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HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF
COMMANDER, NAVY INSTALLATIONS COMMAND
BEFORE THE
MILITARY PERSONNEL SUBCOMMITTEE
OF THE
HOUSE ARMED SERVICES COMMITTEE
ON
MORALE, WELFARE AND RECREATION (MWR)

15 MARCH 2006

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Opening Remarks

Mr. Chairman and subcommittee members, thank you for the opportunity to discuss the Navy's Morale, Welfare and Recreation (MWR) program. MWR professionals around the world continue to help Sailors and their families sustain morale and a high level of readiness wherever they are serving our country.

Overview

The Navy is committed to providing the right level of MWR services to all our members and their families. Given the challenges we face with the war on terrorism and the aftermath of the recent natural disasters that have severely impacted several Navy concentration areas, we are applying keen focus on deployed Sailors, their impacted families and those Sailors and families which were most affected by the natural disasters.

Fiscal Year FY 2005 was a demanding year for MWR and Child and Youth Programs (CYP). However, the programs demonstrated the agility to meet the challenge and finish the year with upward trends in our major metrics. Through Commander, Navy Installation Command (CNIC), the Navy has led the way in the Department of Defense's (DoD) establishment of Common Output Levels (COL). COLs range from COL 1, which is defined as fully ready to function, with minimal program risk; down to COL 4, which is defined as having major deficiencies that seriously impact readiness. Through a combination of strategies, the MWR Program was resourced to operate at the COL 2 overseas and at remote and isolated locations, and at COL 3 for all other stateside locations.

MWR balanced the use of appropriated funds (APF) and nonappropriated funds (NAF) using a “bridge strategy,” in which NAF funding normally dedicated to capital spending was re-deployed for operational support. This strategy, combined with a migration of funds from Facilities Sustainment, Restoration, and Modernization enabled us to respond quickly and effectively to meet the needs of Sailors and their families affected by unforeseen events such as hurricanes, while maintaining normal Navy-wide operations consistent with CNIC’s vision of delivering the best and most cost effective services to maintain Fleet readiness.

Programmatically, MWR provided the Fleet and deployed ground units with equipment to maintain fitness; Internet services to support education and leisure time activities; motion pictures; round-the-clock child care at select Fleet concentration areas; and leisure time opportunities that reflect our concern for the well-being of the Navy family.

Child and Youth programs continue to provide excellent facilities and services. However, capacity shortfalls limited the ability to meet all customer demand requirements. Our most recent trends indicate an ever increasing demand for child care.

MWR implemented successful partnerships with the U.S. Army, the Navy Exchange Command and private sector youth organizations; established an enterprise-wide business plan and web-enabled metrics system; continued the alignment of back shop organizations to make best use of resources; reduced our facilities footprint; and modified program components that enhance convenience and service to our customers.

MWR professionals have joined with other Navy organizations to encourage synergies and avoid duplication of efforts as we seek to engender a Culture of Total Fitness as a top priority. These and other transformational initiatives enable Navy to continue providing quality and consistent services at the best possible price to Sailors and taxpayers.

The following describes our overall program performance in greater detail.

MWR Focus on Fleet Readiness

The MWR Fleet Readiness Program is a cornerstone of MWR. We used a variety of program initiatives to ensure that the Fleet had the support it needed. In FY 2005, we distributed over 20,000 pieces of recreation and fitness equipment to the Fleet. An additional 1,500 pieces of recreational gear were distributed to over 40 ground units in isolated and remote areas of the world.

In FY 2005, we began expanding staffing levels for our Civilian Afloat Program from 30 MWR professionals to a target of 54. These recreation and fitness professionals live and work onboard aircraft carriers, amphibious assault ships and submarine tenders. They provide programming that enhances shipboard habitability and promotes positive use of off-duty time, while permitting uniformed personnel to focus on their primary military duties.

Liberty Centers remain a popular non-alcoholic haven for our Sailors. Computers, books, movies, video games, and organized leisure activities designed for our younger Sailors are available at no cost.

The Library Multimedia Resource Center (LMRC) on each ship is the delivery point for computer-based recreation and access to educational resources. We completed the total Fleet LMRC replacement and upgrade in FY 2005 with the purchase and distribution of an additional 1,950 laptops and other related equipment.

Fleet feedback remains very positive as reflected in customer surveys and reports from commanding officers. The top rated MWR program and service for Fleet Sailors over the past several years remains access to electronic mail (e-mail) and Internet connectivity. We will continue to survey our Sailors to ensure on- target program delivery and performance.

Disaster Relief Efforts

MWR and CYP became a valuable arm of Task Force Navy Family in delivering hurricane relief following the destruction unleashed by Hurricanes Katrina, Rita, and Wilma; while continuing to deliver out of the ordinary services in the aftermath of 2004's Hurricane Ivan. Navy MWR immediately provided recreation and comfort in makeshift facilities for first responders, Sailors and family members at hard-hit Navy bases.

MWR focused first on immediate needs such as food, water, and communications.

Temporary child development centers were purchased and installed by installation engineers and commercial contractors. Movie viewing systems were placed throughout open air and enclosed areas which survived the storms. Mobile phone and food service systems reached hardest hit areas within 48-72 hours. Fitness centers were brought online in areas that normally housed aircraft or other work centers to help keep the recovery teams strong. Hundreds of volunteers from around the Navy MWR community converged on hurricane sites to relieve their fellow teammates, who had relocated under the evacuation program.

For Sailors and families relocated to evacuation sites such as Pensacola, Florida; Meridian, Mississippi; and Millington, Tennessee; the goal was to help them return to some sense of routine and normalcy. MWR professionals at the evacuee sites set up daily activities and special events, such as carnivals sporting events, and nightly movies on the lawn. Child development centers and youth centers on base provided free child care to evacuees in the early stages, so that parents could have some stress-free time to take care of personal and family matters.

Creative MWR programming took place at Navy bases in New Orleans, where the lack of running water and electricity, coupled with significant storm damage to existing facilities, presented a formidable challenge. It was truly a joint support mission, as local MWR professionals supported by Navy MWR assist teams from across the country provided a full array of recreational opportunities to thousands of first responders, mainly Army and National Guard personnel.

As things returned to normal, MWR did not forget those still in the hurricane-stricken Gulf Coast and Key West areas. MWR provided holiday programs throughout the region that put smiles on more than 16,000 military members and their families. These programs included live entertainment, socials, free movie nights, and holiday gift packages. These and other local events energized the spirit of Navy teamwork.

Core MWR and CYP programs are back in operation at all bases impacted by the hurricanes. Most have returned to former facilities that have been repaired or to temporary facilities that are adequate to meet the needs while long-term repairs or replacements are underway. We have learned a lot from this experience and look forward to integrating MWR and CYP functional plans into Task Force Navy Family for an even more effective relief response, should the need ever arise again.

Fitness – Key to Personal Readiness

The Navy Fitness program provides ready access for military personnel and family members to high quality fitness programs, equipment, and facilities dedicated to meeting their total fitness needs. Navy MWR operates 145 fitness centers, complete with indoor and outdoor courts and sports facilities. MWR fitness incorporates all elements of personal and group fitness activities such as cardio and weight training, intramural sports, group exercise classes, personal training, group and individual fitness testing and programming, aquatic activities, swimming, and special events (e.g., runs, tri/biathlons, track meets, swim meets).

With an eye toward total readiness, Navy MWR distributed 868 pieces of fitness equipment to 54 Navy Reserve Centers. This action completed an initiative to outfit all 134 Navy Reserve Centers with fitness equipment to enable personnel to begin or maintain fit and healthy lifestyles.

Our annual fitness program assessment for 2005 demonstrated improvement, using DoD and Navy standards. Of the 87 bases that reported on 145 fitness facilities, 18 Navy installations met or exceeded all DoD core fitness standards (versus 11 in FY 2004). Navy attained an overall average of 91 percent compliance with DoD standards.

We have several efforts underway to address facility and staffing challenges to work towards 100 percent compliance with standards. Specifically, we have identified the 30 fitness centers in greatest need of replacement and will make this a priority within the Future Years Defense Program (FYDP). Finally, we have established a Personal and Family Readiness Program that integrates talents of fitness and health related program professionals Navy-wide to optimize program delivery and promote healthy habits.

Navy Movie Program

The Navy Movie program provides one of the most popular recreational activities for active duty personnel and their families. In FY 2005, Sailors could see motion pictures on all Navy vessels, at ashore base theaters, and at Liberty and Recreation Centers. At sea, films rolled for 23 million hours. Ashore attendance tallied over 5 million. One hundred ninety-two movie

titles were sent to 800 Navy, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration, Military Sealift Command, and Department of State Fleet and shore locations. Thirty of the year's most popular releases were sent to OCONUS base theaters just two weeks after their U.S. premiere. CONUS base theaters enjoyed 13 free admission sneak previews attended by 110,000 Sailors and their families. Deployed personnel received 32 early tape releases that included some of the biggest hit films of the year.

The movie program continues to evolve to stay current with technology. In a cooperative effort with the Naval Media Center, a digital videodisk format will replace the current 8-millimeter videotape later in 2006. This new technology will simplify customer delivery of film at sea and improve the overall quality of the product.

Business Activities

MWR Business Activities offer leisure goods and services at competitive prices. NAF revenues generated by these programs help finance capital improvements and also support other MWR activities. Key MWR Business Activities include information, tickets and tours (ITT), golf, bowling, marinas, recreational lodging, food and beverage services, and entertainment programs.

ITT operations offer convenience and low prices for events and attractions in all corners of the world. ITT offices are one component of our customer convenience initiative where related MWR and quality of life services are being co-located for customer convenience.

Golf continues to be a very popular program with our patrons. In order to keep our golf program up-to-date, in FY 2006 we funded 4 golf construction projects as part of our ongoing golf revitalization program. These projects range from replacing an irrigation system to replacing a clubhouse. The Navy is also partnering with the U.S. Professional Golfers Association on several initiatives to increase Sailor interest and participation. These initiatives include free golf lessons during the month of May, Woman's Golf Week in June, and promoting leagues specifically for women and the "First Swing" program for families.

Navy bowling centers are being upgraded to include high-tech scoring and sound-light-video systems. Bowling center managers are implementing updated standards and metrics to measure performance.

There are over 400 MWR Food and Beverage operations worldwide serving our Sailors. These operations are found in catering/conference centers, recreation centers, golf club houses and bowling centers. Revenue from food and beverage operations accounts for over 40 percent of our total business activity revenue.

We have installed nationally branded food concepts in 12 of 16 Navy Regions in response to customer interests. A&W Root Beer, Mean Gene's Hamburgers, Nap's Southern Grill, and Hot Stuff Pizza are some of the most popular offerings. We now have more than 100 branded outlets. To avoid market saturation, CNIC is partnering with the Navy Exchange Command, the Navy Supply Systems Command, and Fleet leadership to review food service

availability. Additionally, we are adopting best practices to optimize food offerings, avoid duplication of effort and over-saturation of food service by the three Navy food service providers. NEX is using its contracting capabilities to partner with MWR and national brands. The latest joint initiative is to install Starbucks coffee shops in MWR facilities in Great Lakes and Pensacola and Chili's Lounge and Grille at Yokosuka and Sasebo, Japan.

To support the Navy's desire to be a good neighbor and good steward of the environment, our marina managers are working with National Oceanic and Atmospheric Administration and States to preserve the nation's waterways through its "Clean Marinas" Program. The Clean Marina Initiative addresses protection of coastal water quality by promoting environmentally sound marina operating and maintenance procedures and best management practices to prevent or reduce pollution. The program also offers information, guidance and technical assistance to marina managers. Currently, 22 states have Clean Marina Programs. Navy MWR marinas are located in 10 of them. Marina managers work with these states to meet environmental standards to become certified. Presently, 7 Navy marinas have received certification; 7 more are awaiting certification; and 10 others have submitted applications.

Navy MWR activities are installing a standardized point of sales system (POS) at all MWR business facilities to become more efficient and provide better service. The POS will simplify and reduce paperwork and errors, with financial transactions and information being transmitted through the latest high-speed technology.

Additionally, we are working on joint MWR initiatives with the Army and Marine Corps for the Information, Tickets and Tours (ITT) program. We are developing joint vendor contracts for amusement tickets and unofficial travel. We are also working to develop a ticket-less voucher program and to provide authorized customers direct Internet access for purchasing ITT products.

Navy's partnership with Armed Forces Entertainment, the USO and most recently the National Endowment for the Arts (NEA) facilitates delivery of first-rate, live entertainment programs to our military members and their families stationed overseas and on deployed ships. This partnership includes a touring component that delivers quality entertainment to overseas and deployed units and a CNIC centrally managed grant program to help fund live entertainment at stateside installations. Entertainers who work with us are selected based on availability and on what is required to support the specific needs of installations and ships. Some of our more recent tours include the Harlem Globetrotters, who just completed their first game/show at sea on an underway aircraft carrier, Comics on Duty, who visited troops in Southwest Asia over the holiday season, and Stephen Lang, who performed his one-man, Broadway-quality play "Beyond Glory" for Sailors around the world. In FY 2005, Navy MWR provided shows or supported funding for more than 667 entertainment events worldwide (368 overseas shows, including shows on 22 ships at sea). Over 164,000 Sailors attended these performances.

Child and Youth Programs (CYP)

CYP continues to offer multiple delivery systems that include Child Development Centers (CDC), Child Development Homes (CDH), Child Development Group Homes, School-Age Care, and a resource and referral program. In FY 2005, Navy programs cared for 46,759 children ages 6 months to 12 years in 124 child development centers, 103 youth centers and 3,115 on- and off- base licensed child development homes. In FY 2005, these services achieved 69 percent of DoD potential need criteria and 100 percent DoD certification rate for operational excellence. Our 100 percent DoD certification rate tells our Navy families that their children are receiving top quality care that equals or exceeds the highest DoD and national standards.

Our objectives for FY 2005 were to maximize accessibility within available resources, conduct needs-based assessments of extended care, sustain affordability of care, and ensure continued program quality. CYP met these objectives after a year of many significant advances. A few of the highlights include:

- CYP launched outreach contracts to provide child care and youth services outside of the military support infrastructure for geographically isolated active duty personnel and activated reservists. The contracts were issued to provide accredited and subsidized child care spaces for children 6 weeks to 5 years of age in local communities, and for memberships to community Boys and Girls Clubs for children 6 to 18 in local communities. These contracts were also valuable in providing significant support for hurricane victims.

- In previous years, installations have been authorized to set fees within DoD authorized ranges based on total family income. This has resulted in parent fees that vary from installation to installation. This year, CNIC established a Navy-wide uniform fee structure transition plan for all child development centers, subsidized child development homes, and school-age care programs. This new uniform fee structure, which comports with DoD policy, is the first of a three-year transition plan to standardize all parent fees Navy-wide. After the three-year transition plan, parents will pay the same fees regardless of their installation's location.

- With a current Navy waiting list for child care in excess of 7,500 and an average waiting period of six months or more, CNIC took full advantage of DoD funding assistance to begin building temporary facilities that will provide an additional 500 child care spaces in Norfolk and San Diego by the fall of 2006. These two localities comprise 45 percent of the total Navy's waiting list.

Business Processes

MWR and CYP programs remain engaged in a broad scope of initiatives to transform our organization, management processes, support systems, program priorities, resource management and central standards and metrics. The challenge is always to achieve efficiencies while sustaining quality of life services for Sailors and their families.

The Integrated Process Teams (IPT) continued to be in the forefront of efforts to increase efficiency and effectiveness in program delivery. The IPTs meet quarterly, with all Navy

Regions represented. The IPT's primary accomplishments in FY 2005 related to program standards and measurement, resource requirements modeling, metrics development and implementation, and development of a consolidated business plan. A sixteen-component "dashboard" metrics program modeled after the DoD Balanced Scorecard allows Navy leadership to review periodic performance and take appropriate corrective action.

Accounting Information System (AIMS)

A state of the art nonappropriated fund management information system encompassing accounting, personnel, payroll and cash management is another essential element to enhanced efficiencies. The NAF accounting, cash management, personnel, and payroll modules of system are now operational at all U.S. bases and are on schedule to be operational Navy-wide by the end of calendar year 2006. The point of sale portion of the project is projected for completion in 2007. AIMS is integral to our continued efforts to streamline back shop processes and reduce costs.

Marketing

It is essential that our patrons are aware of our great programs and that we understand how those customers perceive our performance delivering those services. We use a comprehensive approach to communicate the Navy MWR and CYP story through articles, internal and trade publications, posters and other print products, public service announcements, videos and interactive CD-ROMs promoting regional MWR opportunities.

We developed and executed MWR Customer Satisfaction Assessments for the Fitness, Child and Youth, and Liberty (Single Sailor) programs in 2005. The assessments were taken from 31 bases in CONUS and overseas. Analysis revealed all three programs had high customer satisfaction index scores.

This team also designed and distributed an MWR Employee Satisfaction Assessment, which was made available to Navy MWR employees worldwide. Organizational satisfaction and loyalty benchmarks were well above the average corporate and government organization scores.

Overall Financial Condition of MWR

MWR appropriated funds (APF) are provided through the Base Operating (BOS) budget line in the Operations and Maintenance account. Last year we discussed the difficult funding environment created by a declining APF funding base, the demands for providing programs that meet the needs of a new generation of Sailors, and the challenge of providing quality MWR programs in support of the Global War on Terror. Our “Bridge Funding Strategy” worked as planned by re-deploying NAF funding normally dedicated to the capital spending for operational support. As a result, MWR had adequate funding to maintain program delivery despite a decrease in APF appropriations from FY 2004 levels. Not only were program delivery standards met, but NAF financial operations remained healthy with revenue, net income and cash flow exceeding planned amounts. The FY 2006 President’s Budget Request BOS from the Department of the Navy fully funded MWR to COL 2 overseas and COL 3 stateside. Subsequent

adjustments to our request have again necessitated the need for bridge funding. We told the committee last year that the Bridge Strategy was intended for one year. While many achievements were accomplished, , we were unable to fully omit the use of NAF. Nonetheless, we reduced the level of NAF “bridge” support from \$22 million in FY 2005 to \$12 million in FY 2006.

Navy MWR financial operations totaled over \$840 million, which included appropriated funds (APF), internally generated nonappropriated Fund (NAF) revenue and Navy Exchange dividend distributions. (This figure excludes Afloat Recreation funds as well as the New Sanno Hotel in Tokyo.) This amount represents a decrease of about \$20 million from the previous year. However, the program still managed a profit as a result of internal efficiencies.

In FY 2005 we exceeded the DoD minimum standards (85 percent) for APF support in Category A Mission Essential Programs by achieving 87.3 percent in APF support. In category B Community Support Programs, 65.1 percent of authorized costs were paid with APF, compared to the DoD minimum requirement of 65 percent. We project that we will achieve our commitment to fund our Category A and B programs at the established minimum levels mandated by DoD.

As a result of continued APF challenges with the Base Operating Support account in FY 2005 and beyond, we have been implementing a strategy that guarantees priority for afloat recreation, movies, fitness, Single Sailor, child and youth programs, and other programs in overseas and isolated and remote areas. Stateside, we will continue delivering programs of high

customer value, such as fitness and child development, while seeking alternative delivery methods in the civilian community or share resources with other military installations.

Facilities

MWR capitalization remained constrained in FY 2005 as we set the stage for increases starting in FY 2007. MWR invested \$53.9 million in NAF capital improvements in FY 2005 that include facility construction and renovation, equipment and management information systems. Of this amount, the Regions provided approximately \$35.5 million, while the central capital program funded \$18.4 million. We anticipate capitalization in FY 2007 will increase to almost \$80 million in FY 2007.

We continue to see opportunities for multiple MWR services to be consolidated under one roof for customer convenience and long-term sustainment cost avoidance. We have also completed standardized facility criteria for all of our major MWR programs to ensure consistency and quality.

Summary and Outlook

The challenges on the horizon are significant, but the Navy's robust organization of committed professionals is ready and excited to meet the Navy's readiness requirements. The Navy MWR and CYP programs had a good 2005, and will continue to focus on supporting deployed units and their family members in 2006. We have proactively delivered programs and

services to meet the needs of our forces and their families wherever they may be, ashore or at sea. We can measure the impact of these efforts as we continue to stretch our talents, challenge traditional assumptions, and take cost-wise business risks.

In 2006, MWR and CYP are actively addressing the following:

- **Developing a Culture of Fitness.** CNIC has identified 30 fitness centers that have outlived their life cycle. We are focusing on this challenge in upcoming years. We are exploring how best to provide opportunities for our new Sailors to improve their long-term physical conditioning using trained professionals and leveraging other Navy experts through the Personal and Family Readiness program. Our expected outcome is to improve nutrition, counseling, and spiritual health with an eye towards reducing long-term medical costs and stress related incidents among Navy family members.

- **Human Resource Strategy.** Our human resource strategy prepares members of our work force for the jobs needed tomorrow. The key to this initiative is to accurately forecast the work that needs be done, provide training for existing workforce members and/or hire others with the right skill sets to meet those challenges.

- **Facility Strategy.** We are committed to an enterprise-wide facility strategy to enhance Category C programs to ensure long-term overall program viability where it makes sense. Ultimately, implementation of this strategy will enhance the quality and consistency of programs being delivered as well as ensure that a reliable source of NAF resources is available to support future MWR program delivery.

- Development and Revision of Navy Standards. In FY 2005, we completed the initial phase of standards development and used them to refine the MWR Program Objective Memorandum model. The model identified NAF to create a clear resource picture. This effort was an excellent start, but needs further refinement. In FY 2006, we will examine any remaining disconnects among standards, resourcing and performance, and continue to perfect the process for the future.

- Expanding Partnering and Alternative Service Delivery Concepts. Progress was made in this area in FY 2005, but opportunities remain to be explored. Last year, we scratched the surface of the benefits that partnering can bring in providing cost effective MWR opportunities for our patrons. This year, MWR will explore and expand opportunities where practical. Some examples: we are working with our Visitors Quarters team on a single customer reservation system; collaborating with Boys and Girls Club of America on "Mission: Youth Outreach", an initiative where Youth (ages 6-18) can attend a Boys and Girls Club for free in metropolitan areas; and joining with the "Childcare in your Neighborhood" organization on "Operation Military Childcare", which is another initiative in which childcare support (ages 0-5) is available for families located in geographically isolated areas.

The Navy recognizes the great value that our Sailors and Congress place on MWR and Child and Youth Programs. We pledge our diligence in meeting all expectations. I thank you in advance for your continued support.