15 General Shane. Because let me tell you my own personal
16 experience. A man learns by what he does.

17 I remember when I was Chairman of Readiness, I used
18 an awful lot of my influence and used up a lot of my chits
19 getting housing for my state. And I built a lot of housing
20 in Illinois, I'm proud to say. And I remember that, I
21 believe, Fort Sheraton's housing was taken by the Navy, they
22 wanted it, and the closing of Glenview, the folks at Great

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1 Lakes wanted that housing and used it.

2 So I only -- and this was, of course, obviously,
3 pretty new stuff because it's stuff I did while I was there,
4 so it's brand new stuff and I appreciate the appeal of that.
5 But, you know, I would just like to have you -- there's a
6 series of questions there and I would appreciate you giving
7 those very careful consideration, because if that's good
8 housing, I think that's a valuable point being made.

9 BRIGADIER GENERAL SHANE: Mr. Chairman, let me say
10 one other thing for the record. There were four or five
11 housing areas that we looked at. And as a soldier, I can
12 tell you that any time you look at an enlisted soldier or an
13 officer and move him from government quarters, which we pick
14 up a lot of the bill, and you move him to the economy, that
15 is a tough decision.

16 CHAIRMAN DIXON: Well, I respect that.

17 BRIGADIER GENERAL SHANE: And it is truly a quality
18 of life decision. And we considered that.

19 GENERAL SULLIVAN: These are not easy decisions.

20 CHAIRMAN DIXON: I know that.

21 GENERAL SULLIVAN: None of them are, and you've got
22 Suffrage, as the Secretary pointed out. By the way, I'm the

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1 Chief of Staff of the Army -- Sullivan is my name. These are
2 tough calls. But we've got to make them.

3 CHAIRMAN DIXON: I appreciate that, General
4 Sullivan. My wife was watching me on television the other
5 day, and she said, "Don't be so mean with those people,
6 they're just doing their job." I hope you understand I
7 respect that, and I hope you understand that I'm not any more
8 delighted with this job than you are.

9 I'm a draftee, not a volunteer. And this is
10 painful for all of us, and the worst part of it is, it's the
11 fourth round and everybody's been through this four times and
12 by now, we're down to the real good stuff. And, you know, it
13 ain't no fun. But anyway, we have to ask the questions. I
14 hope you understand that.

15 Representative Glen Browder -- and this is somewhat
16 repetitive, but we want to get these things in the record.
17 What contacts has the Army or OSD had with the Governor of
18 Missouri's staff, concerning environmental permits for this
19 facility? In other words, we know that the permits have to
20 be obtained; we respect that.

21 SECRETARY WEST: We have had staff-level contacts
22 in which the Governor and leadership in Missouri have

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1 promised their support and their belief that the permits will
2 be obtained in reasonable time.

3 CHAIRMAN DIXON: Okay. And there again, a series
4 of questions, Mr. Secretary, that will be sent to you on this
5 whole issue, again. And by now, there are several of these
6 things running through here where, unless we can get the job
7 done, we can't do the -- we can't support the
8 recommendations, quite obviously.

9 Congressman George Gekas asks the Secretary, Mr.
10 Secretary, regarding Fort Indiantown Gap, Pennsylvania. And
11 he asks, the Army states that annual training for a reserve
12 component units, which now use Fort Indiantown Gap, can be
13 conducted at other installations in the region, including
14 Fort Dix, Fort A.P. Hill, and Fort Drum.

15 Has any study been done to make sure that these
16 other facilities actually have the training facilities equal
17 to the facilities at Fort Indiantown Gap are sufficient for
18 the needs of these units, such as Tank Table 8 qualification
19 ranges? And do these other facilities have training time
20 available in their schedules to accommodate the needs of our
21 training units? And additionally, has the DOD investigated
22 the cost of transport and equipment associated with using

1 other training sites?

2 SECRETARY WEST: That's the kind of review we
3 undertake when we make a determination like this, and the
4 answer is, yes, we've looked into just about all those
5 things.

6 CHAIRMAN DIXON: Can you add to that, General
7 Shane?

8 BRIGADIER GENERAL SHANE: Mr. Chairman, the answer
9 to that is, yes, we took those considerations.

10 CHAIRMAN DIXON: Those were all evaluated.

11 BRIGADIER GENERAL SHANE: Absolutely.

12 CHAIRMAN DIXON: There's a series of questions by
13 the distinguished congressman. We'll send them all to you.

14 The final one, and then again, there's a pretty
15 good list over there of written questions we're going to send
16 you. We've tried to honor the commitment to the
17 congresspeople from House and Senate to give them their
18 opportunity to have a shot at you and make their records,
19 which is all part of the process. I'm sure you respect it.

20 And here's the two distinguished Senators from
21 Connecticut, Senators Dodd and Lieberman. And they ask you
22 about your decision to close the Stratford Army Engine Plant

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1 in Stratford, Connecticut. On February 14th, 1995, Secretary
2 Decker, in a response to Senators Dodd and Lieberman stated
3 that the Army planned on spending \$47.5 million as part of a
4 three-year tank, engine, industrial-based program. And they
5 have a letter attached on this, I guess, I don't know.

6 This program would retain engineering expertise,
7 essential recuperator parts production in a minimal capacity
8 for new engine assembly and testing at SAEP. Why, less than
9 two weeks after this letter was written, did the Army
10 recommend closing this facility? They say two weeks after
11 the letter, you recommended them closing.

12 BRIGADIER GENERAL SHANE: Mr. Chairman, General
13 Shane. Let me take that on. Number one, I was probably
14 unaware of that letter that Secretary Decker sent in the
15 analysis. What we kind of looked at was looking at the tank
16 engine industrial base with regards to Stratford. The bottom
17 line answer, I guess, is, no, we were not aware of that
18 letter. The analysis people.

19 CHAIRMAN DIXON: But notwithstanding the letter,
20 are you comfortable with your decision there?

21 GENERAL SULLIVAN: Yes.

22 BRIGADIER GENERAL SHANE: Yes, I'm very comfortable

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1 with it.

2 CHAIRMAN DIXON: General Sullivan?

3 GENERAL SULLIVAN: General Sullivan. We have the
4 capability to repair these engines at Anniston and Corpus
5 Christi Army Depot. We really have the capability to do this
6 elsewhere.

7 CHAIRMAN DIXON: Okay.

8 SECRETARY WEST: Actually, I guess just as
9 significantly, Mr. Chairman, is that as the Secretary, I
10 think I'm responsible for reconciling whatever it is that is
11 interpreted from Secretary Decker's letter on the one hand
12 and our action on the other. I believe I had the benefit of
13 his advice, as well, on this decision. He was certainly with
14 us when we made -- when we reviewed this. So if there are
15 further inconsistencies there to explain, we'll be happy to
16 explain them. But we think we've made the right call on
17 Stratford.

18 CHAIRMAN DIXON: Yes, well we'll give you the
19 written questions. This is all part of the record. You're
20 comfortable with your decision, notwithstanding what other
21 predecessors may have said, and that's an appropriate answer.

22 Unless there's anything to come before us this

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1 morning, I express the gratitude of my colleagues in the
2 country for this unpleasant work you've done in coming here
3 today and testifying before us and doing your job as you're
4 ordered to do it.

5 We are in recess until 1:30 promptly.

6 (Whereupon, at 11:55 a.m., a luncheon recess was
7 taken.)

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A F T E R N O O N S E S S I O N

(1:30 p.m.)

1
2
3 CHAIRMAN DIXON: Good afternoon, ladies and
4 gentlemen, and welcome. This is the last of four hearings
5 held yesterday and today by the Commission.

6 Yesterday and this morning we've heard from and
7 have questioned the Secretaries of the military departments
8 and their chiefs of staff regarding proposed base closures
9 and realignments that affect their branch of service.

10 This afternoon we are pleased to have with us
11 officials of two defense agencies which have installations
12 included on the Secretary's list of closures and
13 realignments. They are Air Force Major General Lawrence P.
14 Farrell Jr., Principal Deputy Director of the Defense
15 Logistics Agency; and Mr. John F. Donnelly, Director of the
16 Defense Investigative Service; and Mrs. Margie McManamay,
17 who, as I understand it, is in charge of BRAC at the DLA. Is
18 that correct?

19 MS. MCMANAMAY: Yes, sir.

20 CHAIRMAN DIXON: Mrs. McManamay, I want you to know
21 that we apologize for the fact that you don't have a sign,
22 but we are preparing one, and in the efficient manner in

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1 which government functions, almost momentarily I know a sign
2 will appear.

3 (Laughter)

4 CHAIRMAN DIXON: I'm sorry we didn't know you were
5 coming, Margie, but we're delighted to have you.

6 MS. McMANAMAY: Thank you.

7 CHAIRMAN DIXON: Now, before we go ahead with the
8 testimony and before we begin with the opening statements,
9 let me say that in 1993, as part of the National Defense
10 Authorization Act for Fiscal '94, the Base Closure and
11 Realignment Act was amended to require that all testimony
12 before the Commission at a public hearing be presented under
13 oath.

14 As a result, all of the witnesses who appear before
15 the Commission this year must be sworn in before testifying.
16 So General Farrell, Mr. Donnelly, Mrs. McManamay, would you
17 please rise and raise your right hands.

18 (Witnesses sworn.)

19 CHAIRMAN DIXON: Thank you very much. And if
20 you'll be seated, please, before we begin your testimony and
21 the question rounds, we have a little piece of housekeeping
22 to take care of here.

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1 so that the folks at Minot can get prepared properly so we
2 can go visit.

3 CHAIRMAN DIXON: It has been moved by Commissioner
4 Cox, seconded by Commissioner Davis that Minot be put on the
5 list. Is there comment? I think Commissioner Cornella wants
6 to say something. Mr. Cornella.

7 COMMISSIONER CORNELLA: Thank you, Mr. Chairman. I
8 just would like to abstain from deliberations and voting on
9 this matter. Thank you.

10 CHAIRMAN DIXON: The record will show that
11 Commissioner Al Cornella will abstain from the discussion and
12 from the vote relating to this particular installation. Is
13 there further comment by anyone on the Commission?

14 (No response.)

15 CHAIRMAN DIXON: Then our counsel will call the
16 roll. On the motion to include Minot on the list made by
17 Commissioner Cox, seconded by Commissioner Davis, the roll
18 will now be called.

19 MS. CREEDON: Commissioner Cornella.

20 CHAIRMAN DIXON: Abstains for the record.

21 MS. CREEDON: Commissioner Cox.

22 COMMISSIONER COX: Aye.

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1 MS. CREEDON: Commissioner Davis.

2 COMMISSIONER DAVIS: Aye.

3 MS. CREEDON: Chairman Dixon.

4 CHAIRMAN DIXON: Aye.

5 MS. CREEDON: Commissioner Kling.

6 COMMISSIONER KLING: Aye.

7 MS. CREEDON: Commissioner Robles.

8 COMMISSIONER ROBLES: Aye.

9 MS. CREEDON: Commissioner Steele.

10 COMMISSIONER STEELE: Aye.

11 CHAIRMAN DIXON: And the roll call shows seven ayes
12 and one abstention on the motion by Commissioner Cox seconded
13 by Commissioner Davis. I apologize. I can't even count
14 right today, six ayes, one abstention, and the motion to
15 include Minot on the list is declared passed.

16 General Farrell is it -- do you have an order of
17 preference, gentlemen?

18 GENERAL FARRELL: No, sir.

19 CHAIRMAN DIXON: General Farrell, if you would
20 proceed, please.

21 GENERAL FARRELL: Can you hear me, sir?

22 CHAIRMAN DIXON: I think, for the record, General,

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1 if you'd be kind enough to talk into the mike for the
2 reporter and for the public-at-large who is viewing this via
3 television. Do you have a lapel mike there somewhere?

4 GENERAL FARRELL: I have one right here, sir.

5 CHAIRMAN DIXON: Perfect.

6 GENERAL FARRELL: Chairman Dixon, Commissioners,
7 it's an honor for us to be here today. I'm General Larry
8 Farrell. I'm the Deputy Director at DLA. I oversaw the
9 executive process for the BRAC '93 round at DLA, and I also
10 oversaw the '95 analysis. Admiral Straw asked me to present
11 the results of the DLA analysis to you today.

12 I'll be covering something about our mission, how
13 we approach BRAC '95, how we developed other recommendations
14 and finally our summary.

15 The DLA business -- I think we need a little bit of
16 focus there.

17 COMMISSIONER DAVIS: I'm not sure you can, Larry.

18 GENERAL FARRELL: Yes, sir. I've handed out copies
19 so that you can follow along in the briefing, but, basically,
20 since the '93 round, we've produced a strategic plan. We've
21 come up with a lot of initiatives, and we tried to focus how
22 we want to do our business.

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1 Basically, what we say is we want to be the
2 provider of choice for the military services as a combat
3 support agency anywhere in the world any time of the day.

4 And the way we want to approach our business is to
5 provide requisite readiness at a reduced cost not only in the
6 business areas but in the support for the acquisition area,
7 where we manage the contracts.

8 We want to leverage our corporate resources against
9 large logistics targets and provide price savings to our
10 customers. The three metrics that we're tracking in our
11 Executive Information System in our strategic plan refer to
12 quality, which is better, refer to reducing cycle time, which
13 is faster, and reducing costs, which is our cheaper part.

14 These are the three activities which are affected
15 in our recommendations -- contract management, right here,
16 supply management and distribution management.

17 This is the way we approached our deliberations.
18 We started at a fairly serial way through this, starting
19 first with gathering data, putting out data calls while at
20 the same time we were starting to develop criteria.

21 It was not until we had fully developed our
22 military criteria and our measures of merit that we actually

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1 put the data call out. While the data call was going out, we
2 started formulating decision rules that we would use in our
3 deliberations.

4 And when we got the data back, then we went through
5 some excess capacity calculations. We engaged in some
6 interservicing with the Navy and the Air Force, and it wasn't
7 until we did our first COBRA run, which is in the last stages
8 of our process, that we actually took the names off of the
9 activities.

10 Ms. McManamay headed up the working group which
11 performed the calculations, did the data call, and I headed
12 up the executive group. We didn't know which activities were
13 receiving which points until we did the first COBRA run,
14 which was about a month and a half before the process was
15 over. Next slide.

16 This is a hard one to read, and this is really
17 about an hour briefing all by itself, but, basically, it says
18 we recognize that the DOD selection criteria had to be
19 adapted to DLA's business methods and procedures and
20 processes, since we don't have military force structure.

21 We did that crosswalk and accounted for each one of
22 these top four military value in our four measures of merit

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1 across the right here.

2 Last time around we were criticized by the General
3 Accounting Office for focusing or appearing to focus more on
4 COBRA outputs as a decision-maker rather than military
5 judgment.

6 We reoriented our process this time, added a couple
7 of evaluation tools and declared that the primary decision-
8 maker is going to be military judgment this time. The
9 outputs of all the analysis you see on this slide here for
10 the interservicing that's engaged are only inputs for the
11 final military judgment, and that's the way we approached it.

12 We coordinated closely with the services to follow
13 their decisions because, in some cases, we're tenants on
14 their installations, and when they close and the activity
15 which we're supporting closes, we go, too.

16 We performed, of course, excess capacity analysis.
17 We took a hard look at the force structure plan and, in some
18 cases, used the force structure plan directly to see if we're
19 coming down commensurate with the reductions in the force
20 structure plan.

21 We have concepts of ops, which we developed in each
22 business area following out of our strategic plan and therein

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1 our report. We did two types of mil value analysis this
2 time, one for activities, one for installations.

3 Last time around we didn't do installations. We
4 noted that the services used it effectively, so we added that
5 piece of analysis. We had our set of decision rules. We
6 performed risk assessments, and we added a commercial model
7 for distribution this time called the SAILS Model, Strategic
8 Analysis of Integrated Logistics Systems.

9 It's a model used by Case, Kodak, people like that,
10 Procter and Gamble. They use it for optimizing their
11 distribution system. It's an optimizing model that solves
12 linear equations, and it gives you the lowest cost for a
13 given depot configuration. So we added that piece of
14 analysis this time.

15 The way we conducted our process early on, the
16 General Accounting Office came to me -- and their
17 representatives are here as well as the DODIG -- and they
18 said, "We want to be a part of your process because we're
19 going to have to audit it."

20 I struck an agreement with them which said that the
21 GAO would sit back and observe and be present in our
22 meetings, have access to all of our ongoing analysis from the

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1 first day, which they did, and that the IG would assume
2 responsibility for validating my data.

3 So I took all my internal review resources, handed
4 them over to the DODIG, struck a deal with Mr. Vander Schaaf
5 and his folks that Wayne Milyon would report to me for
6 purposes of the validation of the data, and that's what we
7 did.

8 We wanted to get a handle on our facilities, so we
9 let a contract with the Navy Public Works Center in Norfolk
10 to go out and baseline all of our facilities, tell us what
11 kind of condition they're in so that we could enter that data
12 into the military value analysis.

13 So we know now, we can project out over an eight-
14 year period what we'll have to spend at each facility that we
15 own to bring it up to a certain given comparable baseline.
16 We added inputs from the field. We brought the field people
17 in when we developed our military criteria. They also
18 provided the data we used. I chaired the executive group.
19 Margie chaired the working group, and that's how we
20 proceeded.

21 These are our decision rules. I won't read them to
22 you, but I just want to emphasize a couple of things. First

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1 of all, we want to support the services and customers where
2 they are and where they need us to be supported, and we want
3 to close things as a top priority and to maximize use of
4 overhead, shared overhead, where we exist and optimize the
5 use of installations that we have and all the space on them
6 as nearly as we can. Next slide.

7 Okay. I'll get into our analysis now. These are
8 the three activities that were impacted. Next line. First,
9 contract management. Our concept of ops says that we oversee
10 \$840 billion worth of contracts, and we have three
11 headquarters that perform the oversight functions, and we
12 have one headquarters that performs the international
13 oversight. These guys promote uniform application of
14 contract management rules. Next slide.

15 This is our workload chart. You can see that in
16 the contract management business procurement dollars are
17 coming down, and this is in the DOD PALMs of the services.

18 As a result, our contract administration offices,
19 which are overseen by these contract management districts,
20 are coming down about 50 percent, and personnel is coming
21 down through the year 2001 by 42 percent from where we are
22 today.

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1 Our decision was based upon the fact that workload
2 was dropping, expanded control was becoming more and more
3 reasonable. We did a mil value analysis, and we noted that
4 the Boston area, the Northeast Contract Management District,
5 has a big concentration of contracts up here.

6 You note the western region, which is headquartered
7 in L.A., has a large concentration of contract management in
8 the L.A. Basin, and the South is a little bit more scattered.

9 We made the decision that we could manage the
10 workload and the oversight with two districts, and then the
11 decision came to be, "How are you going to split it? Are you
12 going to split the country east and west or north and south?"

13 We said, since Boston scored so high, we would make
14 them one of the management activities which would remain, and
15 then we ask ourselves, "Since West and South were so close,
16 which one would it be?"

17 Should we manage the southern half of the country
18 from Atlanta and the northern half from Boston, or should we
19 split it about down the Mississippi River and let Boston take
20 the East and then move the contract management out to the
21 West for the rest of the country?"

22 And we elected to do it North and South for a

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1 number of reasons. Number one, they had a higher mil value
2 here, but we didn't want to manage all of these contracts,
3 large dollar value contracts, space programs, B-2, C-17 three
4 time zones away.

5 So we elected to split it down the middle and
6 remain with Boston and remain with Los Angeles, and we
7 elected to move the international contract district over to
8 Fort Belvoir and realign them with the headquarters function.

9 These are the results, a net present value of 165
10 million and steady-state savings of 13. We had one other
11 action we had to clean up remaining from the '93 round. We
12 were going to realign our western district headquarters from
13 El Segundo to Long Beach, and the language of the '93 BRAC
14 said that we had to effect a trade of a building with the
15 City of Long Beach to do that.

16 We found out we couldn't do it, that we have to buy
17 one. So we're recommending a redirect, but we changed the
18 language to being able to buy a building rather than the
19 previous plan. We're, actually, going to save more money
20 with this one.

21 I see Commissioner Cox is frowning. What happened,
22 when the President announced his five-point program, it

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1 became apparent to the communities that these facilities were
2 going to fall into their laps without having to put anything
3 out.

4 So we had thought before that we would be able to
5 trade some closing Navy activities in the Long Beach area for
6 a commercial building somewhere in Long Beach. That deal
7 fell through. So we've got to change the language.

8 In depots, we had 28 depots prior to '93 BRAC. We
9 took 5 out. We're down to 23 now. We're going to take 5
10 more out and go down to 18. The ones you see highlighted are
11 what we call stand-alone or general distribution depots, two
12 on the East and West Coast, San Joaquin and Susquehanna,
13 designed for support of the two major regional contingencies
14 in the war plans, large depots, with large throughput
15 capacity.

16 The rest of these are general distribution depots
17 here, and the small dots are located either with a major
18 fleet activity or with a maintenance activity.

19 I'm going to drive through how we made our
20 decision. First of all, we recognize that our concept of ops
21 requires us to support two MRCs from the east and the west,
22 and we recognize that San Joaquin and Susquehanna have large

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1 capacities, large throughput capacities and large storage
2 capacities.

3 We elected to consider strongly keeping those in
4 our system. We recognized also that, in our concept of ops,
5 we want to co-locate where we have a major customer, either a
6 maintenance customer or a fleet customer, and then we wanted
7 to accommodate contingency and specialized storage, slow
8 moving, hazardous and things like that, and then to optimize
9 the remaining storage and the system cost.

10 This is our workload, as you can see. Commissioner
11 Davis asked me about this, but our cubic foot requirement is
12 going from 788 million attainable cubic feet in 1992 down to
13 where we project we'll need about 450 million, round numbers,
14 in the year 2001.

15 This is commensurate with our workload falloff.
16 When you see the workload lines, in 1992, we were doing 44
17 million lines a year, and we project that we'll be down about
18 50 percent by the year 2001. And our personnel in our
19 program are coming down 55 percent. So we've got a lot of
20 excess capacity in the infrastructure.

21 Commissioner Davis asked me about that, and here
22 are the results. This bar here represents capacity in the

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1 cube area, and these representations down here are capacity
2 in the throughput area. So in depots, we measure it two
3 different ways.

4 You can see that our capacity right now, as we
5 look, we've been reducing some things, lease space and stuff
6 like that. We're at 618 million. Our requirement is at 519
7 today.

8 In the future, we project that by reducing some
9 more things and some more lease space, we'll be able to get
10 down to 545, but still our requirement is only going to be
11 452. So cube is the limiter here.

12 If you go down to throughput, we've got three types
13 of throughput -- binables, which is less than three cubic
14 feet, averages about nine and a half pounds; open storage and
15 covered bulk storage.

16 You can see today we're at 45 percent, 23 and 20
17 percent of capacity, and even after I implement these
18 recommendations that I've got on the table, we'll be at 78,
19 54 and 28, still a lot of excess capacity in the throughput
20 area, and we'll be sized to cube.

21 So how do we make the decision? First, our concept
22 calls for us to be where the services need us to be, and when

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1 they close the maintenance facility, our concept calls for us
2 to get out.

3 The Army closed the light vehicle maintenance
4 facility at Letterkenny, which we support. So we elected to
5 close that. They also closed the medium armored vehicle
6 maintenance at Red River, so we elected to get out of there.

7 And that brought our capacity down to 497, still
8 looking for 452. So what do we do with the rest, though? We
9 said, well, we'll review installation and military value
10 activity values and take a look at capacities.

11 And see how large San Joaquin and Susquehanna are.
12 That gives you some idea of how large they are compared to
13 the others. And what we did, we noticed that San Joaquin and
14 Susquehanna activity military value are far and away ahead of
15 the other stand-alone depots.

16 In terms of installation military value, the value
17 of that particular installation to the Department of Defense
18 and DLA, the Columbus facility in Columbus, Ohio, is the
19 winner with New Cumberland second, Richmond third and the
20 Tracy/Sharpe, which is San Joaquin out in California, in
21 fourth.

22 Once we do that, we said there is a clear

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1 distinction in military value for the primary distribution
2 systems on the East and West Coast, so we're going to keep
3 them.

4 But they've already been facilitized for large
5 throughput to support the war, and those are the only places
6 today where we do airline communications and container
7 consolidation operations.

8 So once we removed Susquehanna and San Joaquin from
9 consideration, that left four depots -- Ogden, Columbus,
10 Memphis and Richmond. We took a look at all of the mil value
11 again, and we said that even though Columbus is the lowest
12 ranked of our stand-alone depots, we have a need for
13 contingency and specialized storage.

14 Closing the Columbus depot would not get us an
15 installation closer, so we elected -- we had an idea. We
16 elected to take Columbus and realign it to a slow-moving
17 depot, and it will take about 500 people down to about 50.
18 So we'll still store things there, but we won't be processing
19 workload.

20 Once we did that, we still have this 66 million
21 cubic feet that we've got to get rid of, and we've got three
22 depots left to consider -- Memphis, Richmond and Ogden. And

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1 the decision there was to keep Richmond.

2 The reason we kept Richmond is because it's ranked
3 third on installation mil value. The public works center
4 analysis of those facilities say they're the best facilities
5 you've got in DLA, and they're going to cost you less to keep
6 them in the future and to maintain them.

7 It's also a major backup for fleet support at
8 Norfolk. It supports the Norfolk depot. When the Norfolk
9 depot gets overloaded with returns from the fleet, we process
10 it at Richmond.

11 If I close Richmond, it wouldn't result in a
12 closure, because I've also got a major inventory control
13 point operation there. So I looked at one more piece of
14 analysis, and that was the SAILS model.

15 The SAILS model optimizes distribution cost. And
16 you can take the SAILS model and you can say close this
17 depot. Keep the rest open. What does the system cost? And
18 it measures transportation cost, and it measures
19 infrastructure cost.

20 Most important in that calculation are where are
21 your suppliers, and where are your vendors. So the solution
22 you get is a solution that says this is the best place to

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1 distribute from, given transportation costs and given the
2 location of your suppliers and vendors, which are a matter of
3 record.

4 And when you do that and you get down -- once you
5 decide to realign Columbus and you take it out of processing,
6 the model says your cheapest solution is to close Memphis,
7 close Ogden. That's 251 million system cost. That's a
8 model-driven cost.

9 So our conclusion was we could close two
10 installations -- Ogden and Richmond -- nice installations,
11 but the decision process says not what you close but what you
12 decide to keep to meet your requirements.

13 So here is our recommendation. As I've said,
14 Letterkenny, Ogden; Red River in Memphis; realign Columbus.
15 The net present value is 874 million, and the steady state
16 savings is 88 million a year.

17 Moving on to supply centers, we've got five. One
18 of them is specialized for fuels only. We, sort of, set that
19 off to the side because it does a unique mission. Another is
20 a specialist in troop and general support. That's the
21 Defense Personnel Support Center in Columbus, and they do
22 general and troop. They're the only ones that do troop

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1 support.

2 And then we have three other hardware ICPs who do a
3 mixture of weapon system and general workload. We realize,
4 in our strategic plan, that our management of NSNs fall into
5 two categories -- one troop and general and one weapons
6 system.

7 And we've decided that there is different
8 management methods associated with those. So, in our
9 strategic plan, we're pointing toward consolidating those
10 types of workload. So that the basis for our recommendation.

11 Here is what a supply center does. A supply center
12 takes demand from customers and determines requirements. It
13 puts out buys and procurement activities. It ensures the
14 quality, and it determines where that's going to be stored or
15 if it's going to be stored or whether it will be shipped
16 directly to the customer from the vendor.

17 So if it gets a requisition from a customer, there
18 is three things that can happen. One, he can go to a DLA
19 depot, where we've got it stored, and have it shipped to a
20 customer.

21 He can tell a vendor to ship it to a depot, then we
22 can ship it to a customer, and we've been doing a lot of that

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1 over the years in DLA, or one of the new things that we're
2 doing right now is shipping directly from vendors to
3 customers, which is further reducing our storage
4 requirements. Better, faster, cheaper. That's what we're
5 after. Next slide.

6 This is our workload in the ICP. Our sales dollars
7 are going down 14 percent. The inventory value that we're
8 dealing with at the ICPs that they own is going down 43
9 percent, and the people are programmed down 32 percent. So
10 the workload is dropping in the ICP area as well.

11 So our decision, we took a look at mil values,
12 installation mil values, Columbus far and away the winner.
13 The ICP at Columbus is far and away the winner. So that says
14 that you're not going to close down the Columbus operation.

15 So if you're going to consolidate workload, you've
16 got to choose somewhere else to do it, and we're really left
17 with the decision of where you put all the troop and general.
18 And we decided to take all of the general workload that is
19 presently managed at Columbus, Richmond and DSC and move it
20 to the Defense Personnel Support Center in Philadelphia,
21 making that exclusively responsible for all the troop and
22 general support.

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1 So it takes an ICP, which is fairly large, and
2 turns it into a much larger ICP in the Philadelphia area. At
3 the same time, we decided, based upon mil value, to
4 disestablish the industrial center in Philadelphia and
5 transfer all of its workload down to Richmond.

6 And as a result of that, Richmond gains a little
7 bit, Philadelphia loses a little bit, and Columbus loses a
8 little bit. But we end up closing one of our ICPs, and we
9 end up with one ICP for troop and general and two ICPs for
10 weapons systems support.

11 This is the impact of our decision -- 236 million,
12 steady state savings 18 million, and the return on investment
13 is immediate here. These are the impacts. I've alluded to
14 these before.

15 All of our decisions -- the ICP decision in
16 Philadelphia, minus 385. Richmond pluses up a little bit
17 because they get more workload transferred in than they're
18 transferring out.

19 Columbus loses 365 people due to our depot decision
20 to realign the Columbus depot and 358 do to the fact that
21 they're transferring general workload into the Philadelphia
22 area. That's about 358 people.

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1 The disestablishment of the Contract Management
2 District in Atlanta is 169 people in the year 2001, and the
3 really big impacts on the decisions that we made, that we
4 made, were Memphis 1,300 and Ogden 1,100.

5 Texarkana is a large decision, but as I told you,
6 we're following the Army there. Up at Letterkenny in
7 Chambersburg, that's only 378 for that depot decision up
8 there. Overall, we take about 2,300 people out of the
9 system.

10 And this is the summary of our decisions -- 23
11 depots to 18. We're dropping another 22 percent on depots.
12 We're reducing the number of sites. Supply, we're going from
13 five ICPs to four. Contract management we're going to two
14 districts, and we're taking this command and moving it into
15 the headquarters.

16 The bottom line is reducing of the inventory -- of
17 the plant replacement value that we looked at, we're taking
18 22 percent of that out, and this is the roll-up of our
19 decisions, \$1.3 billion and \$120 million a year steady state.

20 CHAIRMAN DIXON: Thank you, General. I thank you
21 for a very excellent presentation that I'm sure the
22 Commissioners found very helpful. Mr. Donnelly, do you have

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1 something to add to that?

2 MR. DONNELLY: Not to that. I have my own --

3 CHAIRMAN DIXON: Well, of course. Mr. Donnelly.

4 MR. DONNELLY: Mr. Chairman, members of the
5 Commission, I'm Jack Donnelly, the Director of the Defense
6 Investigative Service. The principal mission of the Defense
7 Investigative Service is to conduct personnel security
8 investigations for people who are affiliated with the
9 Department of Defense, Defense agencies and Defense industry.

10 Our second mission is to oversee the handling of
11 classified information in Defense industries to ensure that
12 it's protected in accordance with the security regulations.

13 The reason for my testimony today is to discuss a
14 single issue concerning the BRAC and the recommendation that
15 it made and agreed to in 1988. The decision was to keep a
16 major DIS component at Fort Holabird, Maryland, and it was a
17 decision with which we agreed at the time.

18 However, since that time, the deterioration of the
19 building has accelerated and is making relocation essential.
20 This activity at Fort Holabird, which is located in Dundalk,
21 a suburb of Maryland, is the Investigative Control and
22 Automation Directorate.

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1 It is organized as a personnel investigation center
2 and a national computer center with an administrative support
3 service. This facility is the heart and the nerve center of
4 the Defense Investigative Service for controlling and
5 directing all DIS personnel security investigations
6 worldwide.

7 It also provides automation support to our entire
8 agency and certain other DOD agencies. It has a repository
9 of 3 million investigative files. It also maintains an
10 investigative index of all types of investigations conducted
11 by the Department of Defense with 38 million entries.

12 We have a work force there of 458 civilian
13 employees. They receive and process approximately 775,000
14 personnel security requests, investigative requests each
15 year, and they respond to 206,000 requests for investigative
16 files a year and provide automated service in support of this
17 mission.

18 They're presently housed in a Korean War era
19 building located on a seven-acre site owned by the Army.
20 That parcel of land was left over from Fort Holabird, which
21 was almost completed converted to a commercial business park
22 in the mid-1970s.

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1 In 1988, the only other DOD activity that remained
2 at Fort Holabird was the Army Crime Records Center, which has
3 been realigned recently. This is the only remaining
4 activity.

5 We are recommending that this facility be realigned
6 under BRAC '95 to a smaller, modern building to be
7 constructed at Fort Meade on an existing Army installation.
8 Our recommendation is based on the rapidly deteriorating
9 condition of the building.

10 In the last three years, for example, we have spent
11 over \$319,000 for major repairs at this facility. These
12 costs were in addition to \$400,000 a year, which we paid to
13 the Army for an interservice support agreement to maintain
14 the building.

15 We also employ a full-time maintenance staff at
16 this location. We've experienced many serious problems with
17 the building. For example, frequent air conditioning outages
18 during hot summer weather has caused us to dismiss employees
19 on several occasions. We expect these outages to continue
20 because of the age and condition of the air conditioning
21 system.

22 We also have to call the fire department regularly

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1 because of hazardous conditions caused by the wiring. It has
2 a leaky roof, rusted water pipes that break and foul
3 emissions from a nearby yeast plant which is adjacent to the
4 property.

5 Last year, the Army Corps of Engineers completed an
6 engineering study of the building. That study revealed that
7 the existing building fails to meet many code requirements
8 and contains potential health hazards such as asbestos, lead
9 paint and PCBs.

10 That engineer study concluded that it would cost
11 approximately \$9.1 million to renovate this building. If we
12 renovate, we will stir up the environmental problems, and we
13 would still have an old building with the same limitations it
14 has now, and we would also be left with excess base we do not
15 need.

16 Renovation would also cause a major disruption of
17 our operation because we would have to move to a temporary
18 facility to allow completion of the renovation. We would
19 then have to move back. If we realign instead of renovate,
20 the Army would be free to dispose of this property.

21 CHAIRMAN DIXON: Mr. Donnelly, you're making a very
22 persuasive case. May I interrupt you?

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1 MR. DONNELLY: Certainly.

2 CHAIRMAN DIXON: Mr. Donnelly, I'm told by staff
3 that everybody has looked at this and thinks that you're a
4 good, honorable man with a just purpose and that you've come
5 here in good faith with a lot of support, and if you will
6 stop talking, I might accommodate you.

7 (Laughter)

8 CHAIRMAN DIXON: When I was a kid in the Illinois
9 House, I was 23 years old, and I got up to make my first
10 speech passing a bill, and the board lit up, and I had all
11 the votes. An old fellow sitting next to me said, "Son, shut
12 up now, you've won."

13 (Laughter)

14 MR. DONNELLY: Thank you, Mr. Chairman.

15 (Laughter)

16 CHAIRMAN DIXON: Mr. Donnelly, here's what I'm
17 told. The DOD recommendation is to relocate the Defense
18 Investigative Service Investigations Control and Automation
19 Directorate from Fort Holabird, Maryland, to a new facility
20 to be built on Fort Meade, Maryland, which is only 18 miles
21 away. Is that correct?

22 MR. DONNELLY: That is correct.

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1 CHAIRMAN DIXON: This proceed is a redirect from
2 the recommendations of the '88 Base Closure Commission. Once
3 the Defense Investigative Service vacates the building, the
4 base will be vacant; is that right?

5 MR. DONNELLY: That is correct.

6 CHAIRMAN DIXON: This recommendation will not
7 result in a change in employment in the Baltimore area
8 because all affected jobs will remain in that area. 425
9 personnel will simply relocate, if the recommendation is
10 approved; is that correct?

11 MR. DONNELLY: That is correct.

12 CHAIRMAN DIXON: The justification is that Defense
13 Investigative Service is located in a Korean War era
14 building. Buildings in disrepair has cost over \$319,000 in
15 repairs since Fiscal '91 in addition to the annual costs of
16 approximately 400,000.

17 A recent Corps of Engineers' building analysis
18 indicated that the cost to bring the building up to code and
19 to correct the environmental deficiencies would cost the DIS
20 approximately 9.1 million.

21 A military construction project on Fort Meade is
22 estimated by the Corps to cost only 9.4 million. Is all of

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1 that correct?

2 MR. DONNELLY: Yes, it is.

3 CHAIRMAN DIXON: Do any Commissioners have any
4 questions at all of Mr. Donnelly before we let him go,
5 because we'll probably pick a lot on poor old General
6 Farrell. Anybody want to pick on Mr. Donnelly?

7 COMMISSIONER DAVIS: I do, sir, having been
8 harassed by his agents over the years.

9 (Laughter)

10 CHAIRMAN DIXON: Well, Mr. Donnelly, I almost got
11 you out of here scott free. Commissioner Davis, what do you
12 want to ask Mr. Donnelly?

13 COMMISSIONER DAVIS: I have two questions. Is the
14 location important, Mr. Donnelly, where you move to?

15 MR. DONNELLY: It is important for a number of
16 reasons. Number one, it's common sense. We have a highly
17 trained staff in the Baltimore area. Major customers are in
18 this area, both the military departments defense agencies.
19 The major recipients of our product, the clearance
20 facilities, are all here, and it just makes sense to stay
21 where the principal business associates are.

22 COMMISSIONER DAVIS: The second question is did you

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1 look at other alternatives other than building a building?

2 MR. DONNELLY: Yes, we did, Mr. Davis. And in the
3 package that you have, I believe at Tab 3 we have those
4 facilities delineated.

5 COMMISSIONER DAVIS: I think that's sufficient
6 harassment, Mr. Chairman.

7 CHAIRMAN DIXON: Yeah. You didn't treat him too
8 badly. Commissioner Kling has a question, I believe,
9 Mr. Donnelly.

10 COMMISSIONER KLING: Mr. Donnelly, one very simple
11 one. I understand there is some trend toward using more
12 private firms, outside sources to do some of the
13 investigative work; is that correct? Are you out-sourcing
14 more of that, and if so, how would that affect --

15 MR. DONNELLY: We are using what is called
16 nonpersonal service contractors, and these are individuals --
17 it's an interesting term -- that these are individuals that
18 we hire on a contract basis.

19 They're retired federal investigators, and when we
20 have a heavy influx of investigations that is more than we
21 can handle with our regular force, we go out and we hire a
22 number of these. They work on a case-by-base basis at a

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1 given rate.

2 There is a move to prioritize a lot more of the
3 investigations other than these personnel security
4 investigations with the OPM efforts, it being in the paper
5 recently. That's still up in the air. It's not very easy to
6 do that.

7 COMMISSIONER KLING: So none of that really will
8 really have any major bearing in your new construction.
9 You're still going to need that no matter what you would do
10 as far as out-sourcing?

11 MR. DONNELLY: Precisely.

12 COMMISSIONER KLING: Thank you.

13 CHAIRMAN DIXON: Are there any further questions by
14 any Commissioners of Mr. Donnelly?

15 (No response.)

16 CHAIRMAN DIXON: Mr. Donnelly, we thank you for
17 your kindness in appearing today. We thank you for your
18 presentation, which was an excellent one, and you may leave
19 at any time you choose. If you want to go right now, you
20 may. Nobody will take offense.

21 MR. DONNELLY: Thank you, Mr. Chairman.

22 CHAIRMAN DIXON: Mrs. McManamay, I'm delighted to

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1 see that they found you a good sign. Is there anything you'd
2 like to say before we start the round of questioning?

3 MS. McMANAMAY: No, sir.

4 CHAIRMAN DIXON: Thank you very much for your
5 attendance today, and we will begin with Commissioner Steele,
6 Major General Farrell.

7 COMMISSIONER STEELE: Good afternoon, General.
8 Thank you for your very thorough presentation. It wiped out
9 a lot of my questions, so it will save some time here.

10 If your recommendations are approved, will there be
11 enough capacity remaining in the distribution depot system to
12 accommodate the inventories that need to be moved from the
13 proposed closed depots during the transition period? You're
14 comfortable with that?

15 GENERAL FARRELL: Yes.

16 COMMISSIONER STEELE: And if there are any
17 unforeseen future operational needs, you would be able to
18 absorb those as well?

19 GENERAL FARRELL: Yes. I've got some statistics
20 you might be interested in. We took a look at what we
21 thought our wartime requirements should be, and we sized it
22 about like Desert Storm.

1 So we went back and looked at what our issues were,
2 and our issues are running about 11,500 a day. So we said
3 that's ballpark for what we might have to throughput. You
4 understand in wartime it's not a matter of storage, but it's
5 throughput. You're not storing things. You're pushing it
6 out to the combat theater.

7 So we were pushing out about 11,500 a day in our
8 system. Our normal peacetime load is about 97,000 issues,
9 and if you added another conflict, that would be another
10 11,500. So that all adds up to about 120,000 a day. That's
11 for everything.

12 And if you look at our capacity in surge, our
13 normal operation at one shift a day is 112,000, and surging
14 we go to 309. So the total requirement is 120. So even
15 after I make my recommendations, I still got three times as
16 much throughput in the system to handle that.

17 COMMISSIONER STEELE: Okay. I'm sorry. Excuse me.
18 That begs another question. Is there too much remaining?

19 GENERAL FARRELL: Well, as I briefed in my
20 briefing, we have more throughput capacity than we need, but
21 we don't have -- we had to size to cube, because we have
22 responsibilities to store things for contingency and war

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1 reserve.

2 So we sized down to cube, but what we're left with
3 is more throughput capacity than we need for war. That's
4 true. And what that says is that we can do it from a fewer
5 number of locations because, if you look at the throughput
6 for just San Joaquin by itself, it's 135,000.

7 For Susquehanna, it's 124. So either one of those,
8 their max throughput compares very nicely with the total
9 system requirement. You wouldn't do it that way, but it just
10 gives you some feeling for how much capacity for throughput
11 we've got.

12 COMMISSIONER STEELE: And forgive me for repeating
13 this, but in storage capacity excess, what kind of percentage
14 of excess capacity exists?

15 GENERAL FARRELL: Well, we're at 619 now, and we've
16 got about 519 on the books. So that's 100 million excess, 17
17 percent.

18 COMMISSIONER STEELE: Okay. I know there are some
19 other Commissioners that are going to follow-up on that area,
20 so why don't we move to another subject.

21 GENERAL FARRELL: If I can make a point, the point
22 is not how much excess capacity we've got today but how much

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1 we project for the year 2001, and that's how we did our
2 analysis.

3 COMMISSIONER STEELE: Okay. Moving on to Memphis
4 and Ogden specifically, you talked about your other options,
5 and I feel like you've explained that quite well. But I
6 wanted to jump down to just a few concerns that the community
7 had.

8 In your decision to close Memphis Defense
9 Distribution Depot, how much weight was given to its central
10 location and excellent access to all types of transportation?

11 GENERAL FARRELL: They were given credit for their
12 access to transportation. All depots were. And that was
13 based upon the data calls. We asked them, and the
14 installation itself or the activity actually prepared the
15 data call.

16 They sent it up to us, and we awarded the points
17 based upon what they submitted. The thing, when you look at
18 our requirements, is what do you need in the system to
19 perform your wartime mission and your day-to-day peacetime
20 mission. So we approached it that way.

21 One of the models that we looked at was the SAILS
22 model, and I spent a little bit of time talking about that,

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1 but that SAILS model really tells you where you need to be to
2 support the vendor and the supplier locations which you deal
3 with on a day-to-day basis.

4 So it's, essentially, a peacetime optimizing cost
5 model, and it allows you to do a number of interesting
6 things. You can hold one thing constant and let other things
7 vary, or you can allow the whole system to vary.

8 When you allow the whole system to vary, it tells
9 you that you need to reposition some of the stock that you
10 have today and put it at some different places. And if you
11 just let the model run by itself and tell you where to place
12 all the stuff that you do business with, it tells you to put
13 most of it at Susquehanna and places like Richmond.

14 So it shows a preference for the location of
15 Susquehanna and Richmond. As a matter of fact, you can do
16 things like close one depot and see how it loads up other
17 depots.

18 In every case we looked at, it wants to load up the
19 Susquehanna depot. In fact, if you compute a baseline cost
20 for the system on how you're operating today, if you were to
21 operate most efficiently and you closed the Susquehanna depot
22 and redistributed the workload, your system costs would rise

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1 significantly.

2 COMMISSIONER STEELE: Thank you, General. I just
3 have one final question regarding military value. Your
4 Richmond and Columbus depots I see from your charts you rated
5 lowest in the category of activity military value, I believe.

6 And installation military value Richmond is third,
7 and Columbus is first. Just what weight did you give, in
8 general, to the two categories of military value, or did you
9 just look at the numbers you came up with and then exercised
10 your judgment according to the overall recommendation?

11 GENERAL FARRELL: If you're talking about the
12 installation value and what drives the difference, how that
13 differs from activity military value and installation
14 military value, you look at the number of other major
15 activities which are serviced on that installation, and you
16 give them points based upon that.

17 So as an example, when we went out for the data
18 call, Columbus installation in central Ohio, their data call
19 said they had five major activities which they support there,
20 two of which are DLA activities, the depot and the ICP.

21 But they also support the DSA megacenter and the
22 DFAS, which is a major financial center, and they have a

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1 major Army Guard center there. So it's, essentially, a huge
2 federal installation.

3 So in that mission scope, the military value
4 awarded 150 points, and Columbus got all of it. If you look
5 at Memphis and their answer in that case, Memphis had one
6 significant mission, which is the depot.

7 So they got 30 out of 150 points on that. That was
8 their submission. And you look at the others -- and so the
9 points were awarded based upon their response. It gives you
10 some idea of how to value installations differently from an
11 activity.

12 COMMISSIONER STEELE: Thank you, General. No
13 further questions.

14 CHAIRMAN DIXON: Thank you, Commissioner Steele.
15 Commissioner Cornella.

16 COMMISSIONER CORNELLA: Thank you, Mr. Chairman.
17 General Farrell, as was said, you gave an excellent opening
18 statement, and I just have one or two quick questions for
19 you, and that involves regional headquarters that you were
20 talking about.

21 I note that your recommendation, which addresses a
22 disestablishment of the Defense Contract Management District

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1 South in Marietta, Georgia, states that the Northeast Boston
2 District supports its area operations office and plant
3 representative offices with a lower ratio of headquarters to
4 field personnel in the southern district located in Marietta.

5 On the surface, it would appear that this measure
6 of efficiency is a reasonable test. In 1993, the Defense
7 Logistics Agency closed two contract management districts,
8 one in Philadelphia and another in Chicago, and I think you
9 did mention that.

10 Subsequent to these closures, I believe the
11 remaining districts were redistricted. I assume that
12 "redistricted" means that the workload was redistributed.

13 So my question is what was the ratio of
14 headquarters to field personnel in the Marietta office as
15 compared to the Boston office prior to that redistricting,
16 and were the two districts more comparable at that point?

17 GENERAL FARRELL: Yes, sir. Prior to BRAC '93 in
18 September of '92, when we looked at that, the Northeast had a
19 ratio of 1 person in headquarters to 11 in the field. The
20 district in Marietta had 1 to 10, and out in the West they
21 had 1 to 15.

22 In other words, you could look at it either they

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1 had a higher expanded control in the West, or they were more
2 efficient at overseeing the contract operations. But as you
3 saw on the slide there, there is a great concentration of
4 contract missions in the West.

5 In fact, most of their contract oversights are
6 within 40 miles of the headquarters in El Segundo. So you
7 could see where they could, in the West, could probably do it
8 a little more efficiently.

9 At the same time, we had five districts, and I had
10 134 separate contractor operations out there. So that meant
11 that the ratio of districts to actual activities that you're
12 overseeing was 1 to 27.

13 After I did my COBRA in '93, those ratios changed
14 in the Northeast from 1 to 11. It went to 1 to 13. In the
15 South, it went from 1 to 10 to 1 to 12. In the West, it
16 stayed at 1 to 15.

17 And when I had now three districts and 105 separate
18 contract activities to oversee, my ratio now was 1 district
19 to every 35. In BRAC '95, what we're looking at approaching
20 it -- approaching BRAC '95 is 1 to 18 in the Northeast, 1 to
21 13 in the South, 1 to 18 in the West, and with three contract
22 management districts now, I'm only overseeing 90 separate

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1 contract activities.

2 So my ratio of districts to activities has dropped
3 to 1 to 30. After I do my COBRA '95, my ratio in the
4 Northeast is going to go to 1 to 22, and in the West it's
5 going to go to 1 to 28 people overseeing people.

6 But my number of contract activities overseeing is
7 going to drop significantly, and that's the real measure of
8 oversight. It's going to drop to 64. So I have two
9 districts overseeing 64 activities, and that's down to a
10 ratio of 1 to 32.

11 So you could see that my ratio of contract
12 activities overseeing since before BRAC '93 has gone from 1
13 to 27 down to 1 to 32. So it's about the same.

14 COMMISSIONER CORNELLA: But would that change
15 whether it was Marietta or Boston?

16 GENERAL FARRELL: No, sir.

17 COMMISSIONER CORNELLA: It would be the same,
18 wouldn't it?

19 GENERAL FARRELL: It would be the same. That ratio
20 would be the same. Exactly.

21 COMMISSIONER CORNELLA: All right. I guess that's
22 what I was kind of driving at. If the redistricting

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1 previously had affected which of those that you would close
2 this round, and evidently it has.

3 GENERAL FARRELL: I think if the South -- to answer
4 your question further, I guess if the South survived, their
5 expanded control, in terms of individuals, would widen a
6 little bit. They would go, probably, to something like 1 to
7 22, if they were the one that survived.

8 COMMISSIONER CORNELLA: Thank you very much.

9 GENERAL FARRELL: Yes, sir.

10 COMMISSIONER CORNELLA: That's all I have,
11 Mr. Chairman.

12 CHAIRMAN DIXON: Thank you very much, Commissioner
13 Cornella. Commissioner Cox.

14 COMMISSIONER COX: Thank you. I understand that
15 the Defense Logistic Agency is testing service delivery
16 program with FedEx. Could you tell us a little bit about
17 this, and will it affect your capacity? If this works, will
18 you see a much less capacity need?

19 GENERAL FARRELL: It's one of the initiatives that
20 we've come up with in the last year. It's a privatization
21 initiative, essentially. And what it says is that can we
22 come up with better ways to distribute high value items?

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1 Can I find a customer out there who has items that
2 he distributes -- it might be something like a programmable
3 signal processor -- something that's worth \$2 million.

4 And what you want is to shorten the pipeline as
5 much as possible so you don't have to buy all the extra
6 spares to fill the pipeline up.

7 And if we could then establish a premium
8 distribution operation anywhere where you could guarantee 24-
9 hour delivery anywhere in the CONUS or 48 hour delivery
10 anywhere overseas, recognizing that the customer would pay a
11 premium for that particular, we were just interested to see
12 if there was anybody interested.

13 So we let a contract with FedEx, and we just
14 happened to have selected the Memphis depot as a place
15 initially to work at, but you can really do it anywhere.

16 Our ultimate -- and you don't need much storage,
17 because these are high value items. There wouldn't be a lot
18 of them. First of all, we don't have any customers yet.
19 Nobody in the services has stepped up to this, and secondly,
20 you could, essentially, do it anywhere.

21 You could do it with any private contractor. So
22 say you closed the Memphis depot and some private operator

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1 took the Memphis depot over. You could then elect to either
2 store it in FedEx facilities, which they do for other
3 companies, or you could make an arrangement for a lease fee
4 to store it at Memphis.

5 It's a much more efficient way to do it rather than
6 keeping a whole depot open just to do that small operation.
7 So it's really -- that's not a factor in our analysis.

8 COMMISSIONER COX: No. I'm sure it's not a factor.
9 I think it's a very interesting program. The question would
10 be if it would work and be pursued on a greater scale, then
11 maybe we'd be looking at even more excess capacity than we
12 have today, but it doesn't sound like it's taking off at any
13 great speed.

14 GENERAL FARRELL: Not that particular one, but we
15 have a number of other interesting programs underway that are
16 taking off and that are reducing storage requirements
17 throughout the system.

18 COMMISSIONER COX: Good. In 1993, the Base Closure
19 Commission directed that DOD's tactical missile maintenance
20 work be consolidated at Letterkenny. You all are now, as a
21 follow-on, on a Letterkenny recommendation to close.

22 But in light of the '83 decision, was the

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1 Letterkenny Defense Distribution Depot made -- did you have
2 to make infrastructure changes, and if so, what were the
3 costs?

4 GENERAL FARRELL: We haven't made any adjustments.
5 That missile workload really is not -- we're not associated
6 with that. We're associated with the vehicle workload that
7 was done at Letterkenny.

8 COMMISSIONER COX: All right. So that --

9 GENERAL FARRELL: I believe the Army's decision is
10 to keep the missile workload and to close out the light
11 vehicle, and that's why we're closing down.

12 COMMISSIONER COX: Okay. You mentioned the
13 question of the Defense Contract Management District West, as
14 far as the 1993 BRAC decision, which I believe was to move
15 out of lease space and into a building that, essentially, you
16 could obtain for free in Long Beach.

17 And I understand that given the way the federal
18 Defense Department property could now be distributed that
19 they're not anxious to hand over a building to you. But let
20 me ask you a question about that, because I just don't
21 remember.

22 And that is I thought we were trying to get you out

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1 of lease space and into something else because it was
2 cheaper. Now you're suggesting that you be given the
3 authority to buy a building to replace the lease space.

4 Assuming the original assumption is wrong, would
5 you be better off staying where you are just in that lease
6 space? Do we have to go find a building, and couldn't we,
7 maybe, find another free building? I realize no building is
8 free.

9 GENERAL FARRELL: Excellent question. But it would
10 most definitely be a lot cheaper for us to leave because
11 we're paying right now a total of \$4.5 million a year to be
12 in that GSA building.

13 4.2 million is simply the lease cost, 4.3. About
14 200,000 is real property maintenance and upkeep of the
15 building, which we also pay, and that's not very many people
16 in that building. We've done a survey in the Long Beach
17 area, and we could buy a building about the size we need for
18 4.1 million.

19 COMMISSIONER COX: I see. So in one year --

20 GENERAL FARRELL: Yeah. So it's one year. We
21 could upgrade -- we could renovate that or do whatever we had
22 to do for about another million and a half. So you're

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1 looking at 5.3 million one-time cost to get out of something
2 that's costing you 4.5 million every year forever.

3 And we estimate that when we go into this new
4 building the upkeep of that would be on the order of
5 \$300,000. So once we bought it, we'd be paying \$300,000 a
6 year versus 4.5 million a year.

7 COMMISSIONER COX: The upkeep on the current
8 building is 4.5 million. Have you discussed this with GSA?
9 We ran into this in '93, and in some cases, GSA was happy,
10 rather than lose a customer altogether, to work out a lower
11 lease rate.

12 GENERAL FARRELL: The issue last year was the
13 federal center at Battle Creek.

14 COMMISSIONER COX: Right.

15 GENERAL FARRELL: I don't think GSA was too upset,
16 and I don't think they'd be too upset if we left this place.
17 That building in Battle Creek was on the Federal Registry for
18 historic buildings, and our presence there is what kept it
19 open.

20 If we left, you'd have to go through the process of
21 disposing of that building at Battle Creek, which would have
22 been a very painful process for the people there.

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1 COMMISSIONER COX: In this case, are you the only
2 tenant in the building.

3 GENERAL FARRELL: We are. We actually have -- it's
4 our headquarters plus the Defense Contract Management
5 activity which actually manages contracts in the Los Angeles
6 Basin. So there is two activities there. The second one I
7 didn't BRAC because it wasn't large enough.

8 COMMISSIONER COX: But you would intend to move
9 that as well?

10 GENERAL FARRELL: Yeah. You may be interested to
11 know that we approached the Air Force and asked them if they
12 had space at Los Angeles Airport Station to absorb the whole
13 headquarters so we wouldn't have to buy this building. They
14 didn't have room enough to do that, but they had room enough
15 to absorb the smaller activity.

16 So it wasn't reported because it didn't meet the
17 BRAC criteria, but we're moving the other activity onto the
18 Air Force installation.

19 COMMISSIONER COX: And those activities don't need
20 to be together?

21 GENERAL FARRELL: No, they do not.

22 COMMISSIONER COX: And nothing else in that sort of

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1 area where you could move onto an existing base?

2 GENERAL FARRELL: Not right where we are. Long
3 Beach is the best option. We could buy something in the
4 L.A. -- right in the El Segundo area, but it would be a
5 little more expensive. We'd be better off in Long Beach, we
6 think.

7 COMMISSIONER COX: Thank you.

8 CHAIRMAN DIXON: Thank you, Commissioner Cox.
9 Commissioner Davis.

10 COMMISSIONER DAVIS: Thank you, Mr. Chairman.
11 General Farrell, as far out as you can see, you've got all
12 your closures in the '95 BRAC. In other words, you're going
13 to be down to your end position?

14 GENERAL FARRELL: As far as we can see.

15 COMMISSIONER DAVIS: And when do you get down to
16 that end position, if it's all approved?

17 GENERAL FARRELL: In terms of BRAC, I think it's
18 about the year 2000 we'll be to everything.

19 COMMISSIONER DAVIS: As some of the services'
20 decisions, obviously the BRAC process is a very complex one.
21 Did any of the service decisions hurt your process at all?

22 GENERAL FARRELL: No, sir.

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1 COMMISSIONER DAVIS: You weren't forced to change
2 your process at all because any service had made some other
3 decision?

4 GENERAL FARRELL: No, sir. We accounted for that
5 in our process.

6 COMMISSIONER DAVIS: We talked about throughput.
7 Your storage, to follow on with, sort of, Commissioner Cox's
8 question, your storage capacity for items that have to be
9 stored for your customers for the demand that's coming out,
10 you've got some initiatives, I'm sure, going on, but do you
11 have as sort of a Just-In-Time initiative that would allow
12 you to release more space in the depot area?

13 GENERAL FARRELL: Right. I can't find my paper on
14 that, but we have a number of things. We talked about
15 premium transportation, which was one.

16 We have a strategy, and we call our strategy By
17 Response By Inventory, BRBI, and it follows on from the
18 commercial way of doing business, which says don't store
19 things in warehouses. Buy from a supplier who is willing to
20 deliver it to you when you need it.

21 And if you've got predictable workload -- we don't
22 have in all the things we store. The war reserve things

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1 don't have predictable workload associated with them, but a
2 lot of the commercial stuff -- the medicines, the clothing,
3 the food that we buy -- has a predictable demand.

4 So we've invented something we call Direct Vendor
5 Delivery, which says we're going to establish contracts with
6 as many people as we can with an objective to the end of '95-
7 '96 having 50 percent of all of our contracts Direct Vendor
8 Delivery.

9 Now, we haven't really realized the full impact of
10 that strategy yet because we've just undertaken it. So it's
11 likely that if it's successful that will, you know, free up
12 some more stuff, but we're just not far enough along.

13 There is another one we call Prime Vendor that's in
14 the medical area, and here is the way that one goes. We have
15 established 21 regions in the United States to service
16 military hospitals.

17 We've put a winner-take-all contract on the street
18 to supply pharmaceuticals, surgical supplies and general
19 types of medicines to all the military hospitals.

20 And once that guy wins it, his obligation is when
21 the hospital commander calls, to deliver that stuff to him
22 within 24 hours. And we find that not only are we getting 98

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1 percent of the stuff within 24 hours now, the hospital
2 commanders are lowering their retail inventories.

3 The cost that the hospital commanders are paying is
4 about 35 percent less than they were paying by going directly
5 to Johnson & Johnson in a local area.

6 We estimated our PALM '96, which is already on the
7 street, we're going to reduce our inventory in medical from
8 about 270 million down to about 250 just in PALM '96.

9 Now, we're right now looking at our PALM '97, and I
10 was talking to our supply guy today, and he told me that he
11 thinks that we'll reduce that 270 by half in PALM '97. So
12 that's millions of dollars of inventory that won't have to be
13 stored somewhere in the medical area.

14 We're thinking of expanding that to other
15 categories and commodities like automotive parts, like food,
16 all the general types of -- you could do it for construction
17 supplies, and things like that. So it's got great potential.
18 We're just underway.

19 COMMISSIONER DAVIS: Okay. One final question.
20 What percentage of your facilities are leased? Give me a
21 guess. It's probably very small, but give me a guess --

22 GENERAL FARRELL: Small right now. Small.

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1 COMMISSIONER DAVIS: And then if you could submit
2 that for the record, I would appreciate it.

3 GENERAL FARRELL: Yes, sir, we will.

4 COMMISSIONER DAVIS: Thank you, Mr. Chairman.

5 CHAIRMAN DIXON: Thank you, Commissioner Davis.

6 Commissioner Kling.

7 COMMISSIONER KLING: General, I'm not for sure
8 whether your presentation was so thorough that it answered
9 most of our questions or was so thorough that it scared us
10 from asking questions, but either way, good job. Job well
11 done.

12 GENERAL FARRELL: Thank you, sir.

13 COMMISSIONER KLING: Just a couple general and one
14 specific. Do the services, basically, agree with the plan
15 program that you've come up with? Have there been any
16 disagreements from the services with this total program that
17 you're outlining?

18 GENERAL FARRELL: Through our coordination -- our
19 recommendations that we're talking about. Through the
20 coordination with the Army, they had, sort of, wanted us to
21 stay at Red River.

22 They closed the maintenance facility and Red River,

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1 and when we told the Army that, "If you're closing out, we're
2 leaving, too," the Army said, "Well, you know, if you guys
3 leave, since we made the decision, we're going to have to add
4 those costs to our calculation. That's going to reduce our
5 savings."

6 Of course, they were estimating quite a lot more
7 for costs than we were. So it, sort of, scared them off, but
8 we were pretty insistent. And we made the point that, "If
9 you let us calculate the costs, we'll show you it's not going
10 to cost you nearly as much as you want to." But we can't
11 stay there because that's excess capacity that we don't need
12 to do our job, especially since that maintenance mission is
13 leaving.

14 COMMISSIONER KLING: Which takes me to specifically
15 at the Red River only 12 percent actually is used for the
16 direct support of the Army depot, and 85 percent, I believe,
17 was for the general area or the total mission. Was any
18 consideration specifically to keep it open because of the 85
19 percent workload?

20 GENERAL FARRELL: I'm looking for my paper that has
21 that. You have to look at where Memphis -- I'm sorry, where
22 Red River's workload goes. If you take a look at a printout

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1 of the tonnage that they ship out and where it goes and you
2 do a percentage calculation, it shows that while only about
3 12 percent is maintenance, the rest of it goes all over the
4 place.

5 Some of it is shipped to San Joaquin, which is a
6 depot that we have that does consolidation. Some of it is
7 shipped to Susquehanna. Some of it is shipped to Fort Hood.
8 It's small percentages, 2, 3 and 4 percent, but it goes all
9 over the place.

10 The point of all that is that there is no reason to
11 keep that depot there to do general distribution because it's
12 really sending it all over the system, and we've got other
13 capacity within the system to be able to accommodate that
14 workload.

15 The real reason we were there in the first place
16 was to do the maintenance mission, by our reckoning. So
17 that's how we approached that analysis.

18 COMMISSIONER KLING: I kind of figured you'd come
19 up with a very good answer with that, General. Thank you.
20 Just a last general question.

21 You set forth a number of reductions that are
22 taking place. Are a lot of those coming forth because of

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1 closings, or do a lot of them have to do with the direct drop
2 shipments that you're talking about, the higher technology
3 controlling inventory and so forth, or is it just a general
4 combination of both closings and those modernizations in
5 dropped shippings?

6 GENERAL FARRELL: You mean are new initiatives
7 driving a lot of our --

8 COMMISSIONER KLING: Just of your savings you
9 outlined in your program of the amount of reductions in man
10 hours and time and space and so forth that are going to take
11 place.

12 I mean, does a lot of it come from the drop
13 shipping or by the vendors, by the modernizations of controls
14 through computers and, maybe, that type of situation?

15 GENERAL FARRELL: The savings come from -- we're
16 talking about distribution?

17 COMMISSIONER KLING: Correct.

18 GENERAL FARRELL: In distribution, savings come
19 from a lot of areas. They come from infrastructure costs by
20 actually closing bases. When you close a base, you download
21 all the real property maintenance, all the guards that you
22 have, the installation command structure that runs that

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1 installation and all the things you do just to open the doors
2 on the base.

3 You get rid of all of those costs, which are pretty
4 substantial. You also get rid of the portion of the people
5 who are performing that mission, because when that mission
6 goes away, you save part of the people that are associated
7 with that.

8 You say some of indirect supervision. You save
9 some of the direct labor, too, not much, but some. The other
10 savings associated with some of our initiatives are reflected
11 in our inventory reduction figures.

12 If you'll look at where we project our inventory to
13 go, I think we're reducing 108,000 cube -- 108 million cube.
14 Part of that is related to direct vendor initiatives, but I
15 can't put my finger on exactly how much.

16 COMMISSIONER KLING: And I don't need a specific,
17 but a good portion of it is coming from that as well now; is
18 that right?

19 GENERAL FARRELL: Some of it. I wouldn't say a
20 great portion. In the future, it will be substantial. The
21 savings will be substantial.

22 COMMISSIONER KLING: Thank you.

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1 GENERAL FARRELL: Yes, sir.

2 CHAIRMAN DIXON: Thank you, Commissioner Kling.

3 Commissioner Robles.

4 COMMISSIONER ROBLES: General Farrell, I'd like to
5 follow-up to Commissioner Davis' questions earlier. In a
6 previous life, I told Chairman Dixon that I would -- I remind
7 him of sitting not in this room but in a room in this
8 building when I was the Army's O&M director and being grilled
9 about the report that had just come out of the press about
10 reputed \$30- or \$35 billion excess inventory in the
11 Department of Defense and what we were doing to reduce
12 capacity and all that business.

13 I remember Senator Nunn and Senator Dixon asked me
14 some very penetrating questions, and that led to, as you
15 know, a series of initiatives that were -- opportunities that
16 were given to us, the services, by the Department of Defense
17 when a former DLA controller became the deputy -- the
18 controller of -- so I want to talk a little bit about that
19 process because it all relates to this.

20 And I won't get down in the weeds too much, because
21 this is a complex subject, but I do want to talk -- because I
22 think it relates to this, especially since this is a BRAC --

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1 last round of BRAC, and we had substantial opportunity to
2 save money through efficiencies in the Department's budgets
3 in the out years due to some DLA initiatives.

4 And I'm just trying to get, sort of, an
5 accountability check on how we are on that business,
6 everything from using more commercial specs to Just-In-Time
7 inventory to reducing our warehousing capacity.

8 And all that, as you know, added up to a new way of
9 accounting, which meant we have to pay surcharges for DLA
10 that was added on top of the cost of goods.

11 And I guess I just want to make sure that this
12 recommendation by the DLA is consistent with all of those,
13 those savings are generally going to be realized, there is no
14 hole in the service programs out year readiness budgets, and
15 that you've done all that you can do, and this is a leaner,
16 meaner, more efficient DLA in the supply system for
17 Department of Defense. Is that an accurate depiction?

18 GENERAL FARRELL: That's how we advertise ourself.
19 We advertise ourself as a provider of choice around the world
20 around the clock at better, faster cheaper. That's where
21 we're going.

22 If you read our strategic plan -- we're going to

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1 give you copies of it -- that strategic plan was not
2 something that was lightly written by one person at night.
3 It was a lot of people involved, and we're very serious about
4 the initiatives in there.

5 You talked about some savings associated with the
6 previous controller and all that, and you're referring to the
7 MRD process, I know. A lot of that accounting was difficult
8 to do, as you know, because one DMRD would come on the table,
9 and there would be some savings associated with that.

10 The next DMRD appeared to overlap that one, and so
11 we lost the accountability. But I'll tell you what DLA has
12 done to try to account for the initiatives in our strategic
13 plan.

14 In our last PALM, we said if we're going to be
15 accountable for saying that we're going to do things better
16 for the services, we have to show them an impact in their
17 prices.

18 And so in our strategic plan, you will see that we
19 have pledged to them that we're going to beat inflation in
20 the prices they pay for their services. We have pledged to
21 them that we're going to bring the distribution charge down
22 from \$29 right now to the neighborhood of \$20 in the year

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1 2001.

2 Our surcharge is going for 29 percent now to 21
3 percent in the year 2001. That's in our strategic plan. We
4 have set a price structure for every single commodity we sell
5 out through the year 2001.

6 And in the last PALM, the Office of the Secretary
7 of Defense said, "Here is the inflator line at 3.2 percent,"
8 or the 4, whatever it is this year, "Put that in your plan."
9 We said, "We're not going to do that. We're going to go out
10 and beat inflation, and we're going to put a price value on
11 each one of our initiatives."

12 So we took our initiatives, and we priced them out,
13 and we put them in the PALM. The PALM we submitted was \$5.5
14 billion less than what it would have been had we used the DOD
15 inflator, 2.9 billion in supply, 200 million in distribution.

16 So I think we've actually put our money where our
17 mouth is. So the question is going to be are we going to be
18 able to deliver on this process? After we submitted the
19 PALM, we did the first two years of the next budget, and it
20 shows that our prices are actually turning down even from the
21 PALM.

22 COMMISSIONER ROBLES: Well, I really applaud your

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1 efforts, because those of us who in a former life were
2 involved in this process worried about downstream readiness,
3 and DLA had to get itself right-sized, and it had to be more
4 efficient how to get your surcharges down, and what you're
5 telling me is you've done all that, and this BRAC
6 recommendation, sort of, cements that or crystallizes all
7 that.

8 GENERAL FARRELL: Contributes to that.

9 COMMISSIONER ROBLES: Contributes to that whole
10 process.

11 GENERAL FARRELL: Yes.

12 COMMISSIONER ROBLES: Yes, because it's just a
13 piece of it but I imagine a significant piece of it. Good
14 effort. Switching gears here, let's talk about excess
15 capacity at McClellan Air Force Base.

16 Yesterday, we had the Air Force here, and I asked
17 the question. It was reputed that one of the considerations
18 for their cost analysis of McClellan and where it stood on
19 their military value was a requirement to have some excess
20 capacity available to DLA.

21 And the Chief of Staff of the Air Force said no,
22 that was done after the fact. After the fact -- they said we

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1 could pony-up excess capacity. Now, my question to you is do
2 you need that extra capacity? Because if you don't, then
3 they put in their analysis a savings which really shouldn't
4 be in that analysis.

5 And I thought I heard you say that you had more
6 than sufficient capacity. So why do you need that capacity?

7 GENERAL FARRELL: I have more than sufficient
8 capacity now, but once I close all the things I propose to
9 close, I would have been at a deficit position of 21 million
10 cubic feet.

11 Let me take you back to the beginning. Myself and
12 Admiral Straw originally were going to submit a BRAC
13 recommendation that had a deficit to our storage capacity in
14 the cube area because we knew that we had so much throughput,
15 and we were going to take a lot of risk, and we were going to
16 submit about 25 million cube deficit.

17 And we were going to hope that we could sustain
18 that recommendation, realizing that the communities were
19 going to come in and argue, "Hey, how can you have that
20 deficit there when you just closed my depot that's got 25
21 million cube? Bring it back on the line to make up for that
22 deficit."

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1 As we were coordinating with the Air Force and
2 exchanging information, we mentioned to them that we were
3 going to submit with a deficit, and they said, "Do you want
4 more space somewhere?"

5 And we said, "Yeah, if you got it. Where?" And
6 they said, "Anywhere you want it." So we have struck a deal
7 with the Air Force and the Navy, the Navy at Norfolk, to pick
8 up -- we're picking up the Natick hangar at Norfolk that was
9 eliminated in the BRAC '93 round, which is going to give us
10 about 4 million cube.

11 And the Air Force says they will give us up to 30
12 billion cube at their ALCs. So it's not McClellan. It's not
13 Tinker. It's the whole package. And we're now negotiating
14 with the Air Force for that space. The beauty of that is it
15 allows us to close a base, and if, in the future, we don't
16 need it, we could turn it back.

17 COMMISSIONER ROBLES: General Farrell, that's very
18 interesting. So what you're saying, if I understand you
19 correctly, is you don't care where that excess capacity is.
20 It is not necessarily geographic specific that it has to be
21 at McClellan.

22 It could be somewhere else. So if we look at the

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1 analyses that was done, the costing analyses, we could take
2 the savings attributed to that excess capacity that may be
3 under the McClellan analysis and move it somewhere else, and
4 you would be satisfied? Space is space, I guess?

5 GENERAL FARRELL: Space is space. We would like to
6 have it spread throughout the system.

7 COMMISSIONER ROBLES: But it wasn't a major
8 consideration like it is where you geographically have to put
9 a peer -- I mean, where the peers are for the Navy or some
10 other things?

11 GENERAL FARRELL: No. We're really looking for
12 storage space, and it's not that important. It could,
13 essentially be anywhere, but if they gave it to us all at one
14 place, we'd probably say we'd prefer to have it spread around
15 a little bit.

16 COMMISSIONER ROBLES: Okay. Thank you. Final
17 question, and this is kind of a question of the heart because
18 of my -- when I was in Desert Storm, one of my primary
19 missions was to be the chief logistician and supply officer
20 for one of the Army's tank divisions.

21 And after we came back from Desert Storm, we spent
22 a considerable amount of time going through a lot of lessons

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1 learned about distribution and the 40-footers and where all
2 the 40-footers were and the distribution out of the various
3 depots, and I know that you all were very much involved in
4 this.

5 In this BRAC recommendation, what, if any, of the
6 lessons learned of Desert Storm were factored into your depot
7 structure and your depot capacity?

8 GENERAL FARRELL: I'd have to say probably not a
9 lot because those were operationals, primarily operational
10 lessons learned. That's my characterization. You're getting
11 me into something I'm not familiar with because that happened
12 before I got to DLA, but I'm somewhat familiar with it.

13 I do know that there was a lot of containers sent
14 that were unopened, that came back unopened. There were a
15 lot of containers sent that got opened, and they pulled one
16 thing out and shut it up, and we got those back.

17 So we had a lot of putting up to do after the war
18 was over, and the reason that was true is because we would
19 get multiple requisitions for the same item, because our
20 system isn't geared to be able to provide the visibility of
21 where that requisition is.

22 Here is what we're talking about is in-transit

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1 visibility. This is one of the top things that Mr. Jim
2 Clough, Assistant Secretary in OSD, is working right now as a
3 way to work the in-transit visibility problems so that we can
4 tell the soldier in the field where his requisition is so if
5 he doesn't get it in a week submit the requisition again.

6 That's one problem. The other problem is asset
7 visibility, which gives you the visibility not only of your
8 wholesale assets but your retail assets in the system so that
9 you can trade retail assets between services without having
10 to go to a vendor and put an order out to buy something that
11 you already have somewhere in the system.

12 Those two major efforts are not -- I don't think
13 they're going to solve the problem real soon.

14 COMMISSIONER ROBLES: No. And the reason I asked
15 that question specifically is that we shipped probably -- and
16 I don't remember the numbers off the top of my head -- but in
17 the order of magnitude of twice as much stuff as we needed
18 because we couldn't locate it.

19 We can't afford that to do in the future, and
20 certainly, if we have to ship twice as much stuff because we
21 can't locate it, then you're going to keep twice as much
22 stuff in inventory or thereabouts, and then you're going to

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1 have twice as much storage capacity.

2 So there is some importance to making sure that
3 we're fixing that former problem so that the latter problem
4 doesn't exist; i.e., excess inventory, excess capacity.

5 GENERAL FARRELL: Well, we've done a couple of
6 things. We've got a program with the Army. You've heard of
7 the RF-tag and the automated manifest system? The automated
8 manifest system is a laser card that you could write onto,
9 and you could put it on a pallet. You can put it on a
10 container.

11 And the soldier in the field has a little reader in
12 his hand. When this thing rolls in, he can take the laser
13 card off of the container, put it in his reader, and it can
14 tell him not only what's in that container but where it is.
15 So if he's after tent poles or mosquito nets or jeeps or
16 whatever, he can get it.

17 And the other thing is we're putting an RF tag on
18 the containers when they ship so that they can be tracked
19 through the system through satellite so that we know where
20 that transportation control number is. We've actually tried
21 that. We've tried it in Haiti. We tried it in Somalia, and
22 it works pretty good.

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1 COMMISSIONER ROBLES: Well, thank you very much. I
2 applaud your efforts. Mr. Chairman.

3 CHAIRMAN DIXON: Thank you very much, Commissioner
4 Robles. Now, General Farrell, you've done an excellent job.
5 I don't think we're going to need a complete second round.
6 Let me tell you what I intend to do.

7 I'm going to ask you some general questions the
8 Commissioners have asked me to ask of all witnesses and a few
9 questions from a few congressmen who have sent me questions
10 this afternoon to ask of you.

11 Then we'll conclude unless anybody on the
12 Commission wants to ask any further questions. I'll simply
13 invite questions after the Commissioners have had a moment to
14 think about this, if anybody thinks of another question they
15 want to ask.

16 But rather than doing a complete round, I think
17 I'll let any individual Commissioner ask any question. I
18 want to congratulate you on what I think all up here thought
19 was a good presentation and thank Mrs. McManamay who,
20 obviously, did a good support job there in giving you the
21 things that you needed, and we thank her.

22 Major General Farrell, did the Office of the

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1 Secretary of Defense remove or add any installation closures
2 or realignments from your recommendations to the Secretary?

3 GENERAL FARRELL: No, sir.

4 CHAIRMAN DIXON: General Farrell, did anyone in the
5 Administration instruct you not to place any specific
6 installation on your list to the Secretary of recommended
7 closures and realignments?

8 GENERAL FARRELL: No, sir.

9 CHAIRMAN DIXON: General Farrell, did the Office of
10 the Secretary of Defense instruct your service to place or
11 not to place any specific installations for closure or
12 realignment on your list of recommendations to the Secretary?

13 GENERAL FARRELL: No, sir.

14 CHAIRMAN DIXON: Did you or the Office of the
15 Secretary of Defense remove any installations from your
16 recommendations solely for reasons of environmental or
17 economic impact?

18 GENERAL FARRELL: No, sir.

19 CHAIRMAN DIXON: Thank you, sir. Now, here are
20 several questions from members of the Congress, and you
21 understand we've invited them to ask questions because they
22 represent the people of this country, and they want to find

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1 out the answers regarding matters that affect their districts
2 or states.

3 This is from the Honorable James B. Hansen, member
4 of Congress from the First District of Utah. He asked me to
5 ask you this:

6 He says that, "DLA commissioned a Pete Marwick
7 study dated December 1993 which clearly shows that Ogden is
8 by far the single-most cost-effective depot in the DLA
9 system. How did cost of operations factor into your decision
10 when, as a casual observer, it appears that you are closing
11 DLA's most efficient depot?"

12 A pretty tough question. What's your answer to
13 that one?

14 GENERAL FARRELL: First of all, the reason we
15 commissioned the study is because of the falling out of BRAC
16 '93. We found or we suspected -- I mean, we tried to do an
17 operational efficiency analysis, and we just weren't simply
18 able, and we wanted to investigate how you do that.

19 In the end, we decided that you can't say which is
20 the most efficient depot outside of some sort of an analysis
21 on its material handling equipment or something like that.

22 Part of that we've taken account of in the

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1 throughput, but, basically, what we're trying to do in this
2 particular study, and the Pete Marwick guy that did it is
3 here -- he's not sworn -- but, basically, we wanted him to go
4 out and investigate the accounting codes so that when we
5 tried to compare depot to depot -- we inherited a lot of
6 depots from the Navy, a lot from the Army and a lot from the
7 Air Force.

8 They all had different accounting systems, and even
9 at our own depots -- and we got some of our depot members
10 here -- when they put their financial data together and they
11 put something in GNA, something in indirect and something in
12 direct, they're counting different things.

13 So that when we get the Memphis input and they say
14 our GNA costs are this and Ogden's GNA costs are this, we
15 don't know how to compare them because they're not, in a lot
16 of cases, counting the same things. So that's why we
17 commissioned the study, to go out and straighten out the
18 accounting codes.

19 Now, as far as efficiency goes, let me describe how
20 that works. We process three different types of stuff, open,
21 any open stuff, which is big, ugly stuff, you know, props on
22 ships, drive shafts, huge anchor chains, things like that.

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1 And then we process binables, which is generally
2 less than three cubes, and it averages about nine and a half
3 pounds. That's the easy stuff, and the smaller the binable
4 the more efficient it is to process it.

5 And then we process something we called covered
6 bulk. You can make a depot efficient simply by how you
7 workload them. So we don't think it's an issue.

8 Ogden does a lot of binable workload. They were
9 doing a lot of binable workload. That makes you efficient
10 because you got that kind of -- somebody that's processing
11 the big, ugly stuff is not going to be as efficient because
12 it takes more people and more money to process each issue
13 versus a binable issue.

14 CHAIRMAN DIXON: Let me see again, if I may
15 interrupt you, General, on the screen, if this person is here
16 that did that, those depots, just for fun. I don't mean to
17 interrupt you, but I understand what you're saying, and I see
18 the validity of it. I just, kind of, wanted to look at all
19 those depots.

20 But are you saying, basically, that an assertion
21 that Ogden is the most cost-effective won't cut it if we
22 analyze that carefully?

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1 GENERAL FARRELL: That's right.

2 CHAIRMAN DIXON: Let's say we wanted to look at
3 that suspiciously.

4 GENERAL FARRELL: If I wanted to take all the
5 binable workload in the system and put it in Susquehanna,
6 Susquehanna would be the most efficient depot in the system.

7 CHAIRMAN DIXON: And I'd like to see now -- let me
8 get that here a minute. It's been long enough ago in the
9 testimony I kind of lost it. There are the six, kind of,
10 main ones there.

11 GENERAL FARRELL: Those are the general
12 distribution or stand-alone depots. They're not associated
13 with a maintenance facility or a major fleet activity.

14 CHAIRMAN DIXON: So when this distinguished
15 congressman from the First District in Utah talks about
16 Ogden, he's talking about one of these six major ones here.

17 GENERAL FARRELL: I think he is. I think he is.

18 CHAIRMAN DIXON: Yeah. And then let me see, now,
19 you left open out of those which ones?

20 GENERAL FARRELL: We left open the Susquehanna
21 complex on the East Coast, which is comprised of New
22 Cumberland, Mechanicsburg, two separate sites. We left open

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1 the San Joaquin primary distribution system on the West
2 Coast, which is composed of two sites, Sharp and Tracy.

3 CHAIRMAN DIXON: Yeah.

4 GENERAL FARRELL: And we left open the Richmond
5 facility in Richmond, Virginia.

6 CHAIRMAN DIXON: And then closed Columbus, Memphis
7 and Ogden?

8 GENERAL FARRELL: We realigned Columbus --

9 CHAIRMAN DIXON: Realigned Columbus that had a 600
10 and something loss, I remember. You had some loss, but you
11 realigned it.

12 GENERAL FARRELL: Correct.

13 CHAIRMAN DIXON: And then closed Ogden and Memphis.

14 GENERAL FARRELL: Yes, sir.

15 CHAIRMAN DIXON: Okay. Now, I guess I have to ask
16 you, do to the fact that I pursued this further, is there an
17 objective analysis of this that supports what you said, or is
18 that entirely a judgment call, or can you show us some kind
19 of -- in the record, is there some kind of material support
20 for that that would bear out your decision-making process?

21 GENERAL FARRELL: Well, we did not try to take into
22 account efficiencies of individual depots. We simply didn't

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1 think that we could calculate it.

2 CHAIRMAN DIXON: Well, I guess what I'm referencing
3 there, General Farrell, and I don't want to pursue this too
4 long right now because I realize that the hour is getting
5 late, and you've done a fine job and made a good
6 presentation, but the other services had this objective
7 system where they gave points and things. Do you use that at
8 all in your process?

9 GENERAL FARRELL: Yes, sir. In the military value
10 analysis, we gave points.

11 CHAIRMAN DIXON: Oh, you do?

12 GENERAL FARRELL: Yes, sir.

13 CHAIRMAN DIXON: So in other words, if we did an
14 analysis of those grading systems, would it support what
15 you've done?

16 GENERAL FARRELL: I believe so, yes, sir. Let me
17 just say anybody can go do an analysis, and you can establish
18 your own criteria, and you can almost make the analysis say
19 what you want it to say.

20 What we did was establish our criteria before we
21 ever applied any points, and when we did apply the points, we
22 didn't lift the names off. So we didn't know who was getting

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1 points and who wasn't.

2 But you can change the analysis simply by changing
3 the measures of merit and the weights which you assign to
4 them. And if you ask each individual depot to do the same
5 analysis, you would get 18 different analyses because they
6 would put the value, probably, on different things, probably
7 on their strengths.

8 CHAIRMAN DIXON: There are a number of other
9 questions that the congressman asks, and we're going to send
10 those to you in writing, General Farrell.

11 Jim Chapman, the Honorable Congressman from First
12 District in Texas regarding the Red River Depot asks these
13 questions. I'm going to send all of them to you because it's
14 somewhat lengthy.

15 But the two I'm going to ask you, he says, "Defense
16 Logistic Agency's basis for analysis for co-located depots
17 was 'when a military service determined that a maintenance
18 depot was surplus to their needs, Defense Logistics Agency
19 would consider closing co-located distribution functions.'"

20 And then he says, "Complete closure of the
21 facility's infrastructure generates the best economic return
22 to the Department of Defense, and my question is since the

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1 Army recommends leaving the ammunition mission School of
2 Engineering and Logistics and Rubber Products facility open
3 at Red River, and since the operation will require base
4 operation support -- Red River maintenance, sewage, water
5 plant maintenance, rail crew support and power station
6 maintenance, how does just changing the command to Lone Star
7 Army Ammunition Plant reduce the infrastructure costs for the
8 Department of Defense?"

9 GENERAL FARRELL: I'm not sure how to address that
10 question except to say that when the maintenance guys leave,
11 whoever is left is going to bear a proportion, a higher
12 proportion of the installation infrastructure costs that
13 remain behind, and some of those tend to be fixed.

14 The number of people to run installation, guard the
15 gates, that's a fixed. So when one guy leaves, the rest of
16 the people share a higher proportion of the cost. And the
17 reason we didn't stay there is because we didn't need it for
18 distribution.

19 And if we had stayed there, we would have had to
20 have found a reason to stay there. We couldn't find a reason
21 to stay there, and if we did stay there, we would have to
22 find someplace else to close.

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1 CHAIRMAN DIXON: Well, he's got a number of
2 questions in writing. I'm going to send them to you as well,
3 General. And would you have your shop answer those as soon
4 as you can?

5 GENERAL FARRELL: Yes, sir.

6 CHAIRMAN DIXON: The last question -- and
7 incidentally, this is a series, believe it or not, of 27
8 questions. Relax. I'm not going to ask them, but I'm going
9 to send them to you, all right?

10 But Congressman Harold Ford, the distinguished
11 congressman whose district contains Memphis, asks this
12 question, two questions:

13 "Was the impact a base closure would have on
14 economically disadvantaged communities considered by DLA when
15 they assessed the economic impact and their recommendations?
16 Did DLA compare the overall unemployment rate of the
17 community in relation to the unemployment rate of rest of the
18 state and surrounding areas? And do you believe the
19 Commission should use this comparison as a criterion in its
20 decision-making process?"

21 Now we're getting down to this economic question
22 here. Large unemployment, I take it, in his district

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1 compared to the state as a whole and the region and so forth.
2 And what is your answer to that?

3 GENERAL FARRELL: We used the economic model that
4 everybody else used. We all used the same model. It was
5 provided to us, and we simply supplied the data into it.

6 And for Memphis, we did look at the economic
7 impact, and our contribution was less than 1 percent in the
8 Memphis area. In fact, our DLA BRAC '95 actions was six-
9 tenths of 1 percent in the Memphis metropolitan statistical
10 area.

11 And in all BRAC '95 actions, including DLA, the
12 impact was minus four-tenths of 1 percent, and in all BRAC
13 actions through all rounds of BRAC in the Memphis area, the
14 impact was 1.5 percent. We looked at all that, and we
15 compared -- not only looked at that, we compared it to two
16 other actions.

17 CHAIRMAN DIXON: Okay. Now, the congressman then
18 goes to the question of military value. He says that, "DLA
19 ranked stand-alone depots for military value," which, of
20 course, you did.

21 "Both the DOD and BRAC use military value as the
22 most important selection criteria," which, of course, is

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1 correct. Five of the eight criteria are military value.

2 "Among stand-alone depots, DDMT was ranked third in military
3 value and recommended for closure. However, DLA chose to
4 maintain Richmond and Columbus, which ranked fifth and sixth.

5
6 "If military value is regarded so highly, why did
7 DLA completely disregard it with respect to stand-alone
8 depots?"

9 GENERAL FARRELL: I think that, sort of, goes back
10 to my briefing and the rationale. It's not true that just
11 one military type of analysis drove our decision.

12 We used the outputs of all of the analyses to
13 inform our military judgment, and then on balance we made a
14 decision because, in some cases, as you have noted, military
15 value for an activity might be higher than another activity
16 somewhere else, but the installation on which those
17 activities are presently operating may have a different
18 value. It may be reversed, in fact.

19 So once again, the way we took off after this was
20 to, first of all, decide what we needed to support our war
21 plan and our concept of ops.

22 We went through the capacity analysis. We closed

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1 the followers, and then once we had the excess capacity we
2 had left, we asked, "What do we have to keep to do our job?"
3 And then, as we walked down that road, then what was left
4 became excess.

5 So it wasn't a decision of deciding what to close.
6 Really, the decision process was deciding what to keep.

7 So after we closed the followers at the maintenance
8 depots, we then took a look at the primary distribution
9 sites, which we have facilitated and designated to do the
10 wartime mission, and looked at their military value, which,
11 in both cases, was not only installation value but military
12 activity value was so high that we just took them off and
13 said we're going to keep those because not only of their
14 value in terms of the points they got but how they fit with
15 our war plan.

16 At that point, then, we said we can't close any
17 other depot associated with a fleet activity. We couldn't
18 close Norfolk, as an example. That's the largest fleet
19 activity that we support.

20 We couldn't close San Diego or Puget Sound. Even
21 though Puget Sound is a small depot, it's next to the
22 customer, which we support, and he's still there. So we're

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1 going to be there.

2 So we took all those other co-located activities
3 off the list, and really what was left now at this point was
4 Memphis, Ogden, Richmond and Columbus, and two of them are
5 going to close.

6 And now it's trying to decide what do you do with
7 those four, and we're looking for specialized storage, and we
8 said if we close Columbus, we don't get an installation
9 closure. We'll close that depot, but we don't get an
10 installation closure.

11 And oh, by the way, you spread a higher proportion
12 of cost to other tenants on the Columbus installation when
13 you close the Columbus depot.

14 If you close the Richmond facility, you close the
15 best facilities we have in the command, as determined by an
16 independent engineering assessment that we hired out to the
17 Navy Public Work Facilities. You also close the facility
18 which backs up the fleet activity at Norfolk.

19 There are other considerations. We didn't give any
20 points to them, but just as a footnote here, all the ozone-
21 depleting substances that we're going to store are going to
22 be stored in the Richmond area, and we have a large hazardous

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1 storage there, too.

2 We could store those at other places, but Richmond
3 has some nice hazardous facilities, as does Memphis, as does
4 Ogden. But nevertheless, when you look at the fact that
5 you're really, probably, going to keep that supply activity
6 there, DGSC, so what do you gain by closing the Richmond
7 depot?

8 You're closing one of your best of facilities. You
9 close a major fleet backup activity, and you increase the
10 cost to that ICP that's remaining behind.

11 And then we looked at the SAILS model, and the
12 SAILS model says, "I like Richmond and the location that it
13 is. I like it better than Memphis or Ogden." You get a
14 lower distribution system cost when you close Memphis and you
15 close Ogden.

16 So it's a number of factors that you look at, and
17 on balance, when you look at the whole thing, it says realign
18 Columbus to a slow-moving, keep Richmond and close what's
19 left.

20 CHAIRMAN DIXON: Thank you, General. Now, I wonder
21 if any Commissioner, having heard the intervening discussion
22 has any final questions before we adjourn for the afternoon.

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1 Commissioner Steele, do you?

2 COMMISSIONER STEELE: This is more curiosity versus
3 substantive. Your testing of a premium service delivery
4 program with FedEx, did the U.S. Postal Service bid for that
5 at all?

6 GENERAL FARRELL: We didn't ask them.

7 (Laughter)

8 COMMISSIONER STEELE: Okay. I had to ask. Thank
9 you.

10 CHAIRMAN DIXON: Are you all right, Commissioner
11 Robles?

12 COMMISSIONER ROBLES: I'm fine.

13 CHAIRMAN DIXON: How about you, Commissioner Kling?

14 (No response.)

15 CHAIRMAN DIXON: Commissioner Davis?

16 COMMISSIONER DAVIS: No further questions.

17 CHAIRMAN DIXON: Commissioner Cox?

18 (No response.)

19 CHAIRMAN DIXON: Commissioner Cornella?

20 COMMISSIONER CORNELLA: Yes.

21 CHAIRMAN DIXON: Commissioner Cornella.

22 COMMISSIONER CORNELLA: I had to leave the room.

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1 I'm sorry. So if this was answered, just indicate so, and
2 I'll read it in the transcript. And this was a follow-up to
3 the questions I'd asked you earlier on the regional
4 headquarters between Boston and Marietta.

5 I guess you had indicated to me that the main
6 reason for that decision was the ratio in question of
7 headquarters to field personnel. Was that not correct?

8 GENERAL FARRELL: No, sir.

9 COMMISSIONER CORNELLA: Okay.

10 GENERAL FARRELL: Well, we determined that as the
11 workload was coming down, the procurement dollars were coming
12 way down, as our projection of contract administration
13 offices in which we would have to oversee was coming down,
14 and as the number of personnel in our system was coming way
15 down, we determined that we didn't need three districts to
16 help oversee that activity, and I would emphasize the oversee
17 part.

18 They do not do contract administration. They
19 oversee the process of contract administration in conjunction
20 with the headquarters here in Virginia.

21 So we determined that expanded control-wise we
22 could get by with two headquarters rather than with three,

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1 and we get a modest savings out of that.

2 And one of our driving factors in DLA is to reduce
3 overhead, reduce nonessential. We deployed a tool called
4 Activity-Based Costing across the whole command, and we told
5 our people to go out and find those processes which are not
6 adding value to our job to the services, and let's get rid of
7 them, or let's re-engineer them in such a way that we can get
8 rid of that cost.

9 One of those things is going after overhead. Now,
10 you didn't have to do a re-engineering to discover that here,
11 but that's part --

12 COMMISSIONER CORNELLA: I understand that, General.
13 What I'm asking is the decision between Boston and Marietta,
14 not whether or not you go from three to two. But what causes
15 the recommendation of Boston over Marietta.

16 GENERAL FARRELL: Okay. Boston has a much higher
17 military value, and that's because the criteria that were
18 evaluated give points to things like the number of
19 subordinate contract activities which you oversee, your
20 proximity to them, the concentration of them.

21 And so when all the points rolled in, they had much
22 higher points than either Marietta or the South. I think it

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1 was 796 versus less than 700 for the South.

2 COMMISSIONER CORNELLA: Yeah. It was 795 versus
3 656, but I notice that between the West and the South that
4 was relatively close.

5 GENERAL FARRELL: Right. That was the real
6 decision, as to whether to keep the West or to keep the
7 South.

8 COMMISSIONER CORNELLA: I think you've answered my
9 question. Thank you very much, General.

10 GENERAL FARRELL: Yes, sir.

11 CHAIRMAN DIXON: Are you satisfied, Commissioner
12 Cornella?

13 COMMISSIONER CORNELLA: Yes, I am, Mr. Chairman.

14 CHAIRMAN DIXON: Commissioner Cox?

15 (No response.)

16 CHAIRMAN DIXON: Commissioner Davis?

17 (No response.)

18 CHAIRMAN DIXON: Commissioner Kling?

19 (No response.)

20 CHAIRMAN DIXON: Commissioner Robles?

21 (No response.)

22 CHAIRMAN DIXON: Commissioner Steele?

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1 (No response.)

2 CHAIRMAN DIXON: I'm certainly satisfied. Thank
3 you, Mrs. McManamay, and thank you, General Farrell. This
4 hearing is adjourned.

5 (Whereupon, at 3:10 p.m., the hearing was
6 adjourned.)

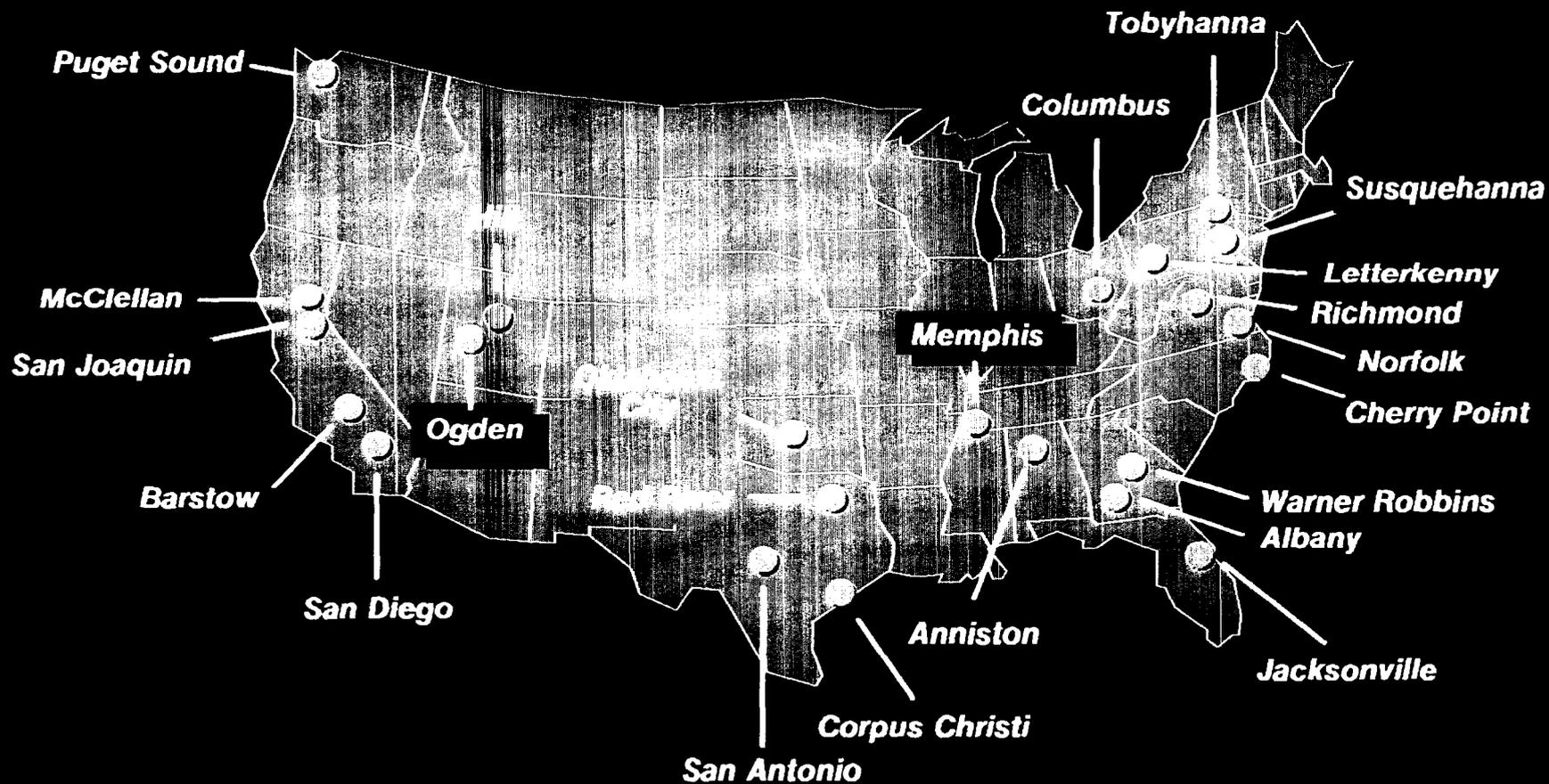
7 * * * * *

Document Separator



Distribution Management

23 Distribution Depots, 11 Distribution Sites





Distribution Concept of Operations

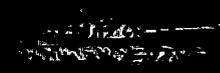
1. Support two MRC's from high throughput/storage facilities east and west coast
2. Colocate where we have a major maintenance/fleet customer
3. Accommodate specialized/contingency storage requirements
4. Optimize remaining storage
5. Optimize system cost



Depot
■■■■■■■■■■



Depot
■■■■■■■■■■



Depot
■■■■■■■■■■

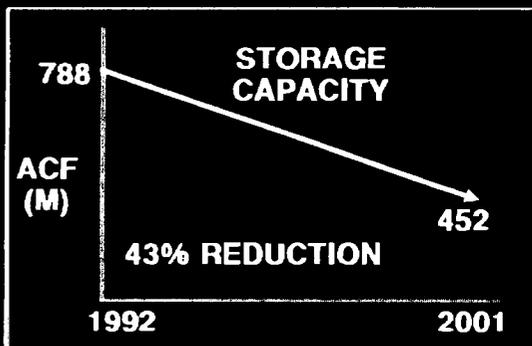
CAPACITY

=

REQUIREMENT

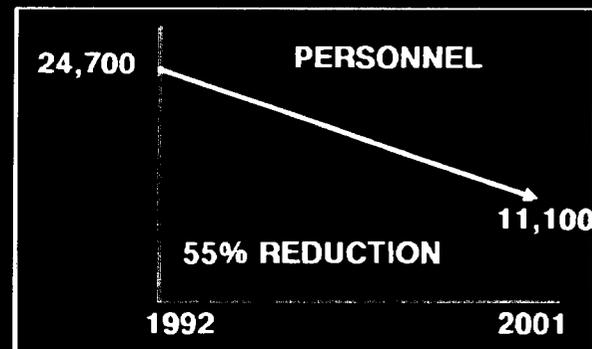
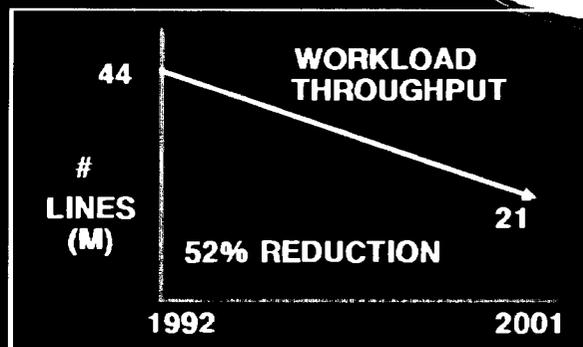


DLA Distribution Workload Projections



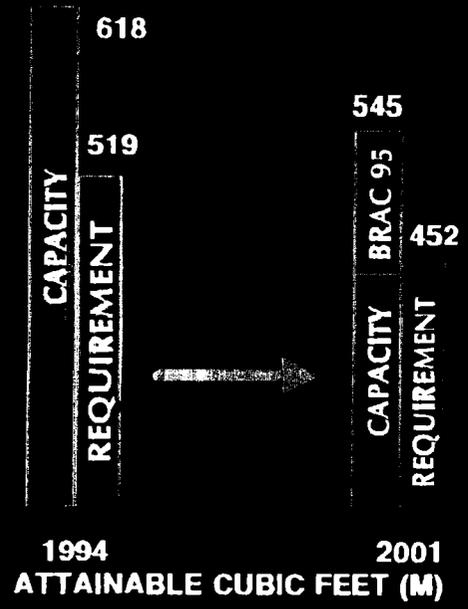
UTILIZE SERVICE EXCESS STORAGE SPACE
SHIFT WORKLOAD TO PRIVATE SECTOR
ADJUST FOR REDUCED CUSTOMER DEMAND
ADJUST FOR REDUCED INVENTORY REQUIREMENTS
INCENTIVIZE CUSTOMER TO BUY SMARTER

**EXCESS CAPACITY
MUST BE
ELIMINATED**





DLA Distribution Capacity

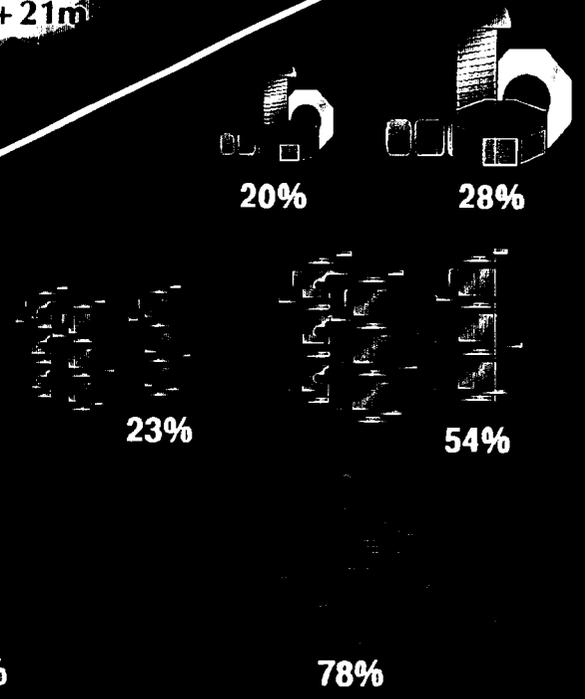


STORAGE CUBE IS THE BRAC LIMITER

CROSS SERVICE TRANSFERS IF NECESSARY + 21m

STORAGE THROUGHPUT

THROUGHPUT IS NOT A PROBLEM

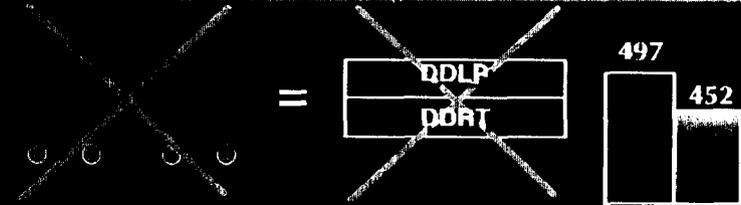


1994 → 2001 (POST BRAC)
UTILIZATION



Distribution Decision Process

1. Closed Depots Linked to Service Closures
 - Review CONOPs/Decision Rules
 - Remaining Collocated Depots Preserved



2. Review Installation and Activity Military Value, and Storage Capacity

ACTIVITY MILITARY VALUE

1. DDJC	822
2. DDSP	759
3. DDMT	505
4. DDOU	505
5. DDRV	481
6. DDCO	468

INSTALLATION MILITARY VALUE

1. Columbus	767
2. New Cumberland	681
3. Richmond	649
4. Tracy/Sharpe	623
5. Ogden	611
6. Memphis	559

DEPOT CAPACITY

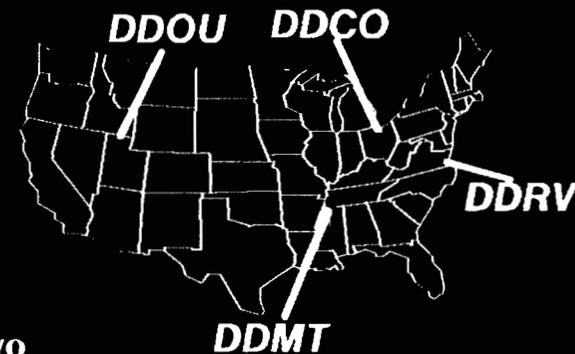
DDJC	77.9M (ACF)
DDSP	69.6
DDMT	34.0
DDOU	31.8
DDCO	28.6
DDRV	27.3

3. DDJC & DDSP Removed from Consideration
 - Clear Distinction in Military Value Rankings
 - East and West Coast PDS's
 - Facilitized for High Throughput
 - Largest Storage Capacity
 - Designated ALOC & CCP Locations



Distribution Decision Process (Cont)

4. Four depots left for review
5. Convert DDCO to war reserve/slow moving storage vice closure
 - Minimal depot staff remains
6. Still have ~ 60M ACF excess projected, can close two additional stand-alone depots
7. DDRV removed from consideration
 - DDRV third ranked DLA installation
 - Would not result in a closure
 - Major backup for fleet support in Norfolk
 - Optimizes annual system cost in SAILS model
 - Best depot facility condition in DLA



ANNUAL SYSTEM COSTS

SAILS RESULTS, CLOSE:

DDMT + DDOU	=	\$251M
DDMT + DDRV	=	261
DDOU + DDRV	=	256

Conclusion: Close two installations



Recommendation: Distribution Sites

Close: Letterkenny, Ogden, Red River, Memphis

Realign: Columbus

Period: 1996 → 2000

Personnel

Realigned: 3148

Eliminated: 1748

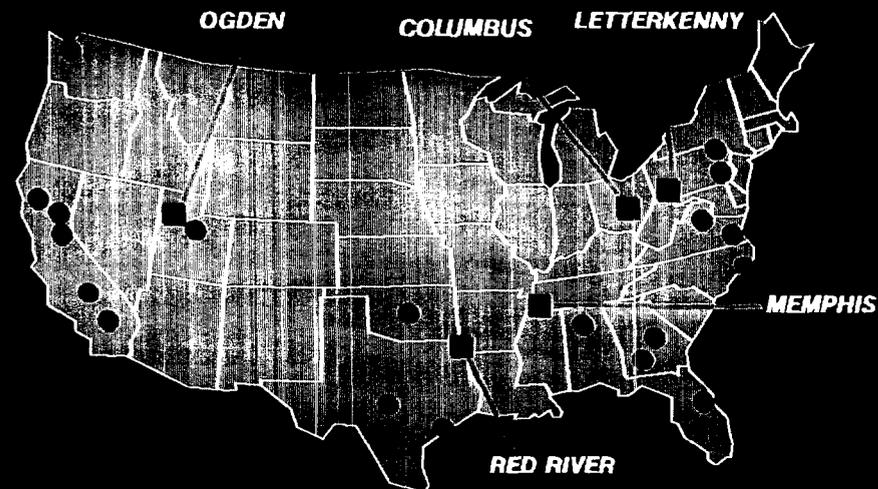
MILCON: \$58.0M

Savings (\$M)

NPV (1996 - 2016): -874.4M

Steady State: 87.9M (FY 01)

ROI: 2001 (1 yr)



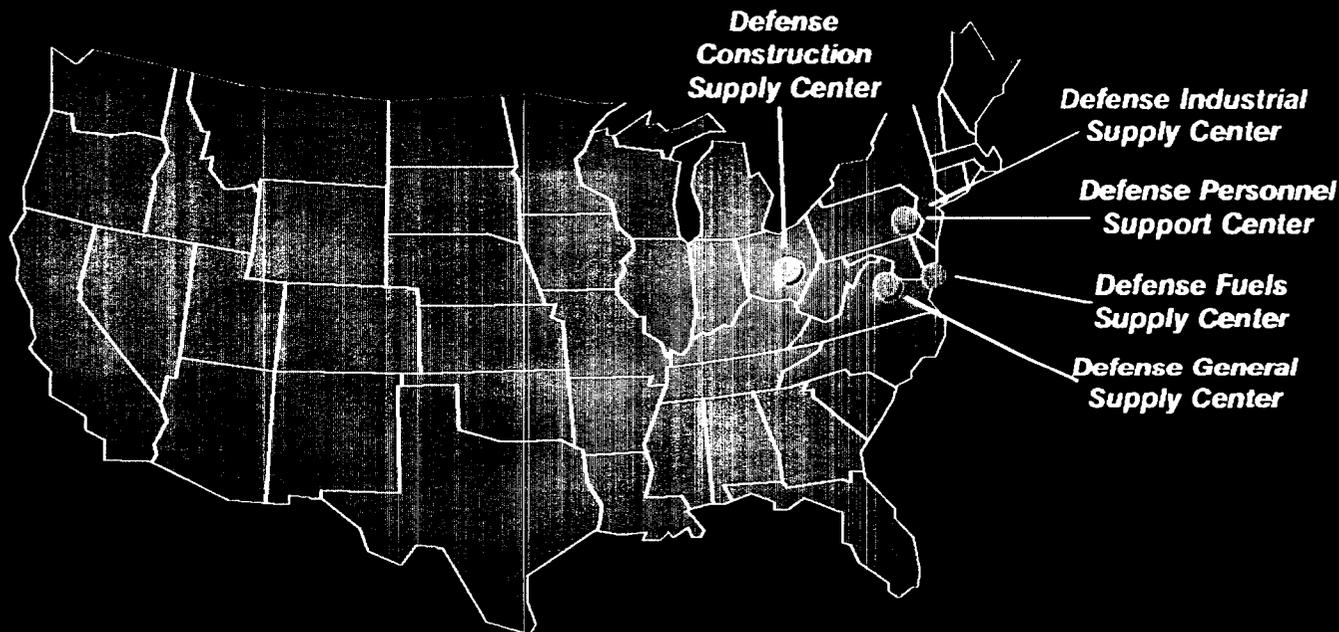
Reduce Capacity to Requirement

Support customer decisions

Max use of existing underutilized capacity



Supply Management: Five Inventory Control Points



TWO COMMODITY TYPES MANAGED

Troop & General

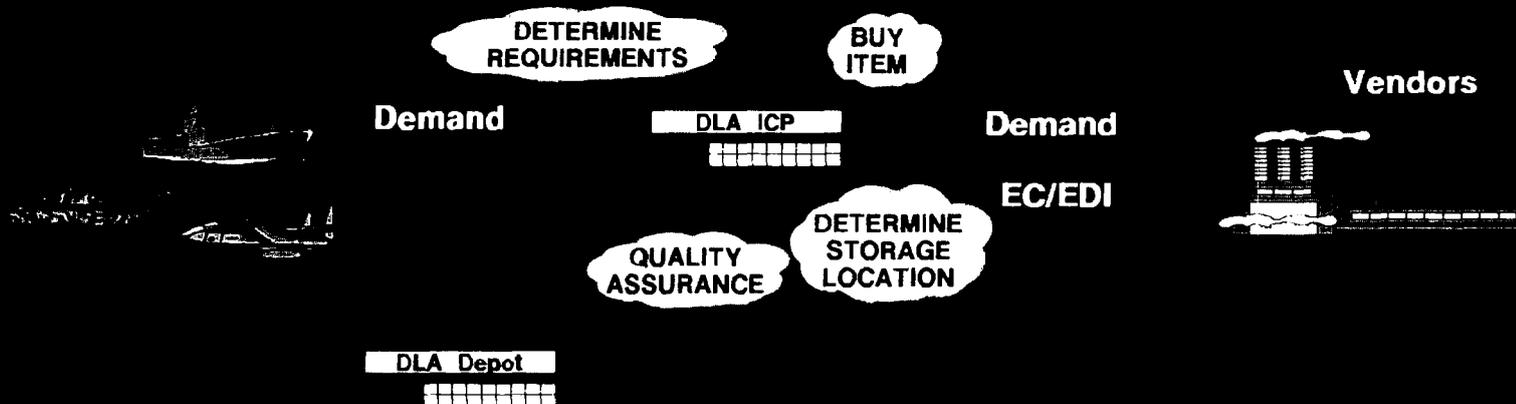
**Short Leadtime
Higher Volume
Streamlined Acquisition Process
Readily Available Commercially**

Weapons System

**Long Leadtime
Specialized Tooling
Not Available Commercially
Tighter Performance Specifications**



Supply Concept of Operations



TWO COMMODITY TYPES MANAGED

Troop & General

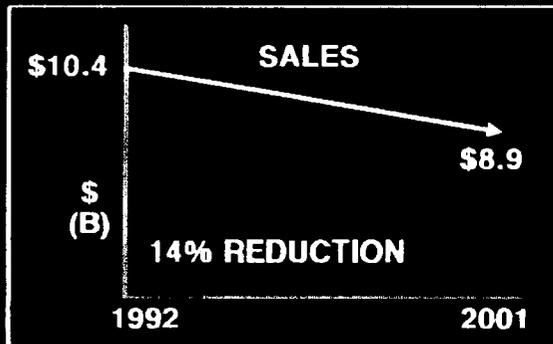
- Short Leadtime**
- Higher Volume**
- Streamlined Acquisition Process**
- Readily Available Commercially**

Weapons System

- Long Leadtime**
- Specialized Tooling**
- Not Available Commercially**
- Tighter Performance Specifications**

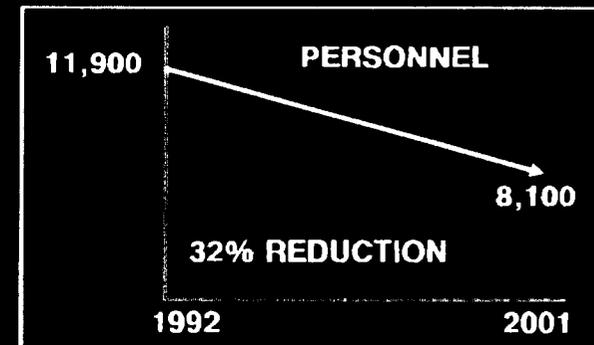
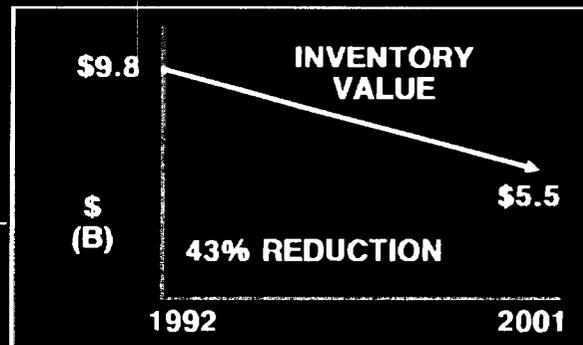


Supply Management Workload Projections



SHIFT SUPPORT TO PRIVATE SECTOR
ADJUST FOR REDUCED CUSTOMER DEMAND

RECEIVING \$6.5B
INVENTORY FROM
SERVICES...EFFECTING
SIMILAR REDUCTIONS





Supply Decision Process

1. CONOPS drives DLA to single up Weapons System and Troop and General Item Management posture

- Mission risk dictates 2 Weapons System ICP's, 1 T&G

2. Military value removes DCSC from consideration

3. Installation military value strongly supports keeping Richmond installation open

4. Decision: Close DISC

Single up T&G at DPSC

Split Weapon System Management between DGSC and DCSC

HARDWARE ICP MILITARY VALUE RESULTS

DCSC	740
DGSC	567
DISC	541

INSTALLATION MILITARY VALUE

1. Columbus	767
2. New Cumberland	681
3. Richmond	649
4. Tracy\Sharpe	623
5. Odgen	611
6. Memphis	559



Recommendation: ICPs

Close: DISC, Realign Weapons and T&G Workload

Period: 1996 → 1999

Personnel

Realigned: 335

Eliminated: 408

MILCON: \$34M*

Savings (\$M)

NPV (1996 - 2016): -236.5M

Steady State: 18.4M (FY 01)

ROI: Immediate

Supports Concept of Operations

One Activity Disestablished

Most acceptable risk

Administrative space available

Minimized personnel disruption

****Does Not Include a \$28.6M Cost Avoidance in FY96***



BRAC '95 Total Recommendation Personnel Impacts





DLA BRAC '95 Summary

DISTRIBUTION

23 Depots
11 Sites



18 Depots **22%**
5 Sites **55%**

SUPPLY

5 Inventory Control Points



4 ICPs **20%**

CONTRACT MANAGEMENT

3 Districts
1 Command



2 DCMDs **33%**
0 Commands **100%**

THE BOTTOM LINE:

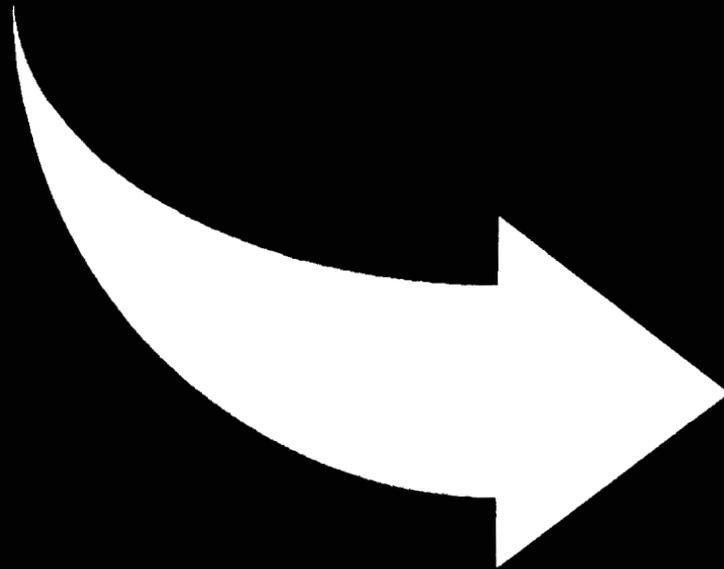
***Meeting Customer Readiness and Weapon
Systems Acquisition Requirements at Reduced Cost***

***A Reduction of 22% in Replacement Value of DLA
Infrastructure Reviewed, a 4% Reduction in Current Workforce.***



DLA BRAC 95 Recommendations

IF ACCEPTED



Savings

NPV \$-1.3B

SSS \$120M/year



DEFENSE LOGISTICS AGENCY

BRAC 95 Detailed Analysis Presentation

DLA: Your Combat Support Agency
Around the Clock, Around the World

AROUND THE CLOCK AROUND THE WORLD



Outline

- **Mission refresher**
- **DLA approach to BRAC 95**
- **DLA Recommendations**
- **DLA Summary**



DLA



Distribution Depots

CUSTOMER

VENDOR

Inventory
Management

Contract
Management



The DLA Business

- **Provider of choice**
- **Around the Clock - Around the World**
- **Providing readiness at reduced cost and helping offset service programmatic cuts**
 - **By leveraging our corporate resources against global logistics targets, and**
 - **Finding savings through teams, business practices, and technology breakthroughs**

Better - Faster - Cheaper



The DLA Approach

DATA PREPARATION
& POINT ALLOCATION

+

EXCESS CAPACITY

+

MILITARY VALUE
ANALYSIS
(INSTALLATION & ACTIVITY)

+

BRAC '95
DECISION RULES

+

INTERSERVICE
COORDINATION & DLA
BRAC EG EXPERIENCE

**DLA Recommendations
Fully Support the
Concepts of Operations
and
Force Structure Plan**

**MILITARY
JUDGEMENT**

INDENTITIES REVEALED
COBRA ANALYSIS

+

RECOMMENDATIONS
FORMULATED

+

COMMUNITY/
ENVIRONMENTAL
IMPACT ANALYSIS



Our Measures of Merit

DoD BRAC Selection Criteria

Military Value:

1. Current and future mission requirements
2. Availability and condition of land and facilities
3. Ability to accommodate contingency, mobilization, and future force requirements
4. Cost and manpower implications

Return on Investment:

5. Extent and timing of potential costs and savings, including payback

Impacts:

6. Economic impact on communities
7. Ability of infrastructure to support forces, missions and personnel
8. Environmental impact

**DoD CRITERIA
TRANSLATED INTO
DLA MEASURES
OF MERIT**

DLA Measures of Merit

Mission Scope (DoD selection criteria 1 and 3). The mission assigned to the installation plays an essential role within DoD and additionally benefits non-DoD customers. The functions performed in accomplishing the mission(s) may be unique. The strategic location of the facility and span of control are important to effective mission accomplishment.

Mission Viability (DoD selection criteria 1, 2, 3). The installation/activity supports assigned missions. Suitability includes the age and condition of facilities, quality of life, location, and proximity to transportation links.

Operational Efficiency (DoD selection criteria 2 and 4). The installation/activity's mission is performed economically. Installation/activity operation costs include: transportation, mechanical systems (mechanized material handling equipment, etc.), space utilization, and personnel costs.

Expandability (DoD selection criteria 1, 2, 3). The installation/activity can accommodate new missions and increased workload, including sustained contingencies. Expandability considerations include requirements for space and infrastructure, community encroachment, and increased workload.



DLA BRAC '95 Decision Rules

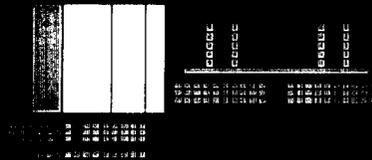
- Consistent with the Law, Base Decisions on the DoD Force Structure Plan and the DoD Selection Criteria
- Achieve an Infrastructure Consistent with the DLA Strategic Plan and Business Areas Concepts of Operations
- Consistent with Above, Seek Leanest, Most Cost-Effective Infrastructure by (Not in Rank Order):
 - Minimize Infrastructure Costs;
 - Close as a Top Priority;
 - Eliminate Duplications;
 - Maximize Use of Shared Overhead;
 - Optimize Use of Remaining DLA Space;
 - Maximize Cross-Service Utilization of Bases and Support;
 - Get Out of Leased Space and onto DoD-owned Installations
- Military Judgment Will be the Overarching Criteria for A Decisions—Optimally Satisfy the 4 Military Value Criteria by Balancing Outputs of all Analyses to Achieve Maximum Military Benefit.



DLA Activity Categories Impacted



Contract Management



Distribution Depots



CUSTOMER

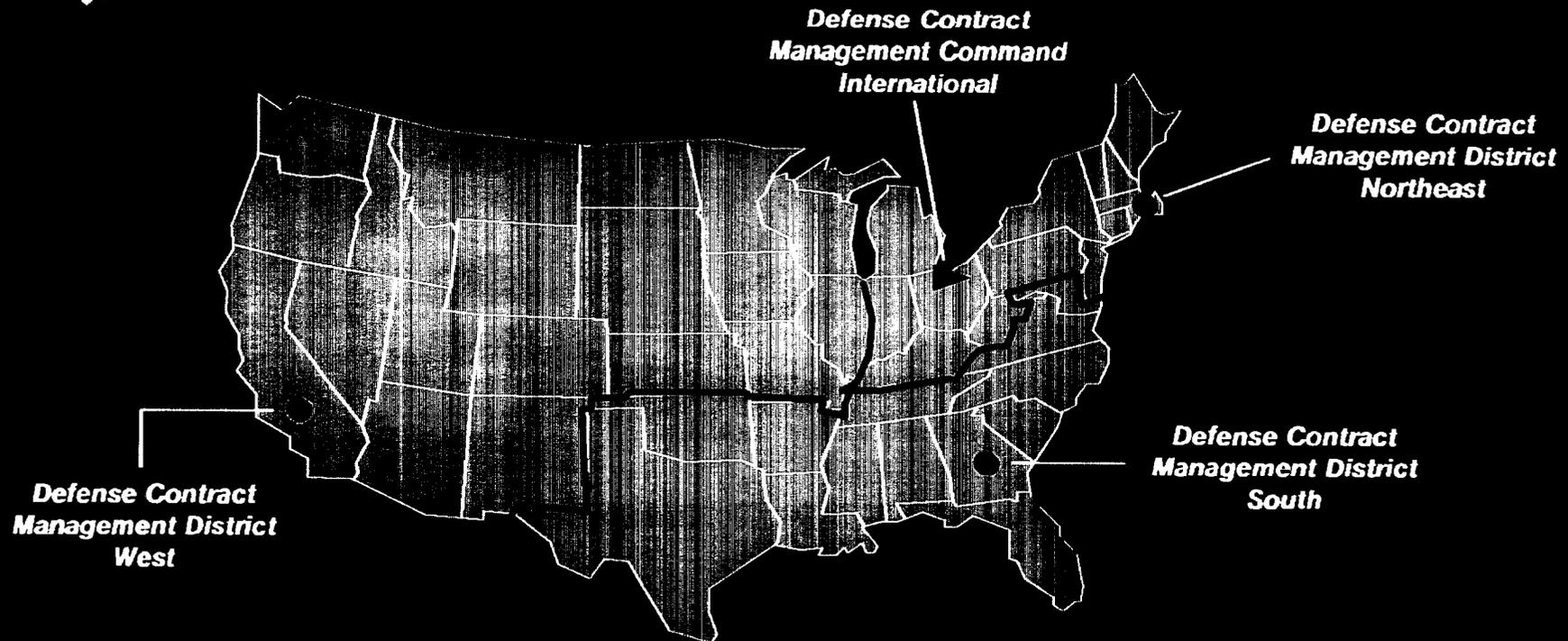


VENDOR

Inventory Management



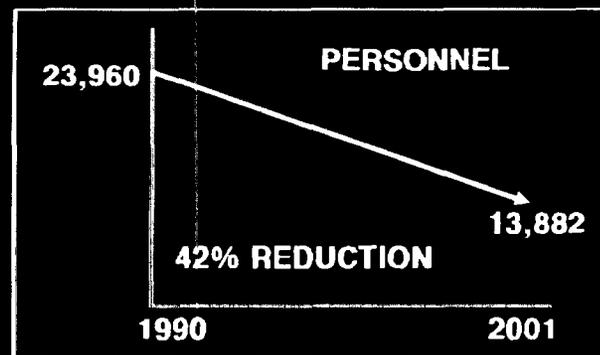
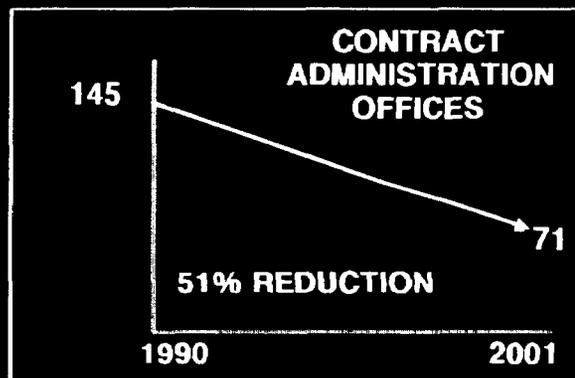
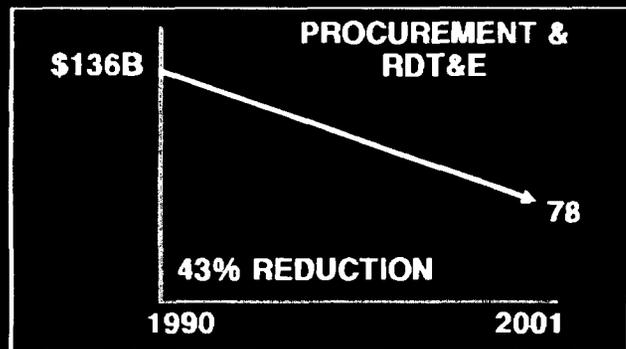
Contract Management Concept of Operations



Center contract management oversight within largest contractor concentration
Promote uniform application of DoD contract administration policy
Resource Planning



DCMC Contract Management CONUS Workload Projection

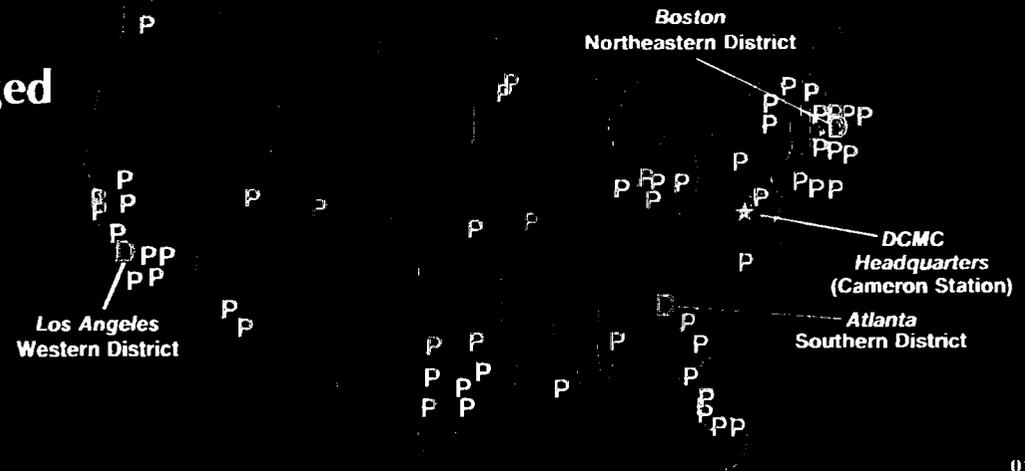




Contract Management Decision Process

- **Workload dropping**
 - Excess capacity available
- **Two districts required**
 - East and West DCMD's necessary
 - Maximum acceptable span of control
 - Consistent with Military Value ranking
- **DCMCI can be realigned**
 - Management functions merged
 - Efficiencies achieved

MILITARY VALUE		
DCMD Northeast	=	795
DCMD West	=	689
DCMD South	=	656





Recommendation: DCMD Regional Headquarters

Close: DCMDs , Realign DCMCI

Redirect: DCMDW

Period: 1996 → 1999

Personnel

Realigned/ Redirected: 348

Eliminated: 136

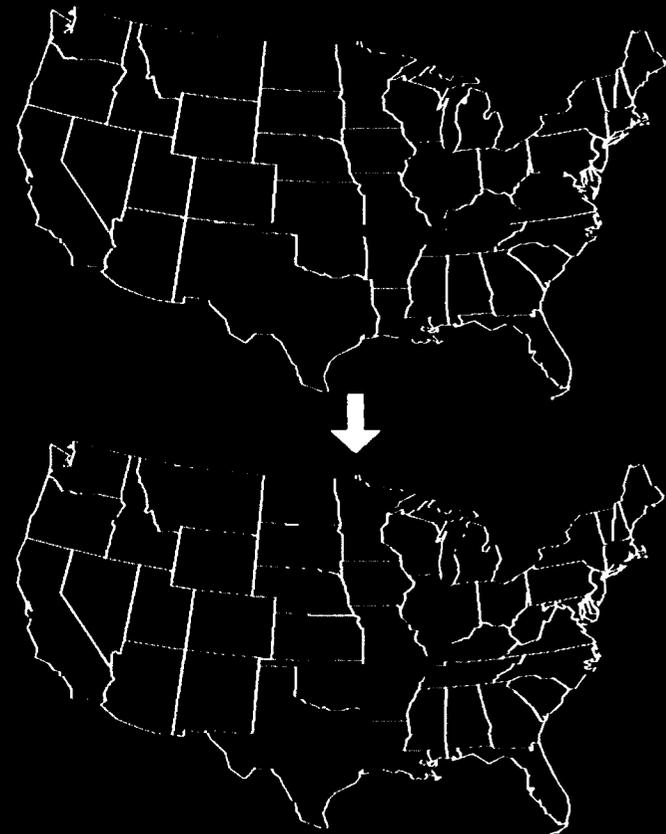
MILCON: \$5.37M*

Savings (\$M)

NPV (1996 - 2016): -165.7M

Steady State: 13.4M (FY 00)

ROI year: Immediate



****Does Not Include \$11.0M Cost Avoidance in FY96***