DEFENSE BASE REALIGNMENT AND CLOSURE COMMISSION

AFTERNOON SESSION

Wednesday, August 24, 2005

1:02 PM

Regency Room C

Hyatt Regency Crystal City

2799 Jefferson Davis Highway

Arlington, Virginia

COMMISSIONERS:

HON. ANTHONY J. PRINCIPI, presiding

JAMES H. BILBRAY

HON. PHILIP E. COYLE

ADMIRAL HAROLD W. GEHMAN, USN-Ret.

JAMES V. HANSEN

GENERAL JAMES T. HILL, USA-Ret

GENERAL LLOYD W. NEWTON, USAF-Ret.

SAMUEL K. SKINNER

BRIGADIER GENERAL SUE TURNER, USAF-Ret.

CHAIRMAN:

ANTHONY PRINCIPI

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ALSO PRESENT:

CHARLES BATTAGLIA, Executive Director

DAVID HAGUE, General Counsel

BOB COOK, Deputy Director for Review and Analysis

RUMU SARKAR, Associate General Counsel

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P R O C E E D I N G S

CHAIRMAN PRINCIPI: This hearing will come to order. We'll continue with the Navy recommendations. One moment. We're missing one Commissioner. We'll just wait one moment, please.

(Pause.)

CHAIRMAN PRINCIPI: Mr. Cook, you may proceed.

MR. COOK: Thank you, Mr. Chairman, Commissioners. We return this afternoon for the final two presentations from the Navy and then we'll transition into the Joint Cross Service Team presentations. Thank you.

Mr. Hanna.

CHAIRMAN PRINCIPI: Mr. Hanna.

MR. HANNA: Mr. Chairman, we now bring to the floor for discussion and vote chapter 11, section 192, of the bill, close Navy Broadway Complex, San Diego, California. This recommendation closes the facility and moves the tenants to other locations in the San Diego area, allowing the complex to be redeveloped.

Mr. Brian McDaniel is our lead analyst for the complex.

MR. McDANIEL: Thank you, Mr. Hanna. Good afternoon, Mr. Chairman, Commissioners.

Based on staff review, a recommendation to add

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Broadway for closure is justified based on the following reasons. It reduces excess capacity and eliminates underused property dedicated to a single support function. It will collocate Navy support functions on an existing operational base. It will enhance force protection for the 1200 military and civilian employees, and it has the potential of reducing excess capacity -- and generating non-appropriated revenues that could be used to offset other investment costs for facilities in San Diego.

Based on questions from the Commission, the Department has certified it would need to invest almost $137 million. $118 million would be needed for construction of new office space on another Navy base in San Diego to relocate Navy activities currently at Broadway. Due to the Navy's estimate of significant up-front costs and lack of personnel savings associated with the recommendation, the Navy estimates the 20-year present value cost to be $106 million and will require more than 100 years before producing a payback.

Closing Broadway would not result in the loss of any jobs or generate negative effects on the local economy because under this recommendation jobs would not be eliminated, relocated, or realigned out of the city of San Diego.

Finally, the staff notes the Department reported

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it has invested $3.5 million through fiscal year 2003 for environmental restoration activities at Broadway and plans on spending another $14 million to finish the remediation.

(Slide.)

This next slide depicts the primary issues surrounding the recommendation, correlated with the final selection criteria. Staff analysis indicates that, contrasted with the recommendation, the Secretary of the Navy would prefer to restart a privatization and leasing strategy initiated by the Navy in 1997, unfettered by the property disposal process and public sale options available to the Secretary under the BRAC law. I'd like to note here that the community is strongly in support of the Department's position.

It is the staff's position, however, that retention and operation of the 14-acre Broadway complex by Navy as a stand-alone office complex is less effective than collocation at another installation in San Diego. The potential efficiencies created by collocating the Broadway tenets with other operational entities continues to make this recommendation worthy of your consideration.

In the staff's view, continued retention and management of the Broadway property by the Department is neither cost effective nor in step with current Navy asset management policies or other similar Navy BRAC

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recommendations. Additionally, the staff believes the Navy would benefit by exploring the full range of planning options, including the use of alternative building sites behind secure perimeters on other naval installations, such as the San Diego Naval Station.

This course of action would not only enhance force protection for Navy employees, but also rationalize Navy shore infrastructure planning with current and future mission needs.

The staff, however, also recognizes the good faith commitment and energy invested by both the Navy and the city of San Diego in the Navy's original privatization plan and recognize that it should not be wasted. Future Navy actions designed to shed unneeded property will create operational synergies needed to guarantee maximum benefit for the Navy and the city. Irrespective of how or how long the Navy disposes of Broadway, it should be encouraged to act as quickly as possible to take full advantage of an improved real estate market and renewed developer interest.

The staff estimates that closure and disposal under BRAC compared to a long-term lease could generate greater revenues for the Department, as well as sooner for the Navy, but could also expose existing Navy and city agreements to unnecessary and costly delays and legal challenges, resulting in lowering the property's benefit

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and value to both the Navy and the city.

(Slide.)

The staff review of the Navy military construction costs included in their certified COBRA -- the staff believes that this estimate for new offices is overstated. The staff COBRA run indicates that the required replacement facilities could cost the government as little as $60 million compared to the Department's estimate of $118 million.

Finally, due to the Commission's consideration of this issue, the Navy and the community have again entered into active discussions aimed to move the current Navy plan forward as quickly as possible.

In conclusion, the staff review and analysis indicates that by not recommending the Navy close the Broadway complex in San Diego, the Secretary deviated from Final Selection Criteria 1, 3, 4, and the Force Structure Plan. That concludes my presentation.

MR. HANNA: Mr. Chairman, we're standing by to answer the Commission.

CHAIRMAN PRINCIPI: Thank you.

Are there any questions for the staff, any discussion on the Navy Broadway complex?

(No response.)

The issue before us, the Navy Broadway complex in

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San Diego, is the second installation that the Commission added to the Secretary's list for consideration. Additional recommendation 2, Navy Broadway complex, San Diego, California, will appear at chapter 11, section 192, of the bill if approved by seven Commissioners. The recommendation in the form of a motion, which I will address momentarily -- but first I would ask if there are any questions or any discussion?

COMMISSIONER GEHMAN: Mr. Chairman, colleagues: For those of you that were at the West Coast public hearing on the adds, you will recall that both the city, the state, and the Navy testified as to the ongoing negotiations to turn this property over to the city for use and for the Navy to gain some benefit from that process. Most of the Commissioners who listened to that process wondered why this action hadn't happened five, six, seven years ago and why we're still waiting around for it to happen.

Everybody seemed to be in agreement at that hearing that it was a good thing to do. They all promised us that the delay was behind them. I see nothing wrong with putting a date certain in here and urging them on to greater efforts. So I support this.

CHAIRMAN PRINCIPI: I would certainly concur with Admiral Gehman's comments. Since 1987 the Navy has attempted to develop the Broadway complex, a very valuable

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piece of property at the foot of Broadway and the doorstep of San Diego, but has been unable to do so for a variety of reasons. It's two 1941-type warehouse type buildings that were converted to office space.

Recognizing that recently steps have been made to move on with redevelopment, the Navy entered into a redevelopment agreement with the city of San Diego, which expires in January of 2007.

So accordingly, I would offer a motion that the Commission find that when the Secretary of Defense failed to recommend the closure of the Broadway complex, San Diego, California, he substantially deviated from Final Selection Criteria 1, 3, and 4, and the Force Structure Plan; that the Commission add to the list of installations to be closed or realigned the recommendation, if the Secretary of the Navy does not enter into a long-term lease on or before January 1, 2007, that provides for the redevelopment of the Navy Broadway complex, San Diego, California, under the authorities granted by section 2732 of Public Law 99-661, the National Defense Authorization Act for Fiscal Year 1987, close Navy Broadway complex, San Diego, California, and relocate the units and functions on Navy Broadway complex to other Department of the Navy-owned sites in San Diego at chapter 11, section 191, of the bill; and that the Commission find this additional recommendation

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is consistent with the Final Selection Criteria and Force Structure Plan.

Is there a second?

COMMISSIONER COYLE: Second.

CHAIRMAN PRINCIPI: Is there any further discussion on this amendment?

(No response.)

CHAIRMAN PRINCIPI: Are there any recusals on this amendment?

(No response.)

CHAIRMAN PRINCIPI: Hearing none, all those in favor of Motion 192-4a, please indicate.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

CHAIRMAN PRINCIPI: Counsel?

MS. SARKAR: Mr. Chairman, the vote is unanimous. The motion carries.

CHAIRMAN PRINCIPI: Thank you.

Mr. Hanna.

MR. HANNA: Mr. Chairman, we now bring to the floor for discussion and vote chapter 11, section 193, close Naval Air Station Oceana, Virginia. Under this proposal, the master jet base will relocate to former Naval Air Station Cecil Field, Florida. The analyst for this

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action is Mr. Bill Fetzer.

(Slide.)

MR. FETZER: Thank you, Mr. Hanna.

The issue regarding Oceana is driven primarily by the encroachment of the Navy's Atlantic fleet and the master jet base and Oceana's outlying training field located in Chesapeake, Virginia and the training and safety implications of that encroachment. Several scenarios were considered to determine if there was in fact a cost-effective and suitable alternative for resolving the encroachment of Oceana. The options ranged from temporary solutions to long-range, permanent solutions and the costs ranged from $180 million to $1.8 billion.

The staff obtained DOD certified COBRA estimates for each option. Among the alternatives considered were: moving all or some of the F-18 squadrons to other locations to relieve the noise impacts; finding an outlying field that could be expanded to a new master jet base in the future; relocating to a new greenfield site; and finally, relocating to a site that was closed by a previous BRAC round. Cecil Field was offered by the state of Florida and the case for Cecil Field was also investigated.

The rationale for adding Oceana to the 2005 BRAC list was to examine the encroachment issues to understand how they affected the operational effectiveness of Oceana

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and determine if there was a cost effective alternative for the Navy's Atlantic Fleet master jet base. The evidence is clear that NAS Oceana operations are affected by the development pressures associated with the operation of the base at Oceana in the middle of a popular resort area. As you have heard during many hours of testimony and base visits, the encroachment issues have been addressed and managed by succeeding generations of base commanders and community leaders, with some successes, but at also some costs, including suboptimum training, constrained flight profiles, and finally the cost of a more remote outlying field for more realistic training.

Additionally, the risks to civilians living and working in the accident potential zones increases with the intensity of the training cycles. Of course, there are always inherent risks whenever aviation operations are conducted, but the sheer volume and intensity of Navy jet operations conducted when squadrons are preparing for deployment are staggering.

The DOD COBRA results indicated that the one-time cost to move the master jet base to Cecil Field would be in excess of $1.6 billion and the payback period would be greater than 100 years, with a net present value of $1.919 billion. However, the Department did not take into account the significant amount of master jet base infrastructure

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that remains at Cecil Field. That result will be provided later.

An environmental remediation program has been in effect at Cecil Field since 1999 and is nearly completed. The state of Florida and the Navy were cited by the Secretary of Defense as a success story for the defense environmental restoration program in 2003. They succeeded in delisting over 95 percent of the 17,000 acres from the national priorities list. $16.9 million is estimated for completion of that program.

Next slide.

(Slide.)

The issues depicted here relate to the final selection criteria. Unabated encroachment affects the operational readiness of the fighter wings and will cost them even more when two F-18 Super Hornet squadrons stand up at Cherry Point in the future. They will be separated from the rest of the Navy's strike wings and operating with an additional maintenance and administrative overhead.

There is greater concern that the Joint Strike Fighter will be even noisier than the Super Hornet and may not be able to be hosted at Oceana if the encroachment is not halted or reversed.

During previous BRAC rounds, Virginia Beach pledged to manage the encroachment, moving two schools

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outside the APZ and rejecting some development plans to which the Navy objected. However, property rights issues in Virginia make it difficult for local governments to manage development, even with state laws in place enabling them to protect the local civilian and military air fields in their jurisdiction from encroachment.

Since the Navy left Cecil Field in 1999, the state and local officials in the Jacksonville area continued to protect AICUZ zones around Cecil and White House, the outlying practice field still in use by the Navy. They took this action because they were redeveloping Cecil Field into a modern civilian and industrial aviation complex.

As mentioned earlier, the DOD COBRA did not include the Cecil Field infrastructure. 70 percent of the master jet base infrastructure still remains, including all the hangars, runways, and many of the newer admin and operations buildings, upgraded utility services, and road structures in and around Cecil Field. Additionally, older buildings were demolished to reduce the overhead costs of maintaining antiquated buildings.

A line by line adjustment of the 182 Navy requirements and other known costs resulted in a staff-estimated COBRA with one-time costs of $410 million and a payback of 18 years, just about what one would expect for a

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master jet base that was just moved out of 6 years ago.

Analysis shows that Cecil Field presents a unique opportunity for the Navy to acquire an Atlantic Fleet master jet base, a base where all the F-18 Super Hornet squadrons can be collocated to reduce overhead costs and maintenance and administration, a base where the fleet aviators could effectively train as they fight in all mission areas, including the most demanding at-sea landing profiles, 24 hours a day, 7 days a week, at the main airfield and the outlying field, and a base that could accommodate the future Joint Strike Fighter.

The relocation could also be completed within the BRAC window. Consequently, the staff assessment is that Cecil Field is a suitable alternative for the Atlantic Fleet master jet base.

Thank you. This concludes my analysis.

MR. HANNA: Mr. Chairman, we are standing by to answer the Commissioners' questions.

CHAIRMAN PRINCIPI: Thank you.

The Commission has before it Naval Air Station Oceana, Virginia. It's another installation the Commission added for consideration to the Secretary's list. Additional recommendation 3, Naval Air Station Oceana, Virginia, will appear at chapter 11, section 193, of the bill if approved by seven Commissioners.

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Are there any questions for staff, any discussion on this issue? I will offer a motion momentarily.

COMMISSIONER SKINNER: It might be best if you offer the motion, Mr. Chairman, and then we can ask questions and discuss at the same time.

CHAIRMAN PRINCIPI: I move that the Commission find that when the Secretary of Defense failed to recommend the realignment of Naval Air Station Oceana, Virginia Beach, Virginia, he substantially deviated from Final Selection Criteria 1, 2, 3, 4, and 5, and the Force Structure Plan; that the Commission add to the list of installations to be closed or realigned the recommendation: realign Naval Air Station Oceana, Virginia, by relocating the East Coast master jet base to Cecil Field, Florida, if the Commonwealth of Virginia and the municipal government of Virginia Beach, Virginia, and Chesapeake, Virginia, fail to enact and enforce legislation to prevent further encroachment of Naval Air Station Oceana by the end of March 2006, to wit, enact state-mandated zoning controls requiring the cities of Virginia Beach and Chesapeake to adopt zoning ordinances that require the governing body to follow air installation compatibility use zone, AICUZ, guidelines in deciding discretionary development applications for property in noise levels 70 dB day-night, average noise level DNL or greater; enact state and local

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legislation and ordnance to establish a program to condemn and purchase all the property located within the accident potential zone 1 areas for Naval Air Station Oceana, as depicted for 1999 AICUZ pamphlet published by the U.S. Navy; codify the 2005 final Hampton Roads joint land use study recommendations; legislate requirements for the cities of Virginia Beach and Chesapeake to evaluate undeveloped properties in noise zones 70 DB DNL or greater for rezoning classification that would not allow uses incompatible under AICUZ guidelines; establish programs for purchase of development rights of the inter-facility traffic area between NAS Oceana and NALF Fentress; enact legislation creating the Oceana-Fentress Advisory Council, chapter 11, section 193 of the bill; and if the state of Florida appropriates sufficient funds to relocate commercial tenants presently located at Cecil Field, Florida, appropriates sufficient funds to secure public-private ventures for all the personnel housing required by the Navy at Cecil Field to accomplish this relocation and turns over fee simple title to the property comprising the former Naval Air Station Cecil Field, including all infrastructure improvements that presently exist, to the Department on or before December 31, 2006, if the Commonwealth of Virginia and the municipal government of Virginia Beach, Virginia, and Chesapeake, Virginia, decline

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from the outset to take the actions required above or within 6 months of the Commonwealth of Virginia and the municipal governments of Virginia Beach, Virginia, and Chesapeake, Virginia, failing to carry through with any of the actions set out above, whichever is later. The state of Florida may not encumber the title by any restrictions other than a reversionary clause in favor of the state of Florida and short-term tenancies consistent with the relocation of the master jet base to Cecil Field.

If the Commonwealth of Virginia and the municipal governments of Virginia Beach, Virginia, and Chesapeake, Virginia, fail to take all of the prescribed actions and the state of Florida meets the conditions established by this recommendation, the units and functions that shall relocate to Cecil Field will include but are not limited to all of the Navy F/A-18 strike fighter wings, aviation operations and support schools, maintenance support, training, and any other additional support activities the Navy deems necessary and appropriate to support the operations of the master jet base, Chapter 11, section 193, of the bill; and that the Commission finds this additional recommendation is consistent with the Final Selection Criteria and the Force Structure Plan.

Additional statement of the Commission: The BRAC 2005 report language shall state: "It is the sense of the

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Commission that the Secretary of Defense deviated from the BRAC criteria by failing to consider NAS Oceana for closure or realignment. The longstanding and steadily worsening encroachment problem around NAS Oceana, without strong support from state and city governments to eliminate current and arrest future encroachment, will in the long term create a situation where the military value of NAS Oceana will be unacceptably degraded. The remedies presented to the Commission thus far have been unconvincing. It is also the sense of the Commission that the future of naval aviation is not Naval Air Station Oceana. The Commission urges the Navy to begin immediately to mitigate the noise encroachment and safety issues associated with flight operations around the Virginia Beach area by transitioning high-density training evolutions to other bases that are much less encroached, such as Naval Outlying Field Whitehouse, Florida, or Kingsville, Texas.

"The Secretary of Defense is directed to cause a rapid, complete due diligence review of the offer of the state of Florida to reoccupy the former NAS Cecil Field and to compare this review against any plan to build a new master jet base at any other location. This review is to be completed within 6 months from the date that the BRAC legislation enters into force and is to be made public to the affected states for comment. After review of the

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states' comments, which shall be submitted within 120 days after publishing the review, the Secretary of Defense shall forward to the oversight committees of Congress the review, the state comments, and his recommendation on the location of the Navy's future Atlantic Fleet master jet base."

Is there a second?

COMMISSIONER COYLE: Second.

CHAIRMAN PRINCIPI: Is there any discussion on the motion?

COMMISSIONER SKINNER: Yes, Mr. Chairman. I think as I looked at this and looking at the discussions we've had with counsel, we've left some language out that I think everybody is aware of and I would move to amend your amendment, if that's the proper procedure. Let me describe the language and let's procedurally figure out how we handle it.

I would add to the language that starts on page 2, that starts "enact state and local legislation and ordinances to establish a program to condemn and purchase all of the property located within all the accident potential zone 1 areas for Naval Air Station Oceana, as described for 1999 AICUZ pamphlet published by the U.S. Navy," "and to fund and expand no less than $15 million annually in furtherance of the aforementioned program."

May we take questions on the amendment? As you

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recall, that was the discussion on the amendment.

CHAIRMAN PRINCIPI: Any further discussion?

COMMISSIONER SKINNER: No. I would move that your motion be amended to include that language.

COMMISSIONER BILBRAY: Can I ask a question on that amendment, Mr. Chairman?

CHAIRMAN PRINCIPI: Counsel advises that we'll vote on the underlying motion, then we will vote on your second degree amendment to that underlying motion.

COMMISSIONER SKINNER: That's fine. I just wanted to make you aware I was going to make an amendment. If your amendment passes, then I'm going to make an additional amendment.

COMMISSIONER BILBRAY: Mr. Chairman, on your motion.

CHAIRMAN PRINCIPI: Yes.

COMMISSIONER BILBRAY: When it says "establish a program to condemn and purchase all the property," does that include property that's compatible with the AICUZ program? There are some uses that are compatible.

CHAIRMAN PRINCIPI: If the uses are compatible, they certainly would not have to be condemned. These would just be uses that are incompatible with those operations.

COMMISSIONER BILBRAY: Is that the correct interpretation?

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CHAIRMAN PRINCIPI: Any further discussion? General Newton?

COMMISSIONER NEWTON: Yes, Mr. Chairman. Mr. Chairman, first let me say that when -- the only reason that, from this Commissioner's mind, that this was added was because it was brought to our attention during testimony by the Department and by the services, and particularly by the United States Navy. This was not something that we went out seeking and looking for, but it was brought to our attention and it certainly is one that we needed to pay a lot of attention to, which we have.

We've listened to several individuals and a number of testimony that the situation which exists with naval aviation and training at Oceana today is fine and it does not degrade training. And this Commissioner is saying that is absolutely wrong. Any time you fly an alternate pattern of flight that is different from the flight manual, you degrade training no matter how small that may be.

In the critical nature at which our naval aviators work on and off the carrier, it is extremely important that they be able to fly and train in a way that does not prevent them from training as they're going to fight.

This unit was transferred from Cecil Field to Oceana during the BRAC process in 1993 and they arrived

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there in '99. From all of the data which I have seen, I've seen nothing that the city has really done to prevent the encroachment of this airfield from that point until this station and this installation was added to the list, and immediately all kinds of activity started taking place to what I would say stall this process.

Next point I'd like to make. There have been quite a bit of discussion with the Navy about the importance of a master jet base and the Navy has repeatedly come back and said that that is required for its operation, and because so I accept the Navy's response to that. If that is true and the situation around Oceana as we've seen -- and I don't know whether we have the photos to put that up or not, but if we don't it's okay. And we've seen this encroachment at Oceana.

(Slide.)

Very good, thank you.

I find that even with the recommendation and the amendment which we are hoping to put forward, if we are not careful it will not have any significant impact on helping our aviators to ensure that they can train like they fight. Passing legislation and doing studies and all of that is just fine. However, until we move that would allow our naval aviators to fly the pattern, and in this case at 600 feet, just as they fly when they are at the carrier, we

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will continue to add risk to their activities.

I find that, once again, the results of us adding this to the list and the response from the community of trying to do something at this point, I find that to be a delaying tactic such that this decision cannot be made. I say that we need to ensure that we hold this community feet to the fire so that if it does not respond in the time that we have indicated here that we move this operation from Oceana to Cecil Field.

Thank you.

CHAIRMAN PRINCIPI: General Hill.

COMMISSIONER HILL: I'd like to associate myself with all of General Newton's comments. My greatest concern from the moment we began discussing this has been one of safety. It is why we never let this fall off the table. It is why we continued to search for an alternative, a viable alternative to help the Navy through their problem.

We never thought of Cecil, just as the Navy did not consider Cecil in its original deliberations, because it was not a Department of Defense asset. But it is a viable alternative, as the staff has reported, as those two pictures reported, and as the visit that Secretary Skinner, General Newton and I made to Cecil Field.

The reality of life between Cecil Field and Oceana is as you fly the pattern at the required height,

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not at additional height, you are always over trees inside Cecil Field operational areas. The reality of life for Oceana is as you fly the pattern at whatever height you are, you are flying over buildings, schools, churches, and shopping centers.

In good conscience, many of us up here have said we've got to do something about that because when the plane augurs into Lynnwood Mall I want to have at least had my say on this subject. So that's why, that's why we have not let this go by.

It has been suggested that it may not be for the BRAC to decide. I suggest to you that's exactly why there's a BRAC, to be able to raise these issues up for a lot of different reasons that were not brought up before. I think that the compromise language of this amendment allows us to fully explore something that should be explored, that must be explored.

10 years from now, 15 years from now, Oceana cannot be the future of navy aviation because that encroachment is not going to go away. You may halt it today, but it is not going to change. You can have it at Cecil Field or you can have it somewhere else. We think that -- in my view, in this Commissioner's view, we ought to put the Secretary of Defense and the people that are smarter than all of us at work finding a viable

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alternative, and that's why I support the issue. It is a safety issue, not a noise issue.

COMMISSIONER SKINNER: Mr. Chairman.

CHAIRMAN PRINCIPI: Yes, Commissioner Coyle -- I'm sorry. Commissioner Skinner, yes.

COMMISSIONER SKINNER: Mr. Chairman, thank you. I think this Commission is fortunate that we have on the Commission General Newton and others who have a lot of knowledge about aviation, aviation safety, aviation mission planning. It's fortuitous, I think, that this issue comes, but I think it's a blessing in disguise.

I support fully what General Newton said. I'd like to just make a couple of observations. I had the honor to serve as Secretary of Transportation for 4 years. My primary role as Secretary of Transportation was safety, on the land, on the water, and most particularly in the air. I had the honor to lead the FAA, the Federal Aviation Administration, which is the leading agency in the world in aviation safety, and unfortunately I had to deal with some of the issues, some of the accidents that have happened in aviation safety that the General talks about.

I would make a couple of observations with that experience in mind. If this airport were a civilian airport, it would not be approved and be operating today. It is a military field and because of that certain leeway

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is given. In Chicago we're building a new airport or expanding an existing airport and the first thing that we are doing is taking all the land and buying it up to make sure that all of the area around the O'Hare Field is safe.

Number two, it is clear that this is not, Oceana is not the long-term future master jet base for the Navy. The Navy has said that. It's obvious as you look at the future of the Navy that it will not be. As General Hill and General Newton pointed out, the planning for a master jet base is way behind where it should be.

Having been involved in the building of the only new airport in the United States in the last 15 years, Denver, deeply involved with the city of Denver and the state of Denver, I can tell you it is a huge task, not only from a funding but from an environmental issue. It is fortuitous that we have a field that was a major jet base in Florida that has not yet been converted to a mall, but in fact is an aviation facility that is basically zones and sited for a major aviation facility, and just 5 years ago they were flying out of that field. It is an opportunity.

Having said that, there is a strong feeling among some members of the Commission that -- and I concur in it and will vote for the amendment -- that we owe one last chance to the people of Virginia to get their act together. We are hopeful that with all the language that has been

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presented they will do so.

We have also asked and mandated that the Navy begin planning for a master jet base and accelerate it and report back to Congress on that, and they consider Cecil Field not only as an immediate solution but as a long-term solution along with others. It has been postponed too long and fortunately in the BRAC we are able to rise above politics and look at this issue from an objective viewpoint.

I would finally opine that if -- and we are putting in this motion, I believe -- I hope it carries. We will put in this motion language to mandate the spending of funds, substantial funds, as they've committed, to try to clean up the mess they have created. But as they look at it and if I were a policymaker in Virginia, and I would recognize that Oceana Air is not the long-term solution for the Navy's master jet base problems and it will inevitably come.

I would certainly, before I expended $170 million to $200 million plus forever on cleaning up the mess and allowed the Navy to spend $150 to $200 million on an auxiliary field with no infrastructure, I would think I would look positively on the opportunity to spend that money or spend a portion of that money and let the state of Florida and the city of Jacksonville and everybody else

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spend the rest, well below $1.6 billion, more in the area of $500 million, and we're getting close to it if you put those numbers together, to solve this problem quickly.

But we can only suggest. We can only issue as strong a finding as we can. It's up to the Department of Defense and the people of Virginia to figure out what's in the best interest of the nation, what's in the best interest of the aviators that fly in harm's way every day, and what's in the best interest of the people that surround that field, who go to school there -- 27 schools.

I've seen in Chicago a fire and what it does to a school. We don't ever want that to happen, and I hope we have taken action that will allow the state of Virginia to make sure that that doesn't happen.

I will support the amendment. Thank you.

CHAIRMAN PRINCIPI: Commissioner Coyle.

COMMISSIONER COYLE: Thank you, Mr. Chairman.

Everyone at this table certainly knows that this is one of the most significant and challenging issues this Commission has faced in the 2005 BRAC round and we would not have arrived at the amendment that you have offered, Mr. Chairman, if it had not been for your leadership and for the leadership and hard work of all of the Commissioners, and especially the staff, who put in many long hours, days, nights, and weekends on this particular

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matter, as well of course on many others.

So I just wanted to note the significant efforts that the Commission put in on this matter. Thank you.

COMMISSIONER TURNER: Mr. Chairman.

CHAIRMAN PRINCIPI: Yes, Commissioner Turner.

COMMISSIONER TURNER: Thank you very much, Mr. Chairman and ladies and gentlemen.

This has probably been one of the most difficult things that I as a Commissioner have had to deal with over the last several months. It certainly generated some of the largest amount of paper and calls and voicemails that have come my direction. But I have learned a lot about the Navy in the last 4 months and I thank my Navy colleagues on the staff for their assistance in that regard, from naval aviation to the P-3's up in the Northeast, to our newest submarine in the fleet, to what a Navy shipyard does. I feel like I've got a fairly good grasp of the Navy at this point.

But as a career Air Force officer, where flying safety becomes such an integral part of your being, you don't lose that just because you retire and go away from the active force. When there's something as serious as the encroachment issue at NAS Oceana, you can't -- you can't ignore it. You can't walk away from it, and you really want to do whatever you can to try to provide a good remedy

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to the situation.

The encroachment at Oceana poses in my humble opinion such a threat, not only to the naval aviators but to the people of Virginia Beach. On the basis of that alone, I need to support the amendment that's put forward, and I very much want to associate myself with all the comments of my colleagues.

Thank you, Mr. Chairman.

CHAIRMAN PRINCIPI: Thank you, General Turner. I certainly share in the comments by my fellow Commissioners and urge that the Commonwealth of Virginia and the city of Virginia Beach will take appropriate action to arrest and correct some of the encroachment problems that are hindering adequate training for our young pilots.

At this point I will ask for a vote on the perfecting amendment by Secretary -- excuse me, I'm sorry.

COMMISSIONER NEWTON: Mr. Chairman, I'd like to just make one more comment. This question came up before with reference to the '93 BRAC, where these two installations are ranked. I went back and reviewed the '93 BRAC. It clearly said that Jacksonville had a higher military value than Oceana did -- Cecil Field, I'm sorry. Cecil Field had a higher military value than NAS Oceana. There were other reasons why the move was taken to Oceana, largely centered around the F-15, which is moving out of

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the inventory.

CHAIRMAN PRINCIPI: Thank you, General Newton.

(Pause.)

CHAIRMAN PRINCIPI: Counsel advises that we'll vote on the underlying amendment and then, if the seven votes are in the affirmative, we will perfect the amendment with your amendment, Secretary Skinner.

COMMISSIONER SKINNER: I think that is the right way.

CHAIRMAN PRINCIPI: I will call for -- is there a second on the motion? I believe there was.

COMMISSIONER SKINNER: Second.

CHAIRMAN PRINCIPI: Are there any recusals?

(A show of hands.)

CHAIRMAN PRINCIPI: Two recusals.

All in favor of the motion? The motion as I stated it, all in favor please indicate.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

MS. SARKAR: Mr. Chairman, the vote is seven ayes, no nays, two recusals. Therefore the motion passes.

CHAIRMAN PRINCIPI: Thank you.

Secretary Skinner, will you please state your perfecting amendment.

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COMMISSIONER SKINNER: Yes. I would add the following language to the motion: After the words "1999 A1CUZ pamphlet published by the U.S. Navy," to take period out and put in there "and to fund and expend no less than $15 million annually in furtherance of the aforementioned program."

CHAIRMAN PRINCIPI: Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: All in favor indicate by raising your hand.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

CHAIRMAN PRINCIPI: There are two recusals.

MS. SARKAR: Mr. Chairman, the vote is seven yeas, no nays, two recusals. Therefore the motion passes.

CHAIRMAN PRINCIPI: Thank you.

That I believe completes work on the Navy BRAC recommendations. We will take a five-minute break and go to the Joint Cross Service. I want to thank the Navy team in its entirety for a job well done. Thank you very much.

(Recess from 1:49 p.m. to 2:03 p.m.)

CHAIRMAN PRINCIPI: Welcome back, Mr. Cook, Mr. Dave Van Saun, and Karl Gingrich, and we'll begin with the Joint Cross Service Group.

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MR. COOK: Thank you.

CHAIRMAN PRINCIPI: The Commissioners will now provide -- I keep forgetting. I'm sorry, Mr. Cook. You'll all have to stand for the oath required by the base closure and realignment statute.

(Staff members rise.)

MS. SARKAR: Thank you, Mr. Chairman.

Members of the BRAC staff who are appearing before the BRAC Commission, please raise your right hand. Do you swear or affirm that the testimony you are about to give and any evidence you may provide are complete and accurate to the best of your knowledge and belief, so help you God?

STAFF MEMBERS: I do.

MS. SARKAR: Thank you.

Thank you, Mr. Chairman.

CHAIRMAN PRINCIPI: Do you just have most of the staff or most of the issues? I don't know.

MR. VAN SAUN: Both.

MR. COOK: Thank you, Mr. Chairman.

Commissioners, we'll now provide review and analysis of the Secretary of Defense's recommendations as they relate to the Joint Cross Service installations and functions. Mr. Dave Van Saun, the Joint Cross Service Team leader, and his analysts will deliver the results of their

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research.

(Slide.)

MR. VAN SAUN: Thank you, Mr. Cook.

Good afternoon, Mr. Chairman and Commissioners. My Joint Cross Service Team and I are prepared to present our review and analysis of the seven Joint Cross Service groups, consisting of 71 recommendations and 238 discrete actions proposed under this BRAC. There were also three additional items added.

Generally, the results of our analysis show that the Department of Defense, through their seven Joint Cross Service groups -- education and training, headquarters and support, industrial, intelligence, medical, supply and storage, and finally technical -- subjected these functional areas to a rigorous scoring process to determine military value, including excess capacity, and that most recommendations optimized that military value.

Our analysis considers the DOD 20-year Force Structure Plan, the desire to enable jointness, transformation of DOD, reduce facilities costs of ownership, and ultimately the goal of freeing funds for the recapitalization of the force. As with all teams, we have been sensitive to issues identified by communities that are affected by the recommendations.

(Slide.)

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Mr. Chairman, the first group of recommendations that we will bring to the floor for vote are for the education and training group. This grouping includes: chapter 4, section 121, of the bill for the Joint Cross Service recommendation, education and training number 6, establish combat service support center; number 2, chapter 4, section 123, of the bill for the Joint Cross Service recommendation, education and training number 8, establish center of excellence for culinary training; chapter 4, section 126, of the bill for the Joint Cross Service recommendation, education and training number 12, establish Net Fires Center; chapter 4, section 127, of the bill for the Joint Cross Service recommendation, education and training number 13, realign Prime Power to Fort Leonard Wood.

Mr. Chairman, we are standing by for any questions.

CHAIRMAN PRINCIPI: Are there any questions or discussion on these four recommendations?

COMMISSIONER NEWTON: Mr. Chairman.

CHAIRMAN PRINCIPI: General Newton.

COMMISSIONER NEWTON: Thank you, sir.

Mr. Van Saun, please share with me or share with us number 126, establish Net Fires Center. What I'd like to know is what were some of the community concerns with

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this particular item.

MR. VAN SAUN: Yes, sir. Let me introduce Mike Avenick, who was the senior analyst on that one, to answer your question.

COMMISSIONER NEWTON: I'm sure Mike was absolutely ready.

MR. VAN SAUN: Yes, sir.

MR. AVENICK: There were seven community concerns. The first had to do with training. The Fort Bliss community indicated that field training space at Fort Bliss can accommodate better than Fort Sill the field training requirements of both the air defense artillery and field artillery schools.

The Army agreed that, although Fort Bliss is much larger than Fort Sill, the field training space at Fort Sill is adequate to accomplish all training -- all air defense artillery school training requirements.

The second community concern was U.S. weapons system -- I'm sorry, that was the second one. The first one was firing Patriots and Stingers on Fort Sill. The Fort Bliss community believes the Net Fires center should be established at Fort Bliss because Fort Bliss can accommodate live firing of air defense artillery missiles and Fort Sill cannot.

The Army addressed this concern by informing the

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community that Army air defense artillery school training requirements do not require live firing of missiles.

The third concern had to do with U.S. weapons system development and testing at Fort Bliss. The Fort Bliss community expressed concern that current U.S. air defense weapons system development and testing at Fort Bliss and associated technical workforces will be adversely affected by movement to Fort Sill of the air defense artillery center and school plus one of two Patriot air defense brigades currently at Fort Bliss.

The Army determined that weapons system development and testing activities at Fort Bliss are not tied to the location of the air defense artillery center and school or a tactical unit and that weapons development and testing are principally the responsibility of other Army and DOD organizations.

The next concern was foreign missile training at Fort Bliss. The Fort Bliss community expressed concern that foreign missile training at Fort Bliss, including that done by German, Norwegian, and Japanese allies, will be adversely affected by the air defense school leaving Fort Bliss.

The Army indicated that continued foreign training is independent of the air defense artillery school's move to Fort Sill because these allies generally

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provide their own training instructors and they can choose to continue their firing and non-firing training at Fort Bliss or to relocate their non-firing training to Fort Sill.

The next community concern was restationing the First Armored Division from Germany to Fort Bliss. The Fort Bliss community believes that Fort Bliss is large enough to retain all units currently stationed at Fort Bliss, including the air defense artillery school and brigades, and additionally receive the field artillery center and school and a brigade from Fort Sill and the First Armored Division from Europe.

The Army indicated that its basing goals reflected in BRAC prioritized use of excess capacity at Fort Sill to create a Net Fires Center and use of vacated space at Fort Bliss to base incoming units, including the First Armored Division.

The next concern was force and family stabilization. The Fort Bliss community believes that greater opportunity for stabilization exists at Fort Bliss because it will have a greater number of units than Fort Sill.

The Army stated that force and family stabilization goals can be achieved at Fort Sill as well as at Fort Bliss and is enhanced at Fort Sill by relocating to

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Fort Bliss an air defense artillery brigade along with the air defense school.

The last community concern category had to do with Army cost savings. The Fort Bliss community agrees with the concept of consolidating the air defense and field artillery centers and schools to create a Net Fires Center. However, the Fort Bliss community believes the center should be located at Fort Bliss.

The Army determined that locating the Net Fires Center at Fort Bliss would save 300 million more dollars than locating it at Fort Sill. That's $621 million saved versus $319 million savings. But Army priorities were to optimize military value rather than savings, to create a base the Net Fires Center at Fort Sill to use its excess capacity and retain surge capability and to base the First Armored Division and its 20,000 soldiers and extensive array of combat equipment at Fort Bliss to use its armor maneuver space and deployment access, such as to Beaumont Seaport.

CHAIRMAN PRINCIPI: Thank you.

COMMISSIONER HILL: Mr. Chairman.

CHAIRMAN PRINCIPI: General Hill.

COMMISSIONER HILL: To all my colleagues -- and I appreciate General Newton's questions because these are issues that needed to be discussed -- I took a very careful

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look at this issue, received more than one briefing on this issue from both sides, both sides of the aisle on this issue. All of the community concerns are valid points, but all of the Army, in my view, answers to them and their mitigation of them satisfy that the Net Fires Center is necessary, the Net Fires Center ought to be at Fort Sill, and everything else can be mitigated in one way or the other. This is a great idea and it belongs at Fort Sill.

Finally, I would say to you that the strongest rationale for that is the stationing of the division at Fort Bliss. Fort Bliss becomes a big gainer in this and they don't begin to mix up what the Army's, operational Army, with the Army's institutional Army in a big way at Fort Sill -- excuse me, at Fort Bliss.

So I am all for this and I encourage my colleagues to do the same.

CHAIRMAN PRINCIPI: Admiral Gehman.

COMMISSIONER GEHMAN: Thank you very much.

I believe my question is probably not technically related, not technically in this group, but it's related. I agree that it makes good sense to create a Net Fires Center of Excellence. In order to do that, you have to combine the air defense artillery with the field artillery, and if they chose to do it at Fort Sill I think that's fine.

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But related, closely related to this, are brigades which are going to pass each other on the highway, is that not right? I mean, one brigade from Fort Sill to Bliss and one brigade from Fort Bliss to Sill? And there's MILCON at both ends so they can all have new barracks and things like that, and I congratulate the Army on their gaming here.

Would you in your analysis, would you tell me that those two moves are rational and that they contribute to this center of excellence?

MR. AVENICK: Well, I would say a couple of things. First, there's the overarching issues of two factories or two production lines, so to speak, at two bases compared to one. The reason that this $300 million savings if it's put in Fort Bliss has to do with overhead, spreading the cost of overhead. If you have a megabase, of course, the cost of overhead is dispersed among the many people as opposed to maintaining two bases.

In this case, the Army chose to maintain two bases in order to have future capability and surge capacity and take advantage of excess capacity currently in the inventory.

The issue of the two brigades swapping refers to an operational Army recommendation which was previously discussed. In that recommendation, to support this

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activity, a Net Fires Center, an operational air defense artillery brigade is moved from Fort Bliss to Fort Sill to form part of the associated structure to the Net Fires Center as an operational unit at Fort Sill, and in reverse Fort Sill sends a fires brigade, multiple launch rocket system type brigade, down to Fort Bliss. That also is an operational unit, and that provides in both cases family and force stabilization, opportunity for cross-transferring, and that sort of thing. And of course they represent operational capabilities, separate but complementary to schools or other units they're with.

So the two are linked directly and related. That aspect, the swap of the two brigades in operational Army, exists because of the formation of the Net Fires Center in the net fires recommendation. So they go together as a package.

That's my answer to the question.

COMMISSIONER GEHMAN: Thank you, Mr. Chairman.

COMMISSIONER HILL: If I could add to that also, and I understand your concerns, but, as we're all aware, all the Commissioners, the pieces of the moving Army and the transforming Army on this BRAC and as they come back from overseas is a very complicated procedure. I will say for everyone, I spent 37, almost 37 years in the Army and the Army has done over those 37 years some pretty stupid

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things. This, however, is not one of them. They thought this through in a way that made me very proud to have worn an Army uniform, and it will serve this nation greatly for many years to come.

COMMISSIONER NEWTON: Mr. Chairman.

CHAIRMAN PRINCIPI: General Newton.

COMMISSIONER NEWTON: Well, sir, as always, we can always count on my colleague to my right to be very frank about what he says and he has not failed us again today. I also would like to point out, though, I don't see, based on the discussion and the question of moving both of the brigades and so on, that we're going to achieve the end objective. I don't see a reasonable way to make it happen other than through this process.

If we said, well, the Army could maybe do this programmatically, I'm of the opinion it will never happen. So I fully support and think the Army has done a wonderful job by selecting this method to make this happen, and I think it's the right thing. It should all work well.

Obviously, there's always the thought, let's put them all in one given community. If that community is speaking, to me that's not the right thing to do.

CHAIRMAN PRINCIPI: Yes, Commissioner Coyle.

COMMISSIONER COYLE: Thank you, Mr. Chairman.

Mr. Avenick, can you clarify? Do I understand it

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correctly that if the proposed changes here are approved by the Commission classroom training, if I can put it that way, will now take place at Fort Sill, but when it comes to firing Patriots and perhaps even Stinger missiles -- I'm not sure here -- people from Fort Sill will still go to Fort Bliss and fire Patriots on the range there, MacGregor Range, White Sands? There is no intention on the part of the Army to fire Patriots at Fort Sill, is that correct?

MR. AVENICK: That is correct.

COMMISSIONER COYLE: Thank you very much.

CHAIRMAN PRINCIPI: Thank you.

Any further discussion?

(No response.)

CHAIRMAN PRINCIPI: Are there any amendments?

(No response.)

CHAIRMAN PRINCIPI: Hearing no motion to amend, we will vote on whether to approve the Secretary's recommendations -- specifically, these recommendations are education and training recommendations 6, 8, 12, and 13 as highlighted -- and find that they are consistent with the final Force Structure Plan and the Final Selection Criteria.

Are there any recusals?

(No response.)

CHAIRMAN PRINCIPI: Hearing none, all those in

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favor -- excuse me. Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: All in favor, please indicate by raising your hand.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

CHAIRMAN PRINCIPI: Counsel.

MS. SARKAR: Mr. Chairman, the vote is unanimous. Motion carries.

CHAIRMAN PRINCIPI: Mr. Van Saun.

MR. VAN SAUN: Thank you, Mr. Chairman.

I'd like to move to the next group of recommendations that we'll bring to the floor for a vote are for the headquarters and support activities group. The grouping includes: chapter 5, section 138 of the bill for the Joint Cross Service, headquarters and support activities number 22, consolidate correctional facilities into joint regional correctional facilities; chapter 5, section 139 of the bill, for the Joint Cross Service recommendation, headquarters and support activity number 26, consolidate Defense Commissary Agency offices; chapter 5, section 140 of the bill, for the Joint Cross Service recommendations, headquarters and support activities number 27, consolidate Defense Systems Agency and establish joint

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C4ISR capability; capability 5, section 141 of the bill, for the Joint Cross Service recommendation, headquarters and support activities number 30, consolidate media organizations into the new Agency for Media and Publications; chapter 5, section 142 of the bill, for the Joint Cross Service recommendation, headquarters and support activities number 31, consolidate Transportation Command components; chapter 5, section 144 of the bill, for the Joint Cross Service recommendation, headquarters and support activities number 35, create joint mobilization sites; chapter 5, section 147 of the bill, for the Joint Cross Service recommendations, headquarters and support activities number 44, relocate Air Force Real Property Agency; chapter 5, section 148 of the bill, for the Joint Cross Service recommendation, headquarters and support activities number 46, relocate Army headquarters and field operating agencies.

Mr. Chairman, we are standing by for any questions.

CHAIRMAN PRINCIPI: Thank you.

Are there any questions for the staff, any discussion? General Newton.

COMMISSIONER NEWTON: Yes, Mr. Chairman. I'd like to have a bit more information on number 140, the consolidation of Defense Information Systems Agency and

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establish joint C4ISR capability. Where is that being done?

MR. SAXON: Thank you for your question, Commissioner Newton. The consolidation of DISA would affect a number of installations in Northern Virginia, Slidell, Louisiana, Panama City, Florida, amongst others, and they would be relocated to Fort Meade, Maryland.

COMMISSIONER NEWTON: Okay. Tell me what's involved -- new one, 142 -- what's involved in the Transportation Command components?

MR. DURSO: Thank you for your question, sir. The service components involved in the Transportation Command are, on the U.S. Army side, the Surface Deployment and Distribution Command headquarters in Alexandria, Virginia; the operations center for the SDDC in Fort Eustace, Virginia; and the U.S. Army Transportation Engineering Agency in Newport News, Virginia.

COMMISSIONER NEWTON: And they're going to? Consolidating where?

MR. DURSO: At Scott Air Force Base, Illinois, sir.

CHAIRMAN PRINCIPI: Are there significant savings associated with these recommendations just overall?

MR. SAXON: With regards to the consolidation of DISA, it provides a 20-year net present savings of $491

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million.

COMMISSIONER NEWTON: And for the Transportation Command, those components are going under Transportation Command at Scott, is that correct, under the joint command?

MR. DURSO: That's correct.

COMMISSIONER NEWTON: Fine, thanks.

CHAIRMAN PRINCIPI: Are there any further questions?

(No response.)

CHAIRMAN PRINCIPI: Are there any amendments on these recommendations?

(No response.)

CHAIRMAN PRINCIPI: Hearing no motion to amend, we will vote on whether to approve the Secretary's recommendations -- specifically, these recommendations are headquarters and support activities 22, 26, 27, 30, 31, 35, 44, 46 -- and find that these recommendations are consistent with the Final Selection Criteria and Force Structure Plan. Is there a second?

COMMISSIONER COYLE: Second.

CHAIRMAN PRINCIPI: Are there any recusals?

(No response.)

CHAIRMAN PRINCIPI: All in favor indicate by raising their hand.

(A show of hands.)

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CHAIRMAN PRINCIPI: All opposed?

(No response.)

MS. SARKAR: Mr. Chairman, the vote is unanimous. There were no nays, no recusals. The motion passes.

CHAIRMAN PRINCIPI: Thank you.

Mr. Van Saun.

MR. VAN SAUN: Mr. Chairman and Commissioners, the next group of recommendations that we will bring to the floor for a vote are for the industrial group. This grouping includes: chapter 6, section 151 of the bill for the Joint Cross Service recommendation, industrial number 5, close Riverbank Army Ammunition Plant, California; chapter 6, section 152 of the bill, for the Joint Cross Service recommendation, industrial number 6, realign Sierra Army Depot, California; chapter 6, section 153 of the bill, for the Joint Cross Service recommendation, industrial number 7, realign Rock Island Arsenal, Illinois; chapter 6, section 155 of the bill, for the Joint Cross Service recommendation, industrial number 9, close Kansas Army Ammunition Plant, Kansas; chapter 6, section 157 of the bill, for the Joint Cross Service recommendation, industrial number 11, close Mississippi Army Ammunition Plant, Mississippi; chapter 6, section 159 of the bill, for the Joint Cross Service recommendation, industrial number 13, realign Watervliet Arsenal, New York; chapter 6,

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section 162 of the bill, for the Joint Cross Service recommendation, industrial number 16, close Lone Star Army Ammunition Plant, Texas; chapter 6, section 164 of the bill for the Joint Cross Service recommendation, industrial number 18, realign Ship Intermediate Maintenance Activity, Norfolk, Virginia; chapter 6, section 166 of the bill, for the Joint Cross Service recommendation, industrial number 26, realign Naval Shipyard Detachments.

Mr. Chairman, we are standing by for any questions.

CHAIRMAN PRINCIPI: Thank you.

General Hill.

COMMISSIONER HILL: All of us are very familiar with all of these issues and the pros and cons of each one of them. But how about let's have a little discussion of these on the rationale for closing Lone Star Army Ammunition Plant and the community concerns, please.

MR. VAN SAUN: Thank you for your question, Commissioner Hill. I'd like to introduce George Delgado, who is the lead analyst for that item.

MR. DELGADO: Good afternoon and thank you for your question. The basic rationale for the closing of Lone Star is its low usage, which was reported at 5 percent by the Department of Defense, and also the high capacity for Army ammunition plants that exist. So in essence it's

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rationalizing this capacity to a more manageable level.

The community was very active indeed. We had many communications from them, including the operating contractor as this plant is a government owned, contractor operated plant. Their concerns, of course, dealt with the loss of employment and the typical things.

COMMISSIONER HILL: How many jobs are affected by this?

MR. DELGADO: At Lone Star it's somewhere around 400. Most of them are contractor, I must say. I can't remember; I think it's about nine -- there is very few civilians and no military, I believe.

COMMISSIONER HILL: Very few Department of the Army civilians?

MR. DELGADO: Yes, sir.

COMMISSIONER HILL: But all those contractors are civilians, too.

MR. DELGADO: Yes, sir.

COMMISSIONER HILL: Okay. The other thing, the other question I would ask you is, because of the related Red River decision which we've already made, this also plays into that because of the Patriot issue, isn't that correct?

MS. BIERI: I believe they have done some work as a subcontract for Red River on the Patriot. So yes, this

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will be affected.

COMMISSIONER HILL: Thank you.

CHAIRMAN PRINCIPI: With all of these closures and realignments, how much excess capacity will exist in our Army ammunition plants across the country?

MR. VAN SAUN: Thank you for the question, Commissioner.

Liz, I didn't introduce her earlier, but can you give us an estimate on that?

CHAIRMAN PRINCIPI: Are we eliminating all of our excess capacity with these actions?

MS. BIERI: No, sir, we're not eliminating all the excess capacity. As Mr. Delgado says, the Army is beginning to rationalize the industrial base for ammunition plants and we are taking a big step with these closures. The highest facility utilization was at Kansas and at Lone Star, which was 5 percent each.

CHAIRMAN PRINCIPI: Will these actions have any impact on our ongoing operations in Iraq and Afghanistan?

MS. BIERI: Sir, the Joint Munitions Command in Rock Island, Illinois, is committed to evaluating all warfighter requirements, pulling forward and funding anything to ensure that there would be no interruption to any warfighter requirements.

CHAIRMAN PRINCIPI: So this is a 6-year phase-in,

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so it doesn't have to be done overnight.

MS. BIERI: No, sir.

CHAIRMAN PRINCIPI: Thank you.

Any further questions? Commissioner Coyle.

COMMISSIONER COYLE: Thank you, Mr. Chairman.

Could you, could the staff please review the issues with respect to Rock Island?

MR. VAN SAUN: Thank you for the question, Commissioner Coyle. Let me introduce the lead analyst, Valerie Mills, for that item.

MS. MILLS: The main issue with Rock Island was the joint manufacturing center reported on three separate occasions certified data for the capacity of depot maintenance operation. So the community was concerned that that information was placed in the wrong category. But the last data that the Commission received was November 2004 and that is the information that was used to come up with the realignment for depot maintenance functions from out of Rock Island. So that was the main concern there.

COMMISSIONER COYLE: When the Department of Defense provided information on three different occasions, was the data it provided very different, very contradictory from one time to the next?

MS. MILLS: Yes, the numbers were lowered each time.

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COMMISSIONER COYLE: Do you have any concern that the data we've received now, the most recent set of data, is not the correct data?

MS. MILLS: We are concerned that the numbers may be incorrect, but we feel that upon implementation, when Rock Island has the opportunity to state exactly their depot maintenance mission, that that will be worked out at that point, because Rock Island joint manufacturing center is mainly the manufacturing center and they do 80 percent manufacturing work.

MR. VAN SAUN: Yes, sir, Commissioner Coyle. Just I might add that the key point here is that as the item is written only the maintenance function is what is moving. It's not explicit beyond that. Through implementation, we're confident that they will only move those folks involved in the maintenance function.

COMMISSIONER COYLE: Thank you.

CHAIRMAN PRINCIPI: Secretary Skinner.

COMMISSIONER SKINNER: It's my understanding that the disconnect at Rock Island is the fact that they do mainly non-depot maintenance, but they do some, and they would claim they do very little depot maintenance.

MS. MILLS: That's correct.

COMMISSIONER SKINNER: So the number of people that are involved here may be, that they say are involved

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in depot maintenance, they're not all full-time working depot maintenance, and so the numbers actually that they're going to have to work out is how many of these people on a full-time equivalent basis, how many full-time equivalent basis people are working on depot maintenance, and those people would either be moved out or that head count would be chopped off, but the rest would stay there; is that right?

MS. MILLS: Yes, sir, that's correct.

COMMISSIONER SKINNER: So do you have any percent? I mean, I think it was -- do you remember the number it was, Valerie?

MS. MILLS: That they had as far as temporary people?

COMMISSIONER SKINNER: Well, no. As far as how many people that they have -- the last submission. There were three submissions.

MS. MILLS: 181 people.

COMMISSIONER SKINNER: Do you have any idea how many of the 181 on a full-time equivalent do depot maintenance?

MS. MILLS: No, sir. But I do know that they have 79 people that are temporary that do depot maintenance.

COMMISSIONER SKINNER: Okay, thank you.

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CHAIRMAN PRINCIPI: Admiral Gehman.

COMMISSIONER GEHMAN: Again on Rock Island. Because we've grouped all of these low-capacity ammunition plants together, but Rock Island jumps out because in the first round of certified data it appears never to pay back. It appears to lose. It's one of these deals where we're going to spend $27 million to save $16 million. But then you say the data changed, over a period of time the data changed.

Did we ever -- and I don't know what the latest numbers are. Do we ever come out ahead on this deal?

MS. MILLS: Sir, the numbers that you have are the last numbers that were processed.

COMMISSIONER GEHMAN: So Mr. Van Saun suggested that in execution you have assumed that the Department won't do something which is not in their best interest, but we can't quite sort it out from here. Is that what the bottom line is?

MR. VAN SAUN: Yes, sir, that's correct.

CHAIRMAN PRINCIPI: I want to go back to Lone Star. Is Lone Star a GOCO ammunition depot? I heard someone say that this is contractor operated. It's all contractor operated, the same contractor that would be at some of these other Army ammunition plants?

MR. VAN SAUN: Yes, sir, that's correct, that is

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correct.

CHAIRMAN PRINCIPI: So the employees, these contractor employees, would move around from plants, I would assume?

MR. VAN SAUN: Yes, sir. Let me correct that. It's a couple of different contractors, so that's not an automatic assumption.

CHAIRMAN PRINCIPI: Are there any further questions? Commissioner Coyle.

COMMISSIONER COYLE: Thank you, Mr. Chairman.

I just want to follow up on Admiral Gehman's question. With the latest changes that you've gotten from the Department of Defense, does the Rock Island proposal save the taxpayers any money?

MR. VAN SAUN: Karl, would you like to take that?

MR. GINGRICH: Yes, sir. Thank you for the question. According to the latest COBRA run, the official DOD, the one-time cost will be just under $27 million. The 20-year net present value will be $13.7 million savings.

COMMISSIONER COYLE: Savings?

MR. GINGRICH: Savings, yes, sir.

COMMISSIONER COYLE: Is there -- I don't know how to ask this question properly. Is this particular proposal, section 153 proposal, is it different from the other ammunition plants and depots that are mentioned here?

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Is it different in that regard? Is it the only one that stands out as not saving money?

MR. GINGRICH: In a general sense, most of the depots save quite a bit of money, a significant amount of money. This one is small, but it's also a very small percentage of personnel being realigned from Rock Island.

COMMISSIONER COYLE: From the staff's point of view, is there any reason why we should not strip this particular recommendation, section 153 recommendation, out of this grouping, either to deal with it later or, for that matter, in a subsequent vote today? Or do you see benefits to the U.S. military from the proposed realignment that override the fact that it doesn't save any money?

MS. MILLS: Sir, Commissioner, this is part of the overall realignment for the depot maintenance. The depot maintenance functions that are to realign out of Rock Island will be going to two of the facilities that have higher military value. So overall this is a good recommendation, and if Rock Island is indeed doing any depot maintenance in those particular commodity areas then they would go to the centers that do that job very well.

COMMISSIONER COYLE: Thank you.

CHAIRMAN PRINCIPI: Any further questions?

(No response.)

CHAIRMAN PRINCIPI: Are there any amendments to

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this motion?

(No response.)

CHAIRMAN PRINCIPI: Hearing no motion to amend, we will vote on approval of the Secretary's recommendations in the industrial Joint Cross Service Group, number 5, 6, 7, 9, 11, 13, 16, 18, and 26, and find that they are consistent with the Final Selection Criteria and Force Structure Plan. Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: Are there any recusals?

(No response.)

CHAIRMAN PRINCIPI: Hearing none, all in favor indicate by raising their right hand.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed.

(No response.)

CHAIRMAN PRINCIPI: Counsel.

MS. SARKAR: Mr. Chairman, the vote is unanimous. The motion passes.

CHAIRMAN PRINCIPI: Thank you.

Mr. Van Saun.

MR. VAN SAUN: Thank you, Mr. Chairman.

The next group of recommendations that we will bring to the floor for a vote are for the intelligence group. This grouping includes: chapter 7, section 167 of

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the bill for the Joint Cross Service recommendation, intelligence, number 3, realign Defense Intelligence Agency; chapter 7, section 168 of the bill, for the Joint Cross Service recommendation, intelligence number 4, realign National Geospatial Intelligence Agency activities.

Mr. Chairman, we are standing by for any questions.

CHAIRMAN PRINCIPI: Thank you.

I note that the relocation and consolidation of the various components of National Geospatial Intelligence Agency has a price tag of about a billion dollars; is that correct?

MR. DELANEY: Yes, sir.

CHAIRMAN PRINCIPI: What is it based on? That seems significantly high to me.

MR. DELANEY: Mr. Chairman, that's based on, principally on the MILCON to do the building at Fort Belvoir.

CHAIRMAN PRINCIPI: Is there adequate space at Fort Belvoir to accommodate this large MILCON project?

MR. DELANEY: I'm sorry, sir; could you ask again, please?

CHAIRMAN PRINCIPI: Is there adequate space on Fort Belvoir, where I believe this agency will be relocating to? Is there adequate space on Fort Belvoir to

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accommodate this MILCON project?

MR. DELANEY: Yes, sir, there is.

CHAIRMAN PRINCIPI: Are there any questions, any discussion?

COMMISSIONER NEWTON: Mr. Chairman, not only I recognize the large amount of money that it costs, that one-time cost. But this also, they generate a savings, if I have the right one in mind here.

MR. DELANEY: Yes, sir.

COMMISSIONER NEWTON: Why don't you tell us what that savings really is? Give us the background, will you, please?

MR. DELANEY: The COBRA analysis is a one-time cost of $1.1 billion, with an annual recurrent savings of $127.7 million.

MR. GINGRICH: Mr. Commissioner, the 20-year net present value is a savings of $535 million just for the NGIA recommendation.

COMMISSIONER NEWTON: Right. And Mr. Chairman and Commissioners, I just took a brief on this earlier, maybe it was even -- yes, earlier this week, I guess it was. All of these funds -- some of these funds come from other areas that they are doing the building with. So it's not all coming out of BRAC funds. They demonstrated to us this truly is the right thing to do.

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CHAIRMAN PRINCIPI: Is there anything further?

(No response.)

CHAIRMAN PRINCIPI: Hearing no motion to amend, we'll vote to approve the Secretary's recommendations in the intelligence Joint Cross Service Group, recommendations 3 and 4, and find that they are consistent with the Final Selection Criteria and the Force Structure Plan. Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: All in favor?

(A show of hands.)

CHAIRMAN PRINCIPI: Oh, yes, we have, I'm sorry, one recusal.

All opposed?

(No response.)

CHAIRMAN PRINCIPI: Count?

MS. SARKAR: Mr. Chairman, the vote are eight yeas, one recusal. The motion passes.

CHAIRMAN PRINCIPI: Mr. Van Saun.

MR. VAN SAUN: Thank you, Mr. Chairman. The next group of recommendations that we will bring to the floor for a vote are for the supply and storage group. The grouping includes: chapter 9, section 175 of the bill, for the Joint Cross Service recommendation, supply and storage number 5, commodity management privatization; chapter 9,

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section 177 of the bill, for the Joint Cross Service recommendation, supply and storage number 13, supply and storage distribution management reconfiguration.

Mr. Chairman, we are standing by for any questions.

CHAIRMAN PRINCIPI: Thank you.

Are there any questions or any discussion?

(No response.)

CHAIRMAN PRINCIPI: Are there any amendments to the recommendations?

(No response.)

CHAIRMAN PRINCIPI: Hearing no motion to amend, we will vote to approve the Secretary's recommendations on supply and storage, Joint Cross Service Group number 5 and number 13, and find that they are consistent with the Final Selection Criteria and Force Structure Plan. Is there a second?

COMMISSIONER GEHMAN: Second.

CHAIRMAN PRINCIPI: Are there any recusals?

(No response.)

CHAIRMAN PRINCIPI: All in favor indicate by raising their hand.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

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MS. SARKAR: Mr. Chairman, the vote was unanimous. There were no recusals or nays. The motion passes.

CHAIRMAN PRINCIPI: Thank you.

Mr. Van Saun, does that conclude all of the --

MR. VAN SAUN: No, sir. We have one more group.

CHAIRMAN PRINCIPI: Okay, I'm sorry.

MR. VAN SAUN: Mr. Chairman, the last group of recommendations that we'll bring to the floor for you are the technical group: chapter 6, section 180 of the bill, for the Joint Cross Service recommendation, technical number 7, consolidate ground vehicle development and acquisition; chapter 10, section 183 of the bill, for the Joint Cross Service recommendation, technical number 13, technical number 13, consolidate sea vehicle development and acquisition; chapter 10, section 185 of the bill for the Joint Cross Service recommendation, technical number 18, create an Air Integrated Weapons and Armaments Research, Development, Acquisition, Test and Evaluation; chapter 10, section 189 of the bill for the Joint Cross Service recommendation, technical number 26, establish centers for rotary wing air platform development, acquisition, test and evaluation.

Mr. Chairman, we are standing by for any questions.

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CHAIRMAN PRINCIPI: Thank you.

Are there any questions or discussion on these four technical recommendations?

(No response.)

CHAIRMAN PRINCIPI: Are there any amendments? Commissioner Coyle?

COMMISSIONER COYLE: Yes. Sorry, Mr. Chairman.

Mr. Van Saun, could you go over the issues slides that you have on 183 and 185.

(Slide.)

MR. VAN SAUN: I'd like to introduce Les Farrington, sir, and he will go over those with you.

MR. FARRINGTON: 183, relocate sea vehicle development and acquisition to Naval Surface Warfare Center, Carterock Division, Bethesda, Maryland, the program management and directorate of sea vehicles development and acquisition, the Naval Sea Systems Command, Washington, D.C. In our discussions with the community and issues we've identified, we've found that the Navy is rated high on tasks related to acquisition and development of sea vehicles and that the collocation can be accomplished with no outlay of MILCON dollars by utilizing existing infrastructure. We support the acceptance of that recommendation. To us it looks like a good consolidation.

What was the other one, please?

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COMMISSIONER COYLE: 185.

(Slide.)

MR. FARRINGTON: 185 relocates weapons and armaments in-service engineering RDAT and E to Eglin Air Force Base, Florida. Another part of that deals with Fort Belvoir, Virginia, and relocates the Defense Threat Reduction Agency, National Command Region, conventional research, to Eglin Air Force Base, Florida.

This is an attempt to consolidate and create a center of excellence at Eglin from beginning to end in terms of R and D, sustainment, testing, a total full-spectrum center at Eglin.

Commission staff identified the issue of the location of performance of in-service engineering of munitions. Staff supports DOD's desire to create a full-spectrum life cycle capability at Eglin, to include in-service engineering support of fielded items. Also, the fact that Eglin is rated substantially higher than Hill on all RDAT and E categories makes Eglin the most preferred location to accomplish the in-service engineering function.

Further, Commission staff supports the movement of DTRA, Defense Threat Reduction Agency, research to Eglin as well as the elimination of the need -- as well as elimination of the need to lease space. We support that recommendation.

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CHAIRMAN PRINCIPI: Is there anything further?

(No response.)

CHAIRMAN PRINCIPI: Hearing no motion to amend, we will vote to approve the Secretary's recommendations on technical Joint Cross Service Group numbers 7, 13, 18, 26, and find that they are consistent with the Final Selection Criteria and Force Structure Plan. Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: Are there any recusals?

(No response.)

CHAIRMAN PRINCIPI: All in favor, indicate by raising your hand.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

MS. SARKAR: Mr. Chairman, the vote is unanimous. The motion is approved.

CHAIRMAN PRINCIPI: Thank you.

That completes the grouping of the Joint Cross Service Group?

MR. VAN SAUN: Yes, Mr. Chairman. That completes the grouping and we're ready to proceed at your --

CHAIRMAN PRINCIPI: I suggest we take a 30-minute recess, give the Commissioners an opportunity to understand the amendments that may be coming forward with regard to

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some of these other recommendations, and we'll be able to proceed in a more orderly and informed fashion. So the Commission will stand in recess until 3:20 p.m.

(Recess from 2:52 p.m. to 3:22 p.m.)

CHAIRMAN PRINCIPI: The Commission will come to order.

Mr. Cook.

MR. COOK: Thank you, Mr. Chairman. We'll continue on with the Joint Cross Service Group as it relates to chapters 6 and 9. Mr. Van Saun.

MR. VAN SAUN: Thank you, Mr. Cook.

Chairman and Commissioners, we'll now proceed to look at chapter 6 items. The first item that we'd like to consider is item 150. It's to realign Naval Weapons Station Seal Beach. Let's go to the slide.

(Slide.)

Slide.

(Slide.)

The recommendation relocates depot maintenance activities from Seal Beach to Pennsylvania, Alabama, and Georgia. I'd like to introduce David Epstein as the senior analyst to discuss this item.

MR. EPSTEIN: Thank you, Dave.

Chairman Principi, Commissioners: The justification for this recommendation is to work towards

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elimination of the depot maintenance function from Naval Weapons Station Seal Beach and follows the general strategy of minimizing the number of sites performing depot maintenance. This recommendation eliminates nearly six acres of depot maintenance production space, with annual facility sustainment and recapitalization savings of about $1.1 million.

This recommendation increases inter-servicing, but decreases depot maintenance costs across DOD by consolidation and elimination of duplicate structures in which depot maintenance is performed. This supports transformation of the depot maintenance operations by increasing utilization of existing capacity while maintaining capability to support future force structure.

There are four recommendations on the chart that you saw. The only recommendation with which the staff takes issue is one that affects fewer than five people. It appeared on the recommendations due to a miscategorization of some intermediate level work which was coded as depot maintenance.

Containers generally come to Seal Beach with a missile in them. The missile work is and will be done at Seal Beach. The recommendation would cause the empty containers to be shipped cross-country to Letterkenny, where they would be repainted, bolts tightened, and dents

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removed. The containers would then be shipped back to Seal Beach. It costs about $800 to $1,000 to ship each container round trip to Pennsylvania. If the container is still at Letterkenny when the missile is ready, the missile might have to await the return of the correct size of container, as there are about a dozen different container shapes and sizes.

We have no reason to think that there's any substantial difference between the costs of doing this work at Letterkenny or at Seal Beach other than shipping costs. If you look at the four recommendations in total, we're talking about one-time costs of $4 million, payback within a year, a $17.6 million 20-year net present value savings. This would affect a total of about 60 people.

Staff agrees that, given the low technical level of the work involved and the possible ramifications of having an overhauled missile without an appropriate container, it doesn't make sense to ship the containers cross-country. This total work involves only about 6,000 man-hours, 4 work years. Overturning the recommendation, that is this one sub-recommendation, costs about $11,000 extra in civilian salary locality pay, but avoids paying about $400,000 a year in shipping costs and avoids the cost of moving the two civilians to Letterkenny. Thus the recommendation would have an NPV of about $5 million more

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than the original recommendation. However, that savings would likely be offset by what appears to be an overstatement in the savings that might come about from reducing warehouse space.

Thank you very much.

CHAIRMAN PRINCIPI: We have before us industrial Joint Cross Service Group recommendation for Naval Weapons Station Seal Beach, California, appearing at chapter 6, section 150 of the bill. Are there any questions or any discussion on this recommendation?

COMMISSIONER GEHMAN: Mr. Chairman.

CHAIRMAN PRINCIPI: Admiral Gehman.

COMMISSIONER GEHMAN: Mr. Chairman, for my colleagues, I'm going to offer an amendment which is essentially a technical correction to this recommendation. The last item in the realignment -- the recommendation's a good one. The functions that they list here should be realigned. We don't have any problem with that.

The last of the four functions that they say to realign was an attempt to get at the part of the tactical missile work that they do and will continue to do at Seal Beach, which hundreds of people do, and attempt to get at the material-handling section of that group, essentially redoing the containers that the missiles travel in. What they wrote in the recommendation is to relocate the depot

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maintenance of tactical missiles and that's not what was intended here.

Therefore I will propose an amendment which is essentially a technical correction to this, to delete that section when they were really only trying to get at a dozen or so people, not hundreds and hundreds of people. The correction actually saves money and will not do any harm to the overall recommendation.

CHAIRMAN PRINCIPI: Will you offer your amendment, then?

COMMISSIONER GEHMAN: I am ready, yes, sir.

CHAIRMAN PRINCIPI: Please.

COMMISSIONER GEHMAN: Very well. I move that the Commission find that when the Secretary of Defense made Industrial Joint Cross Service Group recommendation number 4, Naval Weapons Station Seal Beach, California, he substantially deviated from the Final Selection Criteria 1 and 5 and the Force Structure Plan; that the Commission strike the language, quote, "relocate the depot maintenance of other components to Anniston Army Depot, Alabama, and relocate the depot maintenance of tactical missiles to Letterkenny Army Depot, Pennsylvania," and replace it with the language, quote, "and relocate the depot maintenance of other components to Anniston Army Depot, Alabama," period, unquote; and that the Commission find that this change and

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the recommendation as amended are consistent with the Final Selection Criteria and the Force Structure Plan.

Thank you, Mr. Chairman.

CHAIRMAN PRINCIPI: Is there a second?

COMMISSIONER TURNER: Second.

CHAIRMAN PRINCIPI: Is there any further discussion on this amendment?

(No response.)

CHAIRMAN PRINCIPI: Hearing none, I move -- well, I ask, are there any recusals? Excuse me.

COMMISSIONER COYLE: Yes, Mr. Chairman. I recuse on this item.

CHAIRMAN PRINCIPI: There being no further discussion, all in favor please indicate by raising their hand.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

MS. SARKAR: Mr. Chairman, the votes are eight yeas, no nays, one recusal. The motion passes.

CHAIRMAN PRINCIPI: Thank you.

Are there any further amendments?

(No response.)

CHAIRMAN PRINCIPI: Hearing no further motion to amend, we will vote on the approval of the Secretary's

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recommendation as amended and find that it is consistent with the Final Selection Criteria and the Force Structure Plan. Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: All in favor?

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

MS. SARKAR: Mr. Chairman, the vote is unanimous. The motion passes.

CHAIRMAN PRINCIPI: Thank you.

Mr. Van Saun.

MR. VAN SAUN: Thank you, Mr. Chairman.

The next recommendation for your consideration appears in chapter 6, section 154 of the bill. Slide.

(Slide.)

Close Newport Chemical Depot, Indiana. It also aligns tenants to an as of yet undetermined location. I'd like to introduce George Delgado and Liz again to discuss this item. George.

MR. DELGADO: Thank you, Mr. Van Saun.

Mr. Chairman and Commissioners, the Department of Defense justifies the closure of the chemical depot by stating that no additional workload is slated to go to the depot and projects its mission completion by the second

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quarter of 2008. The Department of Defense expects this closure to require a one-time cost of $7.1 million and generate a 20-year net present value savings of $436.2 million, with an immediate payback. According to the Department, this closure affects 296 personnel positions.

(Slide.)

This slide -- thank you. This slide summarizes the key issues that were developed during analysis of this recommendation and are grouped by their associated selection criteria. Our review revealed information that updated mission completion and closure dates for the Newport Chemical Depot. New information projects completion of the chemical demilitarization mission in the third quarter of fiscal year 2007 and the first quarter of fiscal year 2012, with closure up to 3 years after mission completion. Dates beyond 2011 exceed the BRAC implementation period.

We made two adjustments to the cost scenarios presented by DOD in support of this recommendation. The first adjustment reduced questionable recapitalization savings from the closure of the chemical depot. GAO questioned the application of recapitalization savings for chemical depots that will close once the chemical demilitarization mission concludes and have no future missions.

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The second adjustment modifies personnel numbers by eliminating 208 military positions that were there at the depot temporarily to provide site protection and by decreasing civilian employment by 62 positions to reflect staffing levels as of July 31, 2005.

The results of these adjustments are a decrease of $2.3 million in one-time costs, maintains the immediate payback period, and a decrease in the 20-year net present value savings to $132.6 million savings.

In conclusion, Mr. Chairman and Commissioners, we found that the only problem with the closure of the chemical depot is going to be the time in which they will finish the mission.

This concludes my statement and I am ready to answer any questions.

CHAIRMAN PRINCIPI: Thank you.

Are there any questions for staff, any discussion on this recommendation? Commissioner Coyle.

COMMISSIONER COYLE: Thank you, Mr. Chairman. When the time comes and you call for it, I will have a motion for a modifying amendment on this, on this proposal.

But before we get into that, Mr. Delgado, could you explain why the chemical demilitarization may take longer than projected by the Army and what some of the obligations of the Newport Chemical Depot are under the

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Chemical Weapons Treaty?

MR. DELGADO: Yes, sir. The time frame has been extended because the process is very complex and has to be very carefully taken, done. Also, the time frame has been extended because it took some time to build these facilities and to test them out, to prove them out. The Newport Chemical Depot is dealing with VX agents and that's one of the reasons why you have to be very, very careful, and it will take as long as it takes.

COMMISSIONER COYLE: Thank you.

CHAIRMAN PRINCIPI: Congressman Hansen.

COMMISSIONER HANSEN: What type of chemicals do they have there and what technology are they using? I assume they're using baseline technology on that. Is that wrong?

MR. DELGADO: Yes, sir, that is my belief. And the chemical that they have at Newport is VX in large containers, containers of 200 tons.

COMMISSIONER HANSEN: I would submit, in answer to Commissioner Coyle's question of why it takes long, what you've got to realize, every one of those that is going, it just rattles and some environmental community files a lawsuit against it. We've got one judge out in the West, all he does is handle these cases. And so then they have to go through that nonsense by the time they get it done.

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MR. DELGADO: Yes, sir, there are very, very stringent environmental requirements on the operations of these plants.

CHAIRMAN PRINCIPI: Commissioner Coyle, do you want to offer your amendment at this time?

COMMISSIONER COYLE: Thank you, Mr. Chairman. As the staff have explained, this is difficult and delicate work and it can take longer than the DOD has projected. And not only this depot, but others we're going to come to shortly also have obligations under the Chemical Weapons Treaty which have to be met.

Accordingly, I will have the following motion. I move that the Commission find that when the Secretary of Defense made industrial Joint Cross Service recommendation 8, Newport Chemical Depot Indiana, he substantially deviated from Final Selection Criteria 1 and 4 and the Force Structure Plan; that the Commission strike the language "close" and insert in its place the language "on completion of the chemical demilitarization mission in accordance with treaty obligations, close"; and that the Commission find this change and the recommendations as amended are consistent with the Final Selection Criteria and Force Structure Plan.

CHAIRMAN PRINCIPI: Is there a second?

COMMISSIONER TURNER: Second.

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CHAIRMAN PRINCIPI: Is there any further discussion on the amendment?

(No response.)

CHAIRMAN PRINCIPI: Are there any recusals?

(No response.)

CHAIRMAN PRINCIPI: All in favor of the motion, please indicate by raising their hand.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

MS. SARKAR: Mr. Chairman, the vote is unanimous. The motion carries.

CHAIRMAN PRINCIPI: Are there any further amendments?

(No response.)

CHAIRMAN PRINCIPI: Hearing no further motion to amend, we will vote to approve the Secretary's recommendation as amended and find that it is consistent with the Final Selection Criteria and the Force Structure Plan. Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: All in favor indicate by raising their hand.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

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(No response.)

MS. SARKAR: Once again, Mr. Chairman, the vote is unanimous. The motion carries.

CHAIRMAN PRINCIPI: Mr. Van Saun.

MR. VAN SAUN: Thank you, Mr. Chairman.

The next item for consideration appears in chapter 6, section 156 of the bill, to realign the Lima Tank Plant. This recommendation realigns the Lima Tank Plant by reducing its manufacturing footprint. I introduce George Delgado again to discuss this item.

(Slide.)

MR. DELGADO: Thank you, Mr. Van Saun.

Mr. Chairman and Commissioners, the Department of Defense justifies the realignment of the Lima Tank Plant by asserting that capacity and capability for armored combat vehicles exists at three sites with little redundancy among the sites. No missions relocate through this recommendation and it requires maintaining capabilities for the Army Future Combat System, the Marine Corps Expeditionary Force Vehicle, and the Army M-1 Abrams recapitalization programs.

The DOD states that establishing this capability elsewhere would hinder the Department's ability to meet the Army and Marine Corps future production schedules. This recommendation reduces the manufacturing footprint and

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allows DOD to remove excess from the industrial base and generate efficiencies within the manufacturing and maintenance of combat vehicles. The DOD cost analysis shows one-time costs of $200,000, a 20-year net present value savings of $22.26 million, and an immediate payback period. The recommendation does not change employment levels at the Lima Tank Plant.

Next slide.

(Slide.)

This summarizes the key issues that we found in analyzing this recommendation. The community asserted that increased workload has significantly increased plant utilization since the data collection effort in 2003. Community members noted that a reduced manufacturing footprint would require termination or relocation of all Abrams-related workload or all Stryker and Expeditionary Fighting Vehicle workload.

Staff analysis found that Abrams tank, Stryker, and Expeditionary Fighting Vehicle workload has in fact increased. Additionally, prototype work on the Future Combat System has started at the Lima Tank Plant. Plant manufacturing space utilization has absorbed most of the 27 percent excess space calculated by DOD and is now 95 percent. Future workload projections sustain this level of utilization. Existing excess space, the largest contiguous

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space, consisting of 11,000 square feet, typically involves common or shared manufacturing support spaces between the production lines, making reconfiguration very difficult.

In conclusion, Mr. Chairman and Commissioners, we found that for this -- we found that there was deviation in criteria 1 and 3 for this recommendation.

CHAIRMAN PRINCIPI: Thank you.

Is there any discussion or questions? Secretary Skinner.

COMMISSIONER SKINNER: How did they get the conclusion that they could do all this for $200,000?

MR. DELGADO: Sir, I can't tell you.

COMMISSIONER SKINNER: I mean, you just described a massive restructuring of the facility. When you initially see something like that, you assume that it's capacity and machines that they don't need, that they're going to scrap, and somebody will come in and scrap them, they'll put a wall up and they'll not heat it. But that's not what's involved here.

Given their workload for the foreseeable future, they're going to have to take all the equipment that does it, move it to another side of the plant so they can close off that capacity, and then re-set up the entire plant; is that --

MR. DELGADO: Sir, they would have to remove lots

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of tools and equipment that are probably obsolete, may not be used in future lines from that location, to be able to get the extra space.

May I remind you that one of the findings that we have had is that the industrial Cross Services Group people in some instances did not visit some of these installations.

COMMISSIONER SKINNER: Well, it's pretty obvious they didn't visit this one. So I have a motion when the questions are through.

CHAIRMAN PRINCIPI: Admiral Gehman.

COMMISSIONER GEHMAN: Thank you, Mr. Chairman.

Would you help me with this recommendation a little bit just in the matter of process. This recommendation reads "realign the Lima Tank Plant, Ohio," and then it goes on to say "retain the portion to support the manufacturing of armored combat vehicles, to include the Army's Future Combat System, the Marine Corps Expeditionary Vehicle, and the M-1 tank." But it never says what's being realigned. There are no people being realigned. It never ever says what we're doing here.

Could you -- it's a very unusual recommendation and it never describes either a function or a purpose or a person that's being moved, changed, eliminated, or anything else. Could you fill in that blank in my mind for me?

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MR. DELGADO: Yes, sir. The intent of the recommendation is to reduce the amount of manufacturing space. So in essence it reduces the footprint, with I believe the intent of eventually placing it out for usage by the community through lease agreements.

COMMISSIONER GEHMAN: Is this government-owned property?

MR. DELGADO: Yes, sir.

COMMISSIONER GEHMAN: So what they want to do is they want to shrink down to a smaller footprint and then excess the plant square footage?

MR. DELGADO: That's correct.

COMMISSIONER GEHMAN: And they claim a savings by doing that?

MR. DELGADO: Yes, sir.

COMMISSIONER GEHMAN: Thank you very much. It's a mystery to me. Thank you.

MR. GINGRICH: Commissioner Gehman, in the COBRA report the costs are associated with mothballing part of the Lima Tank Plant. When they mothball it, you incur some up-front costs and then you gain some savings in your sustainment and recap and BOS rates because you're actually reducing the infrastructure that you are upkeeping, if you will.

COMMISSIONER SKINNER: I have a motion. I have a

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motion, a motion to strike. I move that the Commission find that the Secretary of Defense made industrial Joint Cross Service Group recommendation 10, Lima Tank Plant, Ohio --when he made it he substantially deviated from financial selection criteria 1 and 3 and the Force Structure Plan; and the Commission strikes the recommendation; and the Commission finds this change is consistent with the Final Selection Criteria and Force Structure Plan.

CHAIRMAN PRINCIPI: Is there a second?

COMMISSIONER GEHMAN: Second.

CHAIRMAN PRINCIPI: Are there any recusals?

(No response.)

CHAIRMAN PRINCIPI: All in favor of the motion to strike, please indicate by raising your hand.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

MS. SARKAR: Mr. Chairman, the vote is unanimous. The motion carries.

COMMISSIONER SKINNER: I'm sure the people in Lima will rest tonight. They know we're not dumping stuff like this.

CHAIRMAN PRINCIPI: Thank you.

Mr. Van Saun.

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MR. VAN SAUN: Thank you, Mr. Chairman.

The next recommendation for your consideration appears in chapter 6, section 158 of the bill, concerning Hawthorne Army Depot Nevada.

COMMISSIONER BILBRAY: "Ne-VADD-da."

MR. VAN SAUN: Thank you, sir. It was a momentary slip. "Ne-VADD-da."

This recommendation closes Hawthorne Army Depot, Nevada, and moves munitions storage and demilitarization functions to Tooele Army Depot, Utah. It also moves tenants to an as yet undetermined location.

Again, analyst George Delgado will brief you on the details.

(Slide.)

MR. DELGADO: Thank you, Mr. Van Saun.

Mr. Chairman and Commissioners, the Department of Defense justifies the closure of Hawthorne Army Depot by stating that it will reduce redundancy and remove excess capacity for storage and demilitarization from the industrial base. Additionally, the action will allow creation of centers of excellence and deployment networks to support readiness. In its justification, the Department identified infrastructure problems that limit the depot's ability to offload munitions.

The Department of Defense expects this closure to

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require one-time costs of $180.3 million and generate a 20-year net present value savings of $777.7 million with an immediate payback. According to the Department, closure affects 139 personnel positions, 20 of whom are tenants that will relocate to an as of yet undetermined location.

Next slide.

(Slide.)

This slide summarizes the key issues that were developed during analysis of this recommendation and they are grouped by their associated selection criteria. Mr. Chairman and Commissioners, the staff found sufficient discrepancies in the data to call into question the decision to close Hawthorne Army Depot. In the next few slides I will summarize the most salient ones.

Our review revealed that unused munitions demilitarization capabilities of about 30,000 tons per year and about 44 percent unused storage capabilities at Hawthorne Army Depot may be needed as significant quantities of munitions are expected to start returning in the near future from Korea, Europe, and Southwest Asia. For example, munitions in Korea total 507,000 short tons. Final quantities of returnings have not been established, but not all will return.

Added to our current stockpiles, these munitions will require demilitarization and-or storage for obsolete

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and useable items. Past diversions from the conventional munitions demilitarization account have resulted in increasing stockpiles of obsolete munitions that have increasingly filled available storage space.

The Department of Defense plans to introduce a wedge for demilitarization funds of about $541 million for fiscal years 2006 through 2011 to reduce its current backlog of approximately 390,000 short tons. The degree of success of the wedge during higher priority wartime needs will consequently have an effect on conventional munitions demilitarization and storage problems. Returning overseas munitions will add to these problems.

The staff found no problems in infrastructure that limit loading and offloading of munitions at Hawthorne. The depot has three container loading-offloading pads and six docks with multiple rail and truck access. Our queries regarding this issue identified one instance in 20 years in which weather-related damage to rail occurred that only required a short period to repair. The depot prides itself in not having missed its delivery schedule during this time period.

(Slide.)

The next two bullets show statistics on shipments to and from the depot, some of the current ones.

(Slide.)

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That's a backup. Sorry about that.

(Slide.)

The staff found a significant list of services provided by the depot that may have been underconsidered in the decision to close the depot. The depot performs a variety of services, including range scrap processing for the Navy and Corps of Engineers, testing and loading of explosive charges, ammunition testing, ammunition restoration, testing for the next generation of robotic security systems, and has signed an agreement with the Defense Logistics Agency to store the military's entire stockpile of elemental mercury.

Furthermore, the depot offers joint training opportunities in 71,287 acres of high altitude desert terrain like Iraq and Afghanistan. The types of training opportunities include high-angle sniper and other firing ranges, high-altitude patrol, and desert convoy operations. Over 1500 military personnel have trained between January and April of 2005.

The Department of Defense underestimated the economic impact of closing Hawthorne by erroneously using the Reno-Sparks metropolitan area as its baseline location. Hawthorne is located approximately 130 miles from the Reno-Sparks metropolitan area and does not draw its personnel from that location. The depot draws its personnel from the

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Mineral County, Nevada, region of influence. Recalculation of economic impact in the appropriate region of influence and with correct personnel figures yielded a 37 percent negative impact to the county, the largest impact on this BRAC round.

The staff found that environmental cleanup costs may reach as high as $708 million if the depot closes. Current estimated restoration costs are $380.24 million. In addition, an estimate of between $29.2 million and $324.8 million would be required for cleanup of 16 operational ranges if they are closed. Cleanup costs will fluctuate depending on the future use standard selected for closure of the depot.

Mr. Chairman and Commissioners, we found that for the Hawthorne Army Depot recommendation there were deviations from final criteria 1, 2, 3, 6 and 8. This concludes my statement.

CHAIRMAN PRINCIPI: Thank you. There's a significant savings associated with closing this depot, of close to $800 million net present value, which I certainly don't want to take lightly here. Is there excess capacity at the receiving location to absorb this workload? I also want to -- let's assume that the Department is not going to bring back these munitions and leave them in theater, which I believe there's been some testimony to the fact that a

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lot of these munitions are not coming back, they'll stay in Iraq, Afghanistan, and other locations. If they don't, if they don't come back, is there excess capacity at the receiving location to absorb this workload and to store the current ammunition and to demilitarize the existing stockpile?

MR. DELGADO: Our review, Mr. Chairman, shows that there would not be.

CHAIRMAN PRINCIPI: There would not be?

MR. DELGADO: There would not be. Tooele Army Depot in Utah does not have sufficient storage capacity. They have sufficient demilitarization capacity, but not storage.

CHAIRMAN PRINCIPI: Well, how did they arrive at this -- how did they arrive at this recommendation?

MR. DELGADO: Part of the reason that they arrived at this is there is an expectation that there will be that wedge of $541 million that will help to reduce the stockpile of obsolete ammunition by around 21 percent. The question becomes will that money be available, will they be able to do this during these time frames?

In addition, with the closure of Deseret, which we will talk about in a bit, there are 909 igloos that would transfer to Tooele. But it's still not sufficient. Hawthorne has somewhere around 2,400 to 2,500 storage,

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munitions storage buildings. It is now filled to about 56 percent.

CHAIRMAN PRINCIPI: Thank you.

Further discussion? Admiral Gehman.

COMMISSIONER GEHMAN: Thank you, Mr. Chairman.

How did the Hawthorne Army Depot rank in military value for storage and distribution of conventional munitions?

MR. DELGADO: Sir, for demilitarization they were number one. For storage they were number two in military value.

CHAIRMAN PRINCIPI: And yet they still came forward with this recommendation, notwithstanding those military values?

MR. DELGADO: That is correct, sir.

CHAIRMAN PRINCIPI: Commissioner Coyle.

COMMISSIONER COYLE: Thank you, Mr. Chairman.

As Mr. Delgado has pointed out, this is a site with high military value for its mission. The cost savings have been overstated. But he also pointed out that there is an important amount of training going on at that site.

Did Hawthorne get any credit for this training activity in the DOD analysis?

MR. DELGADO: Sir, our review shows that they received very little credit. Quite a bit of the training

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mission was started in 2004 at Hawthorne. The data was collected in 2003.

COMMISSIONER COYLE: Thank you.

I went to Hawthorne and it was a quite enlightening trip, and I just wanted to mention for my fellow Commissioners. One of the issues that we struggle with with some of these closures is, well, couldn't the property, if one of these recommendations were upheld by the Commission, couldn't the property be converted to economic use? Right alongside the town of Hawthorne is an area where the Navy used to be. I think they call it Babbitt; is that correct? Am I remembering that?

MR. DELGADO: I believe so, sir.

COMMISSIONER COYLE: Which the Navy left 10 or 12 years ago, and you would think, well, if there was potential for economic development in that region that something would have happened there. As I visited, what I saw was the streets are still there, the curbs are still there, but nothing has happened. It is totally bare and flat, and the community has not had either the resources nor the interest to develop this property at all.

CHAIRMAN PRINCIPI: I would certainly concur with you, Commissioner Coyle, having visited Hawthorne. I would suggest that economic redevelopment would almost be impossible.

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COMMISSIONER COYLE: Mr. Chairman, I have a motion to strike at the appropriate time.

CHAIRMAN PRINCIPI: Please read your motion.

COMMISSIONER COYLE: Mr. Chairman, I move that the Commission find that when the Secretary of Defense made industrial Joint Cross Service Group recommendation 12, Hawthorne Army Depot Nevada, he substantially deviated from Final Selection Criteria 1, 2, 3, 6, 8, and the Force Structure Plan; that the Commission strike the recommendation; and that the Commission find this change is consistent with the Final Selection Criteria and Force Structure Plan.

CHAIRMAN PRINCIPI: Is there a second?

COMMISSIONER HILL: Second.

CHAIRMAN PRINCIPI: Are there any recusals?

COMMISSIONER BILBRAY: One.

CHAIRMAN PRINCIPI: One recusal.

All those in favor of the motion to strike, please indicate by raising your hand.

(A show of hands.)

COMMISSIONER HANSEN: Mr. Chairman, I recuse.

CHAIRMAN PRINCIPI: Two recusals.

All those opposed?

(No response.)

MS. SARKAR: Mr. Chairman, the vote is seven

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yeas, no nays, and two recusals. The motion passes.

CHAIRMAN PRINCIPI: Thank you.

COMMISSIONER BILBRAY: I understand, Mr. Chairman, that means Hawthorne remains open, right?

MR. VAN SAUN: Yes, sir.

Thank you, Mr. Chairman. The next recommendation for your consideration appears in chapter 6, section 160 of the bill, Umatilla Chemical Depot, Oregon. Umatilla is an identical situation to the Newport Chemical Plant that we've just discussed. The recommendation closes Umatilla Chemical Depot in Oregon.

George.

(Slide.)

MR. DELGADO: Thank you. I believe your favorite analyst is back again. You'll probably get tired of looking at him, but I can promise you there will only be maybe one or two more.

I think the best thing to do with this one is to try to summarize it as opposed to go through the whole script. It is a very similar situation as the Newport Chemical Depot, the same issue: conclusion of the demil mission. The information as far as the COBRA is concerned is the one-time cost is $15.5 million and it generates a 20-year net present value savings of $681.1 million, with an immediate payback. According to the Department, this

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closure affects 512 personnel positions.

The issues slide is the same as we had with Newport: closure upon completion, adjustments to the COBRA data for recapitalization, and also a reduction of the personnel for military personnel that were provided for protecting the site after 9-11.

CHAIRMAN PRINCIPI: Are there any questions, discussion?

(No response.)

CHAIRMAN PRINCIPI: Mr. Coyle, do you have an amendment?

COMMISSIONER COYLE: I do, Mr. Chairman. I move that the Commission find that when the Secretary of Defense made industrial Joint Cross Service recommendation 14, Umatilla Chemical Depot, Oregon, he substantially deviated from Final Selection Criteria 1, 4, and the Force Structure Plan; that the Commission strike the language "close" and insert in its place the language "on completion of the chemical demilitarization mission in accordance with treaty obligations, close"; and that the Commission find this change and the recommendations as amended are consistent with the Final Selection Criteria and Force Structure Plan.

CHAIRMAN PRINCIPI: Is there a second?

COMMISSIONER BILBRAY: Second. Mr. Chairman, I want to mention that both Commissioner Coyle and I went

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there. This was one of those places where everybody wants it to close. There is no opposition. The question is can it close in the time, the 6-year time limit. That's why the motion has been made.

CHAIRMAN PRINCIPI: All those in favor of the motion, please indicate by raising your hand.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

MS. SARKAR: Mr. Chairman, the vote is unanimous. The motion passes.

CHAIRMAN PRINCIPI: Are there any further motions to amend this recommendation?

(No response.)

CHAIRMAN PRINCIPI: Hearing no further motion to amend, we will vote to approve the Secretary's recommendation as amended and find that it is consistent with the Final Selection Criteria and the Force Structure Plan. Is there a second?

COMMISSIONER GEHMAN: Second.

CHAIRMAN PRINCIPI: All in favor?

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

MS. SARKAR: The vote is unanimous, Mr. Chairman.

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The motion passes.

CHAIRMAN PRINCIPI: Thank you.

Mr. Van Saun.

MR. VAN SAUN: Thank you, Mr. Chairman. The next recommendation for your consideration is found in chapter 6, section 161. This recommendation covers the proposed disestablishment of the depot maintenance capabilities of the Cryptological Systems Group at Lackland Air Force Base, Texas, and the relocation of the capability to Tobyhanna Army Depot, Pennsylvania.

This action has a direct impact on two other DOD recommendations being reviewed. The following slide better illustrates the interaction of these.

(Slide.)

This recommendation relocates depot functions from Lackland, San Antonio, Texas, to Tobyhanna, Pennsylvania, which in turn precipitates two other recommendations, which we deal with when we get to those, and those are recommendations 176 and 179 and we'll discuss those tomorrow. The storage and distribution functions of the Cryptological Systems Group remains at Lackland.

I introduce the senior analyst Tom Pantelides to discuss this.

(Slide.)

MR. PANTELIDES: Mr. Chairman and Commissioners,

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recommendation 161 was justified on the basis that consolidation and elimination of the duplicate overhead structures achieves synergy and savings. The COBRA data for this move, movement of function, has an estimated one-time cost of $10.2 million, a 3-year payback, and a 20-year net present value savings of $28 million, and affects 76 civilian positions.

Next slide.

(Slide.)

This slide summarizes the key issues that were developed during our analysis. This recommendation -- these recommendations are grouped by their associated selection criteria. Because DOD evaluated military value of individual elements of the Cryptologic Systems Group, the collective military value of the group was not captured. This issue has been a concern for a number of customers of the group.

We also found the cost estimates used in this recommendation do not represent fairly the costs associated with the breakup of the Cryptologic Systems Group at Lackland. Additionally, we found potential costs outweigh savings with no payback of investment.

Staff assessment reveals there was deviations from criteria 1, 4, 5 in this recommendation.

Mr. Chairman, this concludes my prepared

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presentation.

CHAIRMAN PRINCIPI: Are there any discussions and discussion? Admiral Gehman.

COMMISSIONER GEHMAN: Thank you, Mr. Chairman.

As the brief indicated, this recommendation breaks up a one-stop shopping center for non-aviation crypto, not only depot maintenance repair, distribution and stockage of parts, into three separate recommendations. It's very hard to find the payback here because the other two recommendations that we're not dealing with here, 176 and 179, have this recommendation buried in enormous recommendations of roles of 15 or 20 other organizations. So it's nearly impossible to break out their actual data.

However, our analysts -- I've looked at what our analysts have done and as best we can tell there is no payback here. They're taking a perfectly fine depot level function that's working fine the way it is. The customers are happy. We can't find that there's any payback, and therefore I'm going to propose a motion to strike this when you're ready for the motion.

COMMISSIONER HILL: Mr. Chairman, I visited Lackland and looked into this. Admiral Gehman understates. This is a one of a kind organization that, if we took the little piece parts of it, we would break that up and we would have no cryptological system, and the people that

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they service would not get the service, period. It needs to be taken and stricken.

CHAIRMAN PRINCIPI: Thank you.

Admiral Gehman, do you wish to offer your motion at this time?

COMMISSIONER GEHMAN: Thank you. Thank you, Mr. Chairman. Mr. Chairman, I move that the Commission find that when the Secretary of Defense made industrial Joint Cross Service Group recommendation 15, Lackland Air Force Base, Texas, that he substantially deviated from the Final Selection Criteria 1, 4, and 5 and the Force Structure Plan; and that the Commission strike the recommendation and that the Commission find this change is consistent with the Final Selection Criteria and the Force Structure Plan.

CHAIRMAN PRINCIPI: Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: Any further discussion?

(No response.)

CHAIRMAN PRINCIPI: Are there any recusals on this motion?

(No response.)

CHAIRMAN PRINCIPI: All those in favor of the motion to strike?

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

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(No response.)

MS. SARKAR: Mr. Chairman, the vote is unanimous. The motion carries.

CHAIRMAN PRINCIPI: We don't need a second vote.

Mr. Van Saun.

MR. VAN SAUN: Thank you, Mr. Chairman. The next recommendation for your consideration appears in chapter 6 at 163 of the bill, Deseret Chemical Depot, Utah. This recommendation closes Deseret Chemical Depot and transfers the storage igloos and magazines to Tooele Army Depot in Utah.

This is similar to the previous two chemical depot items we've already discussed, but it does have a little different twist, and we'll let George give you a rundown on this particular depot.

MR. DELGADO: Thank you, Mr. Van Saun.

Mr. Chairman, Commissioners, I will summarize this one also. The same situation as far as completing the chemical demil mission. The COBRA information is a one-time cost of $4.37 million, generates a 20-year net present value savings of $356.4 million, with an immediate payback. The closure affects 208 personnel positions.

In similar fashion, we had adjustments to COBRA data for recapitalization costs and personnel numbers, again reductions of military personnel that have been

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provided for protection for 9-11.

The different twist that Mr. Van Saun referred to is that we had communication from the community, which expressed an interest in trying to convert the chemical demilitarization plant to a conventional ammunition demilitarization mission once its chemical demil mission was completed. At this point the information that we have from the Army, of course, indicates that the plant was not designed to handle that and that it would cost a significant amount of money to do so.

I know, Commissioner Hansen, I believe you do disagree with that.

CHAIRMAN PRINCIPI: Thank you.

Are there any questions, discussion? Commissioner Coyle.

COMMISSIONER COYLE: Thank you, Mr. Chairman.

As Mr. Delgado explained, the community has put forward an intriguing proposal here, which looks quite credible. We did not have the time to pursue what the community proposed and so, in addition to the modifying motion which I will make in a minute, I'm also going to include a requirement for the completion of a study to evaluate Deseret Chemical Depot as a site for conventional weapons demilitarization.

Mr. Chairman, I move that the Commission find

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that when the Secretary of Defense made industrial Joint Cross Service Group recommendation 17, Deseret Chemical Depot, Utah, he substantially deviated from Final Selection Criteria 1 and 4 and the Force Structure Plan; that the Commission strike the language "close" and insert in its place the language "on completion of the chemical demilitarization mission in accordance with treaty obligations, and if after completion of a comprehensive study to evaluate Deseret Chemical Depot, Utah, as a site for conventional weapons demilitarization, it is shown that such a use is not feasible, close"; and that the Commission find this change and the recommendation as amended are consistent with the Final Selection Criteria and Force Structure Plan.

CHAIRMAN PRINCIPI: Is there a second?

COMMISSIONER BILBRAY: Second.

CHAIRMAN PRINCIPI: Is there any further discussion on this? Admiral Gehman.

COMMISSIONER GEHMAN: Mr. Delgado, did we not just vote and decide that the Army has a great excess of conventional ammunition demil capability?

MR. DELGADO: Yes, sir, to a certain extent you have.

COMMISSIONER GEHMAN: Thank you very much.

CHAIRMAN PRINCIPI: Is there any further

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discussion?

(No response.)

CHAIRMAN PRINCIPI: Are there any recusals?

(One raised hand.)

CHAIRMAN PRINCIPI: Hearing no further discussion, we'll vote on this motion. Those in favor please indicate by raising your hand.

(A show of hands.)

CHAIRMAN PRINCIPI: Those opposed?

(One raised hand.)

MS. SARKAR: Excuse me for the delay, Mr. Chairman. The vote is seven yeas, one nay, and one abstention. The vote carries. The motion is approved.

CHAIRMAN PRINCIPI: Thank you.

MR. VAN SAUN: Thank you, Mr. Chairman. The next item we'd like to consider today is found in chapter 6, section 165. This recommendation covers the Navy business reengineering proposal to streamline the way Navy air maintenance is accomplished. The proposal transforms and blends some depot and intermediate level maintenance in order to position depot level maintenance closer to fleet concentrations.

The recommendation can be summarized into three types of reorganizations. The first type of reorganization combines existing depots with collocated non-deployable

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intermediate maintenance activities and designates these activities as the six fleet readiness centers, or FRC's. Secondly, the recommendation combines collocated non-deployable intermediate maintenance activities and augments the majority with depot personnel and designates these 16 activities as fleet readiness center sites in support of the fleet readiness centers. Thirdly, the recommendation closes six other intermediate maintenance activities and transfers associated workload to fleet readiness centers and FRC sites.

The next two slides graphically portray the proposed reorganizations.

(Slide.)

Although this and the next slide contains a number of moving elements, it illustrates the proposed reorganization of the fleet readiness centers, color coded with associated FRC sites. The assumption used in this proposal is that workload transferred to consolidated sites will result in a reduction of 697 civilian equivalent positions at the East Coast depot locations, as indicated by the red arrows in this slide.

(Slide.)

This slide illustrates the proposed reduction of 490 civilian equivalent positions at the three West Coast depot locations.

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Tom Pantelides is back and he will give you the detailed, more detailed information on this item.

MR. PANTELIDES: Mr. Chairman, Commissioners: This recommendation was justified on the basis that consolidation and reorganization is expected to reduce maintenance repair time, reduce supply inventory, and reduce the number of items sent to depots for repair. The recommendation also positions maintenance activities closer to fleet concentrations and eliminates a total of 520,000 square feet of maintenance production space.

COBRA data for this recommendation estimates a one-time cost of $298.1 million, an immediate payback, a 20-year net present savings of $4.7 billion, and affects 1,657 civilian and military positions.

(Slide.)

This slide summarizes the key issues that were developed during our analysis. This recommendation -- these recommendations are grouped with associated selection criteria. We found the relocation of the ALQ-99 workload from Crane to Whidbey Island suboptimizes the mission value, capacity, and cross-service capabilities. We also found the costs associated with the closure and movement of the Naval Support Activity Crane to Whidbey Island is not cost effective because it requires duplication of facilities, with a net present value cost of $163.9

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million. Additionally, the ALQ-99 supports the EA-6B aircraft that is being moved out of the inventory in about 10 to 15 years.

We also found the cost saving estimates of this recommendation do not represent fairly savings that will be obtained. We found errors in the estimation of construction costs and the saving projections as a result of personnel eliminations.

Additionally, as GAO, we question the estimated net annual recurring savings because the savings were for overhead efficiencies that have not been validated.

Based on our analysis, we estimate the net present value savings of this recommendation should be reduced by about $1 billion. Staff assessment reveals there was deviation from final criteria 3, 4 -- I'm sorry -- 1, 3, 4.

Mr. Chairman, this concludes my presentation.

MR. VAN SAUN: Mr. Chairman, I would like to add one point, that this is the number one saving item on the DOD list. Even though we question whether the savings were calculated exactly right, it is still the number one savings on the list.

CHAIRMAN PRINCIPI: How many people are involved in the Crane move to Whidbey Island and how does it suboptimize the remaining missions at Crane? How did that

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impact on the cost savings?

MR. PANTELIDES: There's a couple of elements to that question. The cost savings actually favor -- because in eliminating the Crane move you initially avoid having to construct a new facility at Whidbey.

The first part of your question I believe mentioned the synergy of the facility at Crane, and by moving that capability to Whidbey you break up the synergy at Crane that has been identified as the center of excellence for EW.

COMMISSIONER SKINNER: Mr. Chairman, I visited Crane Naval Support Activity. It's really a jewel in southern Indiana, and we discussed at length the ALQ-99 electronic warfare depot maintenance situation. We really are going to replicate -- we would replicate it would be the entire system that they use now. It's very complex and, as was pointed out, the ALQ-99, while still an active and valuable asset of the Navy, will gradually phase out as the aircraft that it currently is deployed on phases out.

So I think this is -- while the overall goal here of consolidation as part of the Navy and Secretary Rumsfeld's transformation, I think this one is probably one that they didn't visit, and if they had they probably would not have included it. So at the appropriate time I have an amendment to remove that.

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CHAIRMAN PRINCIPI: Do you have a motion, Secretary Skinner?

COMMISSIONER SKINNER: I do. I move that the Commission find that when the Secretary of Defense made industrial Joint Cross Service Group recommendation 19, fleet readiness centers, he substantially deviated from the Final Selection Criteria 1, 3, 4, and 5, and the Force Structure Plan; that the Commission strike paragraph N of chapter 6 of section 165 of the bill; and that the Commission find that this change is consistent with the Final Selection Criteria and Force Structure Plan.

N of chapter 6, section 165 of the bill, that we're striking, reads: "By relocating the depot maintenance workload and capacity for ALQ-99 electronic warfare to Fleet Readiness Center Northwest, Naval Air Station Whidbey Island, Washington." With this motion, it will strike the realignment of Crane and will leave that at Crane, but the rest of the fleet readiness recommendation would go forward.

I so move.

CHAIRMAN PRINCIPI: Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: Is there any further discussion?

(No response.)

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CHAIRMAN PRINCIPI: Are there any further amendments?

(No response.)

CHAIRMAN PRINCIPI: Hearing none, we will vote on the motion by Secretary Skinner. Are there any recusals on this?

(A show of hands.)

CHAIRMAN PRINCIPI: Two recusals.

All those in favor of the motion?

(A show of hands.)

CHAIRMAN PRINCIPI: All those opposed?

(No response.)

MS. SARKAR: Mr. Chairman, there are seven ayes, no nays, and two abstentions due to recusals. The vote carries. The motion is approved.

CHAIRMAN PRINCIPI: Are there any other motions to amend?

(No response.)

CHAIRMAN PRINCIPI: Hearing no further motions to amend, we vote to approve the Secretary's recommendation and find that it's consistent with the Final Selection Criteria and the Force Structure Plan. Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: All in favor?

(A show of hands.)

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CHAIRMAN PRINCIPI: All opposed?

(No response.)

CHAIRMAN PRINCIPI: I'd like to go back for a moment to the industrial Joint Cross Service Group recommendation 17, the Deseret Chemical Depot Utah. We voted on the amendment. I want to ensure that we have a vote on the recommendation as amended.

Hearing no further motion to amend, we vote to approve the Secretary's recommendation as amended and find that it is consistent with the Final Selection Criteria and the Force Structure Plan. Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: All in favor?

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(One hand raised.)

CHAIRMAN PRINCIPI: Thank you.

Counsel?

MS. SARKAR: Mr. Chairman, I believe I'm reporting out on two votes. One is the motion to approve the fleet readiness matter as amended. The vote was seven yeas, zero nays, and two recusals. Therefore the vote carries.

CHAIRMAN PRINCIPI: Thank you.

We had one nay.

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MS. SARKAR: I'm sorry. I'll correct the vote, I'm sorry, Mr. Chairman.

CHAIRMAN PRINCIPI: Thank you.

MR. VAN SAUN: Thank you, Mr. Chairman. That completes chapter 6 of the industrial Cross Service Group. I'd like to move to one small chapter for one more item to finish this out for today. That item is in chapter 9 from the supply and storage cross-service group, 176 of the bill, depot level reparable procurement management consolidation.

(Slide.)

This recommendation proposes the consolidation of DLR procurement and the management of consumable items into one DOD agency, Defense Logistics Agency, DLA. There are 11 specific realignments and you see that on this slide and the next slide.

(Slide.)

We lost the slide. I will lead the realignments. Realign Lackland Air Force Base, Texas; realign Soldier Systems Center, Natick, Massachusetts; realign Detroit Arsenal, Michigan; realign Rock Island Arsenal, Illinois; realign Fort Huachuca, Arizona; realign Naval Support Activity Mechanicsburg, Pennsylvania; realign Marine Corps Base, Albany, Georgia; realign Naval Support Activity, Pennsylvania; Tinker Air Force Base, Oklahoma; Hill Air

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Force Base, Utah; and Robins Air Force Base, Georgia; realign Redstone Arsenal, Alabama; realign Wright Patterson Air Force Base, Ohio; realign Fort Belvoir, Virginia.

Next slide.

(Slide.)

This proposal moves select inventory control point functions to DLA. A number of the inventory control functions will remain by the services to maintain the appropriate critical mass to perform requirements and engineering.

I'd like to introduce Valerie Mills again to further discuss this item.

MS. MILLS: Thank you, Dave.

The Department of Defense justified this recommendation on the basis of assigning the responsibility for consumable and depot level reparable item management across the Department of Defense to a single DOD agency. COBRA represents a one-time cost of $127 million to implement this recommendation. The net present value of this recommendation through 2025 is $1,889.6 million.

This recommendation eliminates approximately 130 positions.

Slide.

(Slide.)

This slide summarizes the key issues developed

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during analysis of this recommendation and are grouped by their associated selection criteria. Rock Island issues. The installation was concerned that Detroit Arsenal's military value was lower and the number of positions to transfer from Rock Island was incorrect. The Commission staff found there were discrepancies in the number of positions identified and the costs associated. A rerun of COBRA reduced the total recommendation net present value by 3 percent.

Lackland issues. Lackland issues involving the Cryptology Systems Group were previously discussed under section 161.

Mr. Chairman, this concludes my prepared presentation. The staff is prepared to answer any questions you may have prior to any motions you might have.

CHAIRMAN PRINCIPI: Thank you.

Any discussion, any questions for staff? Secretary Skinner.

COMMISSIONER SKINNER: Yes. Ms. Mills, you visited Rock Island and I think you also visited Detroit Arsenal. At least I did, and I think you've been there.

MS. MILLS: Yes, sir.

COMMISSIONER SKINNER: As you know, there's other recommendations to move from Rock Island to the Detroit Arsenal. The buildable space issue, maybe you can explain

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that. It's my understanding that in the other recommendation that we'll probably get to tomorrow it deals with moving the surface, the vehicle combat -- not the combat vehicles, but the motor vehicles.

What is the exact situation as is currently proposed and will be proposed tomorrow as it deals with the Detroit Arsenal and its capacity, because that was an issue when we visited Rock Island together?

MS. MILLS: Yes, sir. What you have just explained affects this recommendation right here. That was also one of the concerns, was did Detroit have enough buildable space to accommodate the additional people moving from Rock Island to Detroit. We visited Detroit and we were -- it was confirmed by the installation that they do have the required space to accommodate the 1100 people that would be moving in from Rock Island.

As a result, we did rerun COBRA. There are additional military costs associated with those additional 300 people moving.

COMMISSIONER SKINNER: Well, it's my understanding that when we say they have space, they have land inside a perimeter that they're going to have to build a new building.

MS. MILLS: That's correct, sir.

COMMISSIONER SKINNER: One or more buildings.

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MS. MILLS: Yes, sir.

COMMISSIONER SKINNER: And this is tied indirectly. Without that new building, they don't have enough space for this.

MS. MILLS: That's correct.

COMMISSIONER SKINNER: With this new building and the tank efforts that are moving there, they will have additional space to build a new building. But all I'm saying is that if they don't build a new building and we don't approve the one tomorrow, then there won't be any space to move in there and that's not on the agenda. So that's one of these things that kind of ties in, because it almost has to be conditional disapproval on this aspect of it -- Rock Island has to be conditional on approval of the one tomorrow that will allow them to build that new building. Is that correct or am I misunderstanding it?

MS. MILLS: The one that you're referring to is this particular recommendation right here. This is the recommendation that has Rock Island to move originally 740 people to Detroit. This is the recommendation here.

COMMISSIONER SKINNER: And this is now -- and we also thought there was maybe 900 instead of 700. There was some kind of a disconnect on people.

MS. MILLS: That's correct, sir. There are an additional 300 people that are moving. The entire TACOM

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Rock Island organization is moving, or proposed.

COMMISSIONER SKINNER: Would you -- with the new numbers that you've put in there for the cost of the new building, which was about twice, as I recall, what they initially had in there, how does that come out from a payback viewpoint?

MS. MILLS: Karl, would you like to answer that?

MR. GINGRICH: Commissioner Skinner, military construction costs are about 45, just under $46 million at the new revised military construction, and it does affect the net present value, but insignificantly. Payback with the new scenario, new MILCON, is $1.8 billion savings over 20 years, still a large saving.

COMMISSIONER SKINNER: Okay, good. I just want to make sure that we got that new cost structure, which was twice. What you're saying is, given its personnel savings, it really doesn't affect the payback in the long run.

MR. GINGRICH: Commissioner Skinner, that's a correct statement.

COMMISSIONER SKINNER: Okay.

CHAIRMAN PRINCIPI: General Hill.

COMMISSIONER HILL: Sir, I have a motion based upon the cryptological unit that I'd like to submit. I move that the Commission find that when the Secretary of Defense made supply and storage Joint Cross Service

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recommendation 7, depot level reparable procurement and management consolidation, he substantially deviated from Final Selection Criteria 1, 3, 4, and 5, and the Force Structure Plan; that the Commission -- I read the wrong thing, excuse me -- that the Commission strike paragraph A, chapter 9, section 176 of the bill; and that the Commission find this change and the recommendation as amended are consistent with the Final Selection Criteria and Force Structure Plan.

CHAIRMAN PRINCIPI: Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: Secretary Skinner?

COMMISSIONER SKINNER: I just have a question. Could you explain the economics of the removal of paragraph A, similar to what you did? Maybe General Hill's going to address that. But I didn't see in your presentation a lot of discussion about this. I did see a lot about Rock Island. I may have missed it.

MS. MILLS: What happened when we removed Lackland from out of this recommendation, it affected the net present value overall by 3 percent, I think it was, either 3 or 1 percent. It was a really small percent that was affected from this recommendation.

COMMISSIONER SKINNER: And the basis for that?

MS. MILLS: Was because that was the cryptology

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section that was --

COMMISSIONER HILL: The basis of that is that this unit needs to stay together.

MS. MILLS: Yes.

COMMISSIONER HILL: It makes no sense to do any of us anywhere but within that cryptological unit.

COMMISSIONER SKINNER: Now I understand. I got that now. Thank you.

CHAIRMAN PRINCIPI: Is there any further discussion?

(No response.)

CHAIRMAN PRINCIPI: Are there any recusals on this motion?

(A show of hands.)

CHAIRMAN PRINCIPI: There are two recusals.

All in favor of the Motion 176-3a, so indicate.

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

MS. SARKAR: Thank you, Mr. Chairman. The vote is seven nays, zero nays, two abstentions. The motion carries. It's adopted.

With your indulgence, Mr. Chairman, I'd like to report back on two previous votes for the sake of clarity of the record, if that would be all right. The previous

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vote to accept Motion 163 as amended was adopted -- that concerns Deseret -- at 7-1-1, meaning 7 yeas, 1 nay, and 1 abstention. With regard to previous Motion 165 as amended, it has been adopted by a vote of 7 yeas, zero nays, and 2 abstentions.

Thank you, Mr. Chairman.

CHAIRMAN PRINCIPI: Thank you for the clarification.

On this recommendation, are there any further motions to amend?

(No response.)

CHAIRMAN PRINCIPI: Hearing none, we vote to -- we are voting to approve the Secretary's recommendation as amended and find that it is consistent with the Final Selection Criteria and the Force Structure Plan. Is there a second?

COMMISSIONER NEWTON: Second.

CHAIRMAN PRINCIPI: All in favor?

(A show of hands.)

CHAIRMAN PRINCIPI: All opposed?

(No response.)

MS. SARKAR: Mr. Chairman, the vote is seven yeas, zero nays, and two abstentions. It carries. Thank you.

CHAIRMAN PRINCIPI: Thank you.

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Are there any further recommendations to come before the Commission?

MR. VAN SAUN: Mr. Chairman, just as a quick summary, we completed today Joint Cross Service Group chapter 6 for industrial chapter 7 for intel, chapter 9 for supply and storage. Tomorrow morning we'll address chapter 4, education and training; chapter 5, support activities; chapter 8, medical; and chapter 10, technical.

CHAIRMAN PRINCIPI: Thank you very much. My thanks to the entire Joint Cross Service Team for their presentation and their hard work.

Before we recess for the day, I want to alert all interested communities that we may take up the Air Force recommendations as early as tomorrow afternoon, Thursday. We had previously announced Friday as the Air Force start date and on Thursday morning, as Mr. Van Saun indicated, we will begin and hope to complete our deliberations on the Joint Cross Service Group recommendations.

Are there any other matters Commissioners wish to bring before the Commission today?

(No response.)

CHAIRMAN PRINCIPI: We'll stand in recess until 8:00 a.m. tomorrow.

(Whereupon, at 4:38 p.m., the Commission was recessed, to reconvene at 8:00 a.m. on Thursday, August 25,

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