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**STATEMENT OF CHAIRMAN JOEL HEFLEY  
SUBCOMMITTEE ON MILITARY INSTALLATIONS AND FACILITIES**

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**HEARING ON THE INFRASTRUCTURE IMPLICATIONS OF THE DEFENSE REFORM  
INITIATIVE**

*March 18, 1998*

This afternoon, the Subcommittee on Military Installations and Facilities meets to conduct an oversight hearing on the infrastructure recommendations contained in the Defense Reform Initiative. When the recommendations of the Defense Reform Task Force were announced by Secretary of Defense Cohen last November, the Secretary declared that "we are going to, for example, do away with some of the things that have dominated business as usual here in the Pentagon." Reform of the Pentagon and changing the way we do business has been a principal emphasis of the full committee under Chairman Spence and it has been a key element of the work this subcommittee has done in recent years. We all know the business practices of the Department of Defense must change. However, while there is broad agreement on the need for reform, many members, including myself, continue to have concerns about the implementation of on-going reforms, the wisdom of certain proposals, and what appear to be grossly overstated and overly optimistic savings assumptions from reform initiatives.

This hearing will focus upon the central elements of the Defense Reform Initiative involving base infrastructure. Those are military housing privatization, utility systems privatization, demolition and consolidation, and the Secretary's recommendation for two additional rounds of base closure and realignment actions utilizing the commission process.

With regard to military housing privatization, the subcommittee conducted last week an oversight hearing on the implementation of the Military Housing Privatization Initiative. This subcommittee continues to be a strong supporter of, and advocate for, that initiative. I continue to believe that the initiative, if properly managed and budgeted, can go a long way toward resolving the most critical quality-of-life problem confronting tens of thousands of military families.

However, while we all agree on the goal and the importance of the legislation provided in the FY1996 defense authorization bill as the framework to reach that goal, the discussion last Tuesday demonstrated that this subcommittee does have concerns about the management of the program by the Department and the military services. Secretary Goodman and the principal deputy assistant secretaries of the military departments responsible for the implementation of the military housing privatization effort clarified some issues and made a series of commitments that would address a number of our concerns. I believe that the continuing dialogue on housing privatization has been helpful and I look forward to continuing to work with DOD and the services to ensure the success of this program.

In the area of utility systems privatization, this subcommittee has been equally supportive of the effort to bring commercial resources to bear on the modernization of base utility systems where economically feasible and in a manner that does not impair critical national security functions or affect the availability and readiness of key specialties required during a crisis or military conflict.

The Department's aggressive approach in this area is commendable, but may be unrealistic. In my judgment, it is highly unlikely that all base utility systems will be privatized by January 1, 2000, which is the stated goal of the Defense Reform Initiative. I will consider it a success if all base utility systems have been assessed by that point and a decision made about which systems to bring to the public marketplace. In utilities, like all areas of reform, the Department should not promise results on a timeline that will be difficult, if not impossible, to deliver. To do so risks undercutting confidence in the Department's management.

This subcommittee has also been in the forefront of the effort to apply additional resources to the demolition of unneeded facilities. We have worked closely with the Department in this area and will continue to do so. My principal concern about the demolition component of the Defense Reform Initiative is whether adequate funding can be maintained throughout the Future Years Defense Program to ensure the successful completion of the demolition program given the budgetary pressures on the operations and maintenance accounts.

Finally, the central recommendation of the Defense Reform Initiative in the infrastructure area is Secretary Cohen's recommendation for two additional rounds of base closure and realignment actions in 2001 and 2005. On a number of occasions, I have expressed my serious reservations and concerns about the recommendation. Based on the testimony this subcommittee has accumulated over the years, the record is fairly clear. BRAC costs have escalated beyond initial projections, savings have not been realized according to projections, and there will be continuing environmental liabilities and caretaker costs for previous BRAC actions that will carryover beyond 2001.

There may be a case for additional installation consolidation. But, the case for BRAC, as stated by the Department, appears to be threefold – first, that installations cost too much to run and the military services need savings for modernization in a tight fiscal environment; second, that base structure needs to be rightsized with the decline in force structure; and, third, that base reuse and redevelopment can result in more employment and economic activity at the local level than was produced by the installation. For the most part, these are budget and economic arguments

and they are critical issues, but budgetary shortfalls and local redevelopment – no matter how successful – are not the central purpose for maintaining installations, training areas, and other facilities that support the warfighting mission of the Department.

The easy decisions, and many of the hard ones, to close installations have already been made. The fundamental military force structure used to develop the closure and realignment decisions of 1995 is not too different from the force structure contemplated by the Quadrennial Defense Review. From a strictly military perspective, I remain unconvinced at this point of the necessity for two more rounds. While I am willing to hear the argument for additional authority, the Department needs to present a clear economic and military justification for further base closure action before this subcommittee, in my judgment, can endorse such an action.