

2005 BRAC COMMISSION REGIONAL HEARING

WEDNESDAY, JULY 6, 2005

BOSTON CONVENTION AND EXHIBITION CENTER

415 SUMMER STREET

BOSTON, MASSACHUSETTS

STATES TESTIFYING:

RHODE ISLAND, CONNECTICUT, MASSACHUSETTS, MAINE AND NEW
HAMPSHIRE

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LLOYD NEWTON, COMMISSIONER

JAMES BILBRAY, COMMISSIONER

SUE TURNER, COMMISSIONER

DAVID HAGUE, GENERAL COUNSEL

PRESIDING COMMISSIONER:

LLOYD NEWTON

PRESIDING COMMISSIONER NEWTON: This hearing is now in session. Ladies and gentlemen, good morning. I am Commissioner Lloyd Newton, and I will be the chairperson for this regional hearing of the Defense Base Closure and Realignment Commission.

I am pleased to be joined by my fellow Commissioners, Chairman Anthony Principi, Commissioner Skinner, Commissioner Turner, Commissioner Bilbray for today's session. As this commission observed in our first hearing, every moment consumed in redundant, unnecessary obsolete, inappropriately designed and located infrastructure is a dollar not available to provide the training that might save a Marine's life, purchase ammunitions to win a soldier's firefight, or fund advances that could ensure continued dominance in the air or on the seas. Congress entrusted our armed forces with vast but not unlimited resources. We have the responsibility to our nation and to our men and women who bring the Army, Navy, Air Force, and Marine Corps to life to demand the best possible use of these limited resources.

Congress recognized that fact when it authorize the Department of Defense to prepare a

proposal to realign and close domestic bases. However, that authorization was not a blank check. The members of this commission accepted the challenge and necessity of providing an independent, fair, and equitable assessment of an evaluation and of the Department of Defense's proposals and the data and methodology used to develop that proposal.

We committed to the Congress, to our president, and to the American people that our deliberations and decision would be open and transparent, and that our decisions will be based on the criteria set forth in the statute.

We continue to examine the proposed recommendations set forth by the Secretary of Defense on May the 13th, and measure it against the criteria for military value set forth in law, especially the need for surge manning and for Homeland Security. But be assured we are not conducting this review as an exercise in sterile cost accounting. This commission is committed to conducting a clear-eyed reality check that we know will not only shape our military capabilities for decades to come, but will also have profound effect on our communities and on the people who bring

those communities to life.

We also committed that our deliberations and decision will be devoid of politics and that the people and communities affected by the BRAC proposal would have, through our site visit and public hearing, a chance to provide us with direct input into the substance of the proposal and the methodology and assumptions behind them.

I would like to take this opportunity to thank the thousands of involved citizens who have already contacted the commission and shared with us their thoughts, concerns, and suggestions about base closures and realignment proposals. Unfortunately, the volume of correspondence we have received make it impossible for us to respond directly to each one of you in the short time with which the commission must complete its mission, but we want everyone to know the public input we receive are appreciated and taken into consideration as part of our review process. And while everyone in this room will not have the opportunity to speak, every piece of correspondence received by the commission will be made part of our permanent public record, as appropriate.

Today we will hear testimony from the

States of Rhode Island, Massachusetts, Maine, Connecticut, and New Hampshire. Each state-elected delegation has been allotted a block of time determined by the overall impact of the Department of Defense closure and realignment recommendations on that state. The delegations have worked closely with their communities to develop agendas that I'm certain will provide information and insight that will make up a very valuable part of our review.

We would greatly appreciate it, though, if they -- if the delegation would adhere to their time limit, as every voice and every succeeding panel that comes behind you will be extremely important.

At this point, I'd like to ask the Rhode Island delegation and presenters to please stand as our federal officer administers the oath as required by the base closure and realignment statute. Mr. Dave Hague will present that.

(Witnesses sworn.)

PRESIDING COMMISSIONER NEWTON: Senator Reed, I think you are leading the delegation for Rhode Island, and sir, I will turn the time over to you and ask you to proceed as you see appropriate.

SENATOR REED: Thank you, very much,

Commissioner Newton, Commissioners Principi, Turner Skinner, Bilbray. We are pleased that the Department of Defense has recognized the high military value of Rhode Island's facilities in its recommendations. Naval Station Newport, anchored by the Naval War College, is the Navy's center of training with a stellar faculty with ample and quality facilities. The Naval Undersea Warfare Center is the intellectual heart of the research and develop of undersea warfare and will benefit greatly from the addition of maritime sensor, warfare and electric warfare.

Rhode Island's also proud to be designated to receive 5 additional C-130Js filling out our 143rd Airlift Wing at Quonset Point, Rhode Island, which was the first to fly the C-130J in combat in Iraq.

I believe the acknowledged military value of the Naval facilities at Newport compels a reevaluation of two defense department recommendations which would move the Navy Warfare Doctrine Command and the Maritime Information Systems RDATE&E from Rhode Island.

The Navy Warfare Development Command was relocated to Newport from Norfolk a mere seven

years ago. After that move, it took the command three to five years to rebuild the necessary intellectual capital. If NWDC leaves Newport, the command may suffer from dislocation and erosion in the intellectual capital, and the NWDC may become preoccupied with day-to-day fleet operations, rather than focusing on the near future, which is its mission.

I would argue, therefore, that the Navy would be best served by keeping the Naval Warfare Development Command in Newport.

The Department of Defense has also recommended moving the Maritime Information Systems RDT&E from NUWC to San Diego. While San Diego has experience in surface antennas, submarine communication systems are different and the repository of knowledge and expertise in submarine antennas in radio rooms resides in Newport. And NUWC has created a virtual submarine at Newport, which allows operational testing of systems that would otherwise have to be done on operating platforms.

Moreover, it is estimated that it will cost approximately \$230 million to replicate this testing capability at San Diego, a course not

considered by the Department of Defense. Finally, much of what we do around complements the work done at Submarine Base New London. I've been invited to speak at the Connecticut panel, and I will reserve my detailed remarks at that time. And now, it's my pleasure to introduce our governor, Donald Carcieri.

GOVERNOR CARCIERI: Thank you, Senator Reed. Ladies and gentlemen, I am pleased to have the opportunity to testify before the BRAC 2005 commission this morning. Our defense facilities are a crucial part of Rhode Island's economy. Rhode Island's military installations account for approximately 3,800 civilian and 1,500 military jobs.

Our entire defense industry has an economic impact of approximately \$1.5 billion. The Naval Undersea Warfare Center alone has more than 1500 contracts with outside vendors in the region. Two years ago I established the Rhode Island BRAC commission and called upon them to perform a comprehensive study of our military assets. Senators Reed and Chafee and Congressman Kennedy and Langevin all contributed significantly to that and made the US Department of Defense recognize our

state's many strategic military assets by recommending a net increase of 533 positions in Naval Station Newport and 46 positions at Quonset Air Base. These recommendations I know are a vote of confidence in our state and in the work being performed at these important facilities.

Without question, the Naval Undersea Warfare Center and Division Newport provide the repository for our nation's knowledge base of undersea technology. Additionally, Brown University and the University of Rhode Island's graduate school of oceanography serve as great resources to assist NUWC in meeting its mission.

The defense department also recognized the professionalism of Rhode Island's Air National Guard. As Senator Reed mentioned, with the proposed addition after five, C-130s, Quonset will open new chapters in its ongoing support of DOD objectives.

We are very appreciative of the Department of Defense's recommendations, and it is my hope that you will support their assessments of our state's military facilities and their importance. Although Rhode Island is scheduled to gain commands, we are also losing two crucial commands

at Naval Station Newport, Navy Warfare Development Command, as well as the Submarine Communication Sensors at NUWC, it is our hope, as the Senator mentioned, that these commands will remain in our state.

Finally, I am concerned about the closure of Sub Base New London. I have spoken to Governor Rell at numerous times about this issue, as this is a site within close proximity to Rhode Island and is an easy commute for our residents, many of whom are employed there. It is my hope that you will reconsider this decision, as I believe the nation's preeminence in undersea capability should not be compromised.

I would like to thank you for providing me with the opportunity to testify before you. And I would like to thank you for providing me the opportunity to testify before you today and assure you that Rhode Island stands ready to play its part in our national's defense strategy, and I would like to pass it over next to Senator Chafee.

SENATOR CHAFEE: Thank you, Governor, distinguished Commissioners, welcome to New England. The Department of Defense recognized the value of importance of Rhode Island's military

installations when it made its BRAC recommendations. I appreciate this, particularly in and around where many states face difficult closure recommendations. The fact that DOD assigned Rhode Island a net gain does not mean that it did not recommend significant changes. Over time, Newport Naval Station has evolved from the headquarters of the Atlantic Fleet to a premier center of undersea warfare, research and development, as well as home to many of the Navy's prized educational schools.

DOD recommendations continue this trend, recognizing the value of the Naval Undersea Warfare Center and the Navy War College by adding Subsurface Maritime Sensors, Electronic Warfare and Electronic Research and Development and Acquisition, the Office of Training Command, the Navy Supply Corps School, and the Center For Service Support to Naval Station Newport.

However, DOD also recommends that Newport lose the Navy Warfare Development Command, Naval Reserve Readiness Command, Submarine Communication Sensors, and the Religious Training and Education Center. I respectfully ask the members of the commission to carefully review these

recommendations, especially in the light of Newport's emergence as a center of educational and research excellence.

Rhode Island has adequate capacity to accommodate the recommended gains while retaining current installations. Additional land has been identified for base expansion, and legislation has been enacted to support capital investments of mission-related capabilities.

Rhode Island has also reduced cost to Naval Station Newport by roughly 1.6 million annually by restructuring electricity and solid waste fees, and local merchants have implemented Rhode Island Salutes, which offers discounts to service members and their families.

I know you have and will hear the word "synergy" many times in the course of your reviews. I think it is helpful to define this word that we use so often. The dictionary defines it as a mutually-advantageous compatibility distinct participant. This is a good thing. In the immediate region we have the great Naval institutions of Newport and New London. We have a strong industrial base from small companies to large corporations, such as Electric Boat and

Raytheon.

We have fully-supported local and state governments and federal delegations, and we have internationally-respected research institutions, including the University of Rhode Island School of Oceanography and the Woods Hole Research Center. These participants truly exemplify synergy, making a mutually-advantageous injunction that results in unparalleled undersea research and capability. I hope you will take these important elements into account as you review the military value of Rhode Island and the region. Thank you. I will now introduce Congressman Kennedy.

CONGRESSMAN KENNEDY: Good morning. I'm glad to see you. Good morning.

PRESIDING COMMISSIONER NEWTON: Bring the mike up for the congressman, please.

CONGRESSMAN KENNEDY: Is that better?

PRESIDING COMMISSIONER NEWTON: Maybe somebody from the house there? All the mikes are dead down there. Is there anybody here that can take care of that?

Well, the good news is we've stopped the clock.

CONGRESSMAN KENNEDY: We'll start at 00

actually.

CONGRESSMAN LANGEVIN: Can he borrow one of these?

PRESIDING COMMISSIONER NEWTON: Patrick, you're in Massachusetts. I guess they just don't like the Kennedy name.

CONGRESSMAN KENNEDY: I'm not sure you'll have any agreement with my father about that.

PRESIDING COMMISSIONER NEWTON: Ready with the clock.

CONGRESSMAN KENNEDY: Good morning. I'd like to focus my remarks on the Naval Warfare Development Command. With the Navy commands in Rhode Island, the Naval Undersea Warfare Center, the Naval War College, the Naval education that goes on in Newport, and we see the Naval Education Training Center, we have an educated work force, we have remarkable integration with talent, strategic thought, and practical experience, and the technological know-how that's essential to the Navy Warfare Command meeting its full potential. Our state government and this congressional delegation are united to find new ways to help our military community and we will continue to do so.

We have restructured the Naval Station

Newport's utility rates to generate millions of dollars in savings. Our business community has shown its appreciation with the Rhode Island Salutes program.

But here are my concerns: The loss of the Naval Warfare Development Command and the realignment of the Undersea Sensor Systems will have their cost. First, we will lose the benefit of the cooperative relationship developed here in Rhode Island. Each facility is critical to the unique strength of the whole. NUWC provides operational, experimental tactical focus and mission-centric capabilities to the Navy's warfare and development command, which they will not find anywhere else.

It will be difficult for the Navy to regenerate that loss of intellectual capital and the technological expertise quickly. Relocating the Naval Warfare Development Command closer to the fleet could jeopardize the strategic framework that should guide the decision-making process. The combined value of the Naval Warfare Development Command and our Naval Undersea Warfare Center is an integral part of our national's core expertise and a repository of knowledge in undersea warfare.

The realignment of Undersea Sensor Systems is problematic, because subsurface communications is different from surface communications. And lastly, many of us are concerned about the possible closing of the New London facility. The Navy needs a robust submarine force and reinforced by a strong investment in technology and research. Our country faces expanding and emerging threats in undersea warfare, and the proximity of the New London Submarine Base to our facilities in Rhode Island is an asset.

I'd ask the commission to consider these recommendations and those of my colleagues, and thank them for coming here to New England to hear from us. Thank you. And now I'd like to turn over to my colleague, Jim Langevin, who's on our Armed Services Committee in the United States Congress. Jim Langevin.

CONGRESSMAN LANGEVIN: Thank you, Patrick. Good morning. I'd like to thank the commission for hosting this important hearing, and I'm proud to testify on behalf of Rhode Island's contributions to our nation's military. Thanks for the support of its citizens and officials, Rhode Island has become a leader in advancing our national defense.

The Pentagon recognized the state's positive economy and recommended the addition of new commands and assets. We look forward to expanding the contributions of our Air Guard base at Quonset Point, which serves as the final domestic stop for all C-130 units deploying to southwest Asia.

Proposed additions to Naval Station Newport fit well with its educational and research and development issues. Also, because of its intellectual capital and contributions to shape the future of the Navy, the Naval Station remains the appropriate site for the Naval Warfare Development Command, and I urge the commission to reevaluate this recommendation.

Our state and local leaders have fought to keep Rhode Island an attractive location for the military assets through a series of investments and cost reduction, and Rhode Island has worked hard to ensure that the military is getting the most for every dollar spent. However, one of the most important benefits of Rhode Island is the amazing synergy that has developed through long-standing relationships. Our businesses have produced cutting edge technologies, while our universities provide research and work force development. We're

instrumental in building the Virginia class submarine, in developing the DD(X) destroyer. We have also partnered extensively with our neighbors in Connecticut, making southeast New England the center of excellence for undersea warfare.

To maintain that vital relationship and to enhance our national defense, I strongly urge the commission not to close the submarine base in Groton. This is -- this request is especially in light of the fact that the current submarine force cannot meet the mission requests of our commanders, and second, the Pentagon has yet to even set what the future number of submarines our submarine force level will be, and all indications are that those force levels will be higher, not lower, given the mission commands.

We realize that you have a difficult task ahead, and we thank you for your service. As you deliberate, I simply ask that you keep in mind Rhode Island's unwavering support and contributions to our national defense. We are leading the way of America's military transformation efforts, and welcome the opportunity to enhance that role. Thank you very much. And it's my pleasure to now introduce Keith Stokes.

MR. STOKES: Thank you, Congressman. Good morning, Commissioners, and thank you for the opportunity to articulate the military value of the Naval command at Naval Station Newport and the Rhode Island National Guard. My name is Keith W. Stokes, and I am presently the executive director of the Newport County Chamber of Commerce in Newport, Rhode Island. I have a brief Power Point presentation that will clearly outline the simple point that Rhode Island's military value and defense capabilities equal more breadth, more depth, and more value.

I will also point out the proposed transfer of the Naval Warfare Development Command from Newport will create a dramatic reduction in the Navy's strategic tactical capabilities.

I would first like to discuss Rhode Island's military value. The US Department of Defense recognized the military value of its assets located in Rhode Island, and we thank them. These assets have included Naval Station Newport and a strategic Educational Research and Development Command. And, in fact, those commands in Rhode Island were ranked 36th in military value out of 334 Navy facilities, and that comes from the Volume

7 BRAC report of 2005.

We also value our Rhode Island National Guard in Quonset, Davisville. In summary the military value of Rhode Island installations has been acknowledged, and again, we thank you.

We believe Rhode Island is home to America's intellectual capital resource for undersea warfare systems which include research and development acquisitions and testing and evaluation of submarines, which are the particular critical platform for autonomous vehicles, undersea and sea-based sensor systems, submarine warfare systems, and undersea acoustics. Rhode Island is also home to the development of the nation's strategic and tactical Naval maritime policies at the Naval Warfare Development Command.

We also have the joint professional military education facilities centered particularly in the war college. Our additional military intellectual capital resources reside particularly at the Naval Undersea Warfare Center, the Navy War College, the Surface Warfare Officers' School Command. We have access to the finest higher education and research facilities located critically in New England. And we are all direct

products of 30 years of strategic Navy investment to create a unique Naval center of excellence in undersea systems, technology, and senior officer training.

Rhode Island's military value in homeland defense also includes and certainly recognizes our Rhode Island National Guard. Our guard is strategically located with the Quonset Air Guard facility at Quonset, Davisville. As Senator Reed had said, we are quite pleased with the addition of five C-130 aircraft.

Electric Boat is a part of General Dynamics, it also resides at the Quonset Point facility. This entire facility includes over 3,000 acres with deep water piers. It is fully intermobile. It is closer to Europe than any port south of Quonset in Davisville.

As you know, the recommendations were that the Army Reserve centers in Providence and Bristol would consolidate to our Naval Station Newport, and I would also like to point out that since the BRAC of 1995, Rhode Island has made very dedicated capital investments to enhance the Quonset facilities. In 1996 a \$72 million general obligation bond for infrastructure was approved.

In 2004, \$48 million general obligation bond under Governor Carcieri was approved for infrastructure. These enhancements over the last nine to ten years have included enhancements of the Quonset Airfield, bulkhead, roadways, rails, environmental cleanup -- unfortunately, a tremendous amount of environmental cleanup -- and upgrading utility system.

The proposed transfer of US Navy subsurface maritime capability is of great concern to us in Rhode Island. Our submarine communications are an integral part of the development and integration of the overall submarine warfare system. We have based in Newport a virtual land-based submarine which exists in Newport.

We also have, within this system, a system that is, we believe, irreplaceable, and we project it would cost \$230 million to replicate elsewhere. So, any decision that would reduce the effectiveness of the Navy, particularly of the submarine communication systems, we believe would reduce the effectiveness, particularly in the face of present and emerging threats.

The potential transfer of the US Navy's doctoral development capability is of what we are

greatly concerned. The Navy Warfare Development Command, which has been reiterated by our governor and our congressional leaders, that potential transfer we believe would have devastating impact on the capabilities of the doctrine and strategic and tactical planning -- not only in Newport, for the nation.

We believe that the Navy Warfare Development Command, as it exists in Newport, provides an advantage which consists of intellectual foundations, revolutionary concepts, concept development and experimentation, research and analysis. And in fact, over the last several years, we have completed -- we have built a state-of-the-art world class war game facility that opened, I believe, in 2003 at the McCarty new hall. And we also provide and support -- and this is quite important -- strategic vision and planning.

I want to reiterate that the transfer of any US Naval's doctrine development capacity from Newport, and particularly within the Naval Warfare Development Command, would also impact the fact that the command has been a leader in the concept of operations experimenting document enterprise.

And this is particularly important,

because this process designs, develops, and executes all concepts of operations within experimentation, and we have a critical jointness between the Naval Warfare Development Command and our Naval Undersea Warfare Center, which also provides operational, experimental tactical focus and mission-centric capabilities.

This is a -- again, an irreplaceable synergy between our Naval Undersea Warfare Command and the Naval Warfare Development Command, and we believe it's irreplaceable. And one example of these types of synergies between the Naval Warfare Development and the Naval Warfare Center includes the Trident subs, which has been a refocus from its primary mission to more of a versatile platform, to a multi-mission capability.

We also want to point out that any potential transfer of this doctrinal development capability would impact, as an example, the Antisubmarine Warfare Concepts of Operation war game for the 7th Fleet which occurred in Newport. And in this case, the Naval Undersea Warfare Center, with the Warfare Development Command, participated in the design, the planning, and execution of this war game.

There was also support of the development of the data collection and analysis plan resulting in changes in the current operation plan.

So, in summary, and I want to re-enter at this point, the value proposition for the Naval Warfare Development Command, teaming with the Naval War College, the CNO strategic studies group and the Naval Undersea Warfare Center leverages a combined intellectual capabilities to improve current warfighting strategies while addressing future warfighting requirements. This is the very military jointness that the BRAC has called for and that we have offered.

I want to talk now on Rhode Island and the State of Rhode Island's particular interest in reinforcing and sustaining its military value. The first area is the land builds that support operations infrastructure. Rhode Island has met the Navy's realignment plans over the past 30 years with the necessary infrastructure to support the education, the research and development and training commands that we have. It is -- as I've pointed out previously, we have expended over \$100 million in state general obligation bonds for the infrastructure needed at Quonset alone. We are

also working closely with Governor Carcier and the congressional delegation, and the business community of Rhode Island have identified, if needed and required, additional qualitative land expansion opportunities to meet the needs today and in the future of these commands and their operations.

We have also recently enacted this past month legislation to support the critical capital investments of mission-related capabilities. And this particular legislation would offer state funds to help invest in planning, design, real estate acquisitions, utility expansions, all the operations required in expansions of forces within our state. Our state would be a willing and active partner in contributing to those activities.

We have also attempted to reinforce the military value, particularly in the areas of cost of operations and manpower. And this is a quite important area for us. Rhode Island clearly recognizes the challenges of working and living in the northeast. And over the last several years, we have creatively restructured electricity rate classifications for Naval Station Newport generating the new savings at \$1.1 million

annually. I can't tell you how important this was. We did a review analysis of Naval undersea laboratories around the country and literally what their out-of-pocket expense per kilowatt electricity rates were. Rhode Island was one of the highest in the country, much of that structurally because of the fact that we were at the end of pipeline in the northeast. But we quickly sat with our public utilities commission and came up with a new classification which directly reduced the cost of electricity by \$1.1 million for all of Naval Station Newport but particularly benefited the laboratories and the high energy users of the Naval Undersea Warfare Center.

We also reclassified Naval Station Newport's solid waste fees. And again, it could seem as again an issue -- why would we focus on the collection and disposal of solid waste? But large facilities produce large amounts of solid waste. And the costs of those solid wastes, the disposal, the storage has become a great cost across the nation. Here in Rhode Island we were able to reclassify those costs. We were able to save annually \$600,000 a year to Naval Station Newport.

We have also attempted to reinforce the military value, particularly to the personnel and the families who have sacrificed day in and day out on behalf of our community and our nation and the world. In the spring of 2005, we created and established what we call Rhode Island Salutes. The Rhode Island Salutes program currently offers over 250 merchants and business owners across the greater Newport area who provide substantial discounts, access to benefits, services, products, on behalf of active duty military personnel and their families. This program is our simple way of giving back to the men and women and families who serve us.

What is most exciting about this program is that we now have a number of chamber of commerces and business associations across the state of Rhode Island signing on to participate actively in this program on behalf of our military personnel. Our goal, which we will certainly meet, is to have over a thousand businesses and merchants by the end of 2005 offering targeted discounts, benefit and services for the men the women and the families of our armed services and National Guard.

In sum, we believe, and we're quite

passionate to the fact that Rhode Island is a value add for the Navy. We believe we offer strategic and sustainable locations for mission capabilities. And that includes the Naval Station Newport Education Command, the Naval Station Newport is also the central repository of undersea warfare systems and its knowledge based industries, our Narragansett Bay is ideal for test and evaluation. Our Quonset Airlift and intermobile capabilities, along with the enhancements that we made at Quonset, Davisville we believe are unsurpassed. We believe we've stated that Rhode Island has been and will continue to be a vested partner in enhancing and sustaining military operations and facilities in our state. But most importantly, Rhode Island and New England is vitally important in maintaining the national's continued undersea superiority.

And at this point I want to thank you again for taking this time, and I'd like to return the speaking program to our Senator Reed.

SENATOR REED: Thank you very much, Keith. Commissioners, the military facilities in Rhode Island are truly one of a kind. We have worked diligently to ensure the military has everything it needs to perform its mission. We are pleased that

the Department of Defense has recognized the military value and recommended that several assets be moved to our state, including the Navy Supply School, the Officers Training Command, and the Maritime Sensors RDAT&E. We feel that these additions bolster our military value, and they also bolster arguments that the Navy would be best served by retaining the Navy Warfare Development Command and the Maritime Information Systems RDAT&E at Newport, and we ask that the commission reconsider these two recommendations. We thank you for your time and your attention, and we will now be happy to answer any questions you may have.

PRESIDING COMMISSIONER NEWTON: Thank you very much. Do we have any questions?

COMMISSIONER BILBRAY: One question of Mr. Spokes. Prior to this I had the honor of talking to Representative Kennedy talking about programs in the future for Newport. One of the questions that came up is the size and land availability at Newport base. First of all, is there any chance to expand the land around Newport base?

MR. STOKES: Thank you for that question. Over the last year, we carried out a comprehensive build-out analysis of both the existing states

within Naval Station Newport compound and also land that directly abuts Naval Station Newport, and we've identified both public and private space that could be available -- of up to 200 acres that would be available for further build-out based upon the needs going forward at Naval Station Newport.

We've, in fact, already begun the process with the state Economic Development Corporation of having very preliminary discussions with landowners about the options of acquiring the property, providing infrastructure and utilities to the property, and creating an opportunity to expand those facilities.

The approach that we took was really two-fold. One, we looked at land in a primary basis that directly abutted Naval Station Newport, would literally give us an ability to acquire the land on behalf of the Navy, and then literally move the fence line so that it could certainly provide an expanded facilities, but secure facilities.

Our second option was to look at land all within a ten-mile radius that might be distant from the base, but would have direct intermodal access to railroad systems. So, we believe we've done a tremendous amount of work in identifying the land opportunities based upon needs today and going

forward. And the state, again, is quite vested in contributing towards the capital costs of preparing that land and developing that land and making it available for Navy operations.

COMMISSIONER BILBRAY: Thank you.

PRESIDING COMMISSIONER NEWTON: Any other questions? I know I would only comment that I was stationed twice at Newport; had the privilege to be stationed twice at the Naval station and certainly would agree with the defense department's recommendation to enhance command. It brings a great deal of military value, and certainly as Mr. Stokes indicated, certainly has potential for further growth. Thank you for your testimony. Yes, Commissioner Skinner.

COMMISSIONER SKINNER: I do. I want to talk just a minute about the surface warfare component -- the underwater sea component. I'm sorry. Is it your position that they would have to duplicate that facility and that that, as I understand it, that's not in the recommendations, is that correct, or is there enough facilities and equipment there?

SENATOR REED: Commissioner, I think you're talking about what we refer to as the

virtual submarine at the Navy base, and the information we have is that it does not exist anywhere else except for Newport Navy station at NUWC particularly, and that the cost of reproducing it would be about 230 million, and the best knowledge we have is that it's not included in the estimates in terms of transfer of the facility. But if we have additional information or clarification, we'll get it to you immediately.

COMMISSIONER SKINNER: As I understand it, your other concern is that operationally if it was there, it has operational -- you made earlier statements -- or someone did on behalf of the delegation -- that there were operational issues or timing issues because of the time zone. I see your aide is nodding yes, so I guess that -- is that also a critical issue and how?

SENATOR REED: It is a critical issue. Let me get a confirmation.

(Confers.)

SENATOR REED: Well, I'm told, Commissioner, that there is an issue of proximity, not so much time zone the equipment has to be closely located to get it back for test and evaluation, and if it's separated by a large

distance, then the testing is not effective.

COMMISSIONER SKINNER: Thank you.

SENATOR REED: Thank you very much, Mr. Commissioner.

PRESIDING COMMISSIONER NEWTON: Any other questions? Well, Senator and Governor and the delegation and your staff, we want to thank you very, very much for your presentation this morning. This will help us tremendously in our deliberation as we make our decisions, and I will say that you've also set the pace for the timing. You even gave us a minute back by the end of your presentation. So, we want to again say thank you very, very much from Rhode Island.

SENATOR REED: Thank you, Commissioner. Thank you very much.

PRESIDING COMMISSIONER NEWTON: We're going to take approximately a ten-minute break so that we see we can get the sound system repaired. Thank you very much.

(Recess was taken.)

PRESIDING COMMISSIONER NEWTON: We'd like to call the hearing back to order, please. It is my distinct pleasure to welcome the Connecticut delegation. As I stated in my opening statement

before that we, the Commissioners, would like to particularly thank the thousands of involved citizens who have already contacted the commission and shared with us their thoughts, their concerns and suggestions about base closure and realignment activities at this proposal. Unfortunately, the volume of correspondence we have received make it impossible for us to respond directly to each one of you and in the short time in which the commission has to complete its mission. But we want everyone to know that the public input we receive are greatly appreciated, and it is taken in consideration as part of our review process.

And while everyone in this room will not have the opportunity to speak today, every piece of correspondence received by the commission will be made a part of our permanent public record as the program. And again, it's a great pleasure to welcome the Connecticut delegation. You have a total of two hours, and I -- we apologize for the technical difficulties we have had so far, but your time has not started yet. We will start it when we commence with your presentation.

And Senator, I understand that you will be leading off. We will leave it to -- oh, the

Governor? Yes. The Governor will be leading off, and we will leave it to the delegation to control the time, and we will be in the listening mode.

So, Governor, it is great to see you again. Thank you very much. We'd like for each one of you to please stand if you are making a presentation so that our federal officer can administer the oath as required by law.

(Witnesses sworn.)

CHAIRMAN PRINCIPI: Governor, you may proceed.

GOVERNOR RELL: Thank you. Good morning, Chairman Principi, Commissioners Newton, Bilbray, Skinner, and Turner. I am Jodi Rell, Governor of the State of Connecticut. I want to say thank you. Thank you for this opportunity for us to clearly outline why the DOD's decision to close the Groton sub base was wrong. And make no mistake, it was wrong. It's wrong for our country. It's wrong for the Navy. It's wrong for our national defense and Homeland Security, and it's wrong for Connecticut.

From the moment the closure recommendation was announced, we have struggled mightily to reconcile it with common sense. The same holds true for the recommendation to remove all of the

A-10 fighters from the Air National Guard base at Bradley International Airport. Why take the nation's oldest and most successful submarine base -- the one place in the world where every American submariner learned the trade -- and close it?

Why close a base that is literally right next door to Electric Boat, the nation's premier builder of submarines? Why make a decision that would fundamentally undermine this nation's critical submarine warfare capability?

Why move the sub base, the Sub School at a completely unnecessary cost of millions of dollars more than halfway down the Atlantic seaboard? Why consolidate our submarines into tighter, more attractive targets? Why take the fighter jets at Bradley and move them to smaller, less efficient facilities?

We believe it defies common sense. In the next two hours, we hope to show you that not only does it defy common sense, but it defies dollars and cents as well. But most importantly, it defies military sense. We will show, using the DOD's own criteria, that their recommendation is deeply, fatally flawed.

This decision involves far more than simply closing a Navy base. Our base is unique among all others. It is the only installation in the world where an operating Naval force works side by side with the industrial partners that conceive, design, develop, test, build, and maintain a major weapons platform used to protect the United States and its allies.

If you take away the central element of that installation, the base, you lose something that has taken over eight decades to assemble.

Moreover, our business has been the cornerstone of nearly every major advancement in undersea warfare, tactics, strategy, design, and construction for the last 100 years. In a moment you will hear from Senator Chris Dodd. You will also hear from retired Vice Admiral Al Konetzni, the former commander of the Pacific submarine fleet, and from George Sawyer, the former Assistant Secretary of the Navy for Shipbuilding. Also with us today are Rhode Island Senator Terry Jack Reed and John Casey, the president of Electric Boat.

Also on our panel are John Markowicz, Chairman of the Sub Base Realignment Coalition, and Gabe Stern, a key consultant to the coalition.

Representing our state -- our state agency strike force are James Abromaitis of the Department of Economic and Community Development, Jeff Blodgett of Connecticut Economic Resource Center, and Gina McCarthy, the Department of Environmental Protection. Congressman Rob Simmons will summarize our arguments for the submarine base, then Connecticut's acting adjutant general, Thad Martin, will discuss the case for the 103rd Fighter Wing at Bradley International Airport.

Finally, Senator Joe Lieberman will conclude our presentation. You will hear how the DOD has failed time and again to meet its own criteria in recommending these facilities for closure. You will hear that the DOD underestimated closure costs by at least \$41 million and left out cleanup costs of more than \$125 million. That is a clear example of significant deviation from the mandatory criteria.

Also, the economic analysis used by the DOD was applied inconsistently. We have much ground to cover and not a lot of time. And so, let's get right to it. We appreciate the attention you have given this matter. I'll now turn the program over to Connecticut's Senator Chris Dodd.

SENATOR DODD: Thank you very much, Governor. Mr. Chairman and distinguished members of the Base Realignment and Closure Commission, thank you for giving us this opportunity to be heard this morning. Let me begin by thanking as well -- for those of you who were able to visit the Submarine Base New London in June, we deeply appreciate the time you gave us, and let me -- allow me to extend on behalf of all of us from Connecticut an invitation to those of you who have yet to make a visit to Submarine Base New London, we believe that you should see this unique facility. For it is, I would say to the commission, the uniqueness of Submarine Base New London that is at the heart of our case to you this morning.

Submarine Base New London has the largest submarine home porting capacity in our country. It is home to the Navy's only Submarine School in America. And New London is headquarters of the Submarine Development Squadron 12 where the Navy undersea technologies and tactics are honed and developed. Submarine Base New London is also joined at the hip with Electric Boat, the world's leading designer and builder of submarines.

Commissioners, we are at war today. At this time in our history, when we face both great promise and new perils, should this unique American military asset be dismantled? We think not. And we deeply believe that you should not either. You are tasked with an extraordinary, extraordinary mission to determine which military bases remain open or closed in our nation.

But a decision to close Submarine Base New London would have a far more profound impact on our national defense than the mere shuttering of a Navy installation. Closure would permanently -- permanently -- limit the vital role that submarines play in keeping our nation both safe and free. Most respectfully, we would suggest that such a decision properly resides with the Pentagon, the executive branch, and the United States Congress. Unlike any other BRAC recommendation put forth by the Pentagon, New London's closure would alter the Navy's -- United State's Navy's force structure and predetermine the size of America's submarine fleet.

The Government Accountability Office recently reported that without New London's home porting capacity or maintenance facilities, our Navy would be unable to retain the 54 fast attack

submarines now in our fleet or even accommodate the 45 ships proposed in the Navy's BRAC analysis.

Perhaps that is why there is such ardent opposition to closing the center of excellence, the center of excellence within the Navy itself, including the Fleet Forces Command.

Let me be clear. Leaving the base open does not preclude a decision to further reduce our submarine fleet. However, closing the base would leave no other option but to downsize our submarine force. These are new and dangerous times for our nation. We must be prepared to meet new emerging threats. Closing this base would put the Navy in a virtual straightjacket. Closure would limit America's ability to mobilize against emerging powers. Closure would weaken the ability of our military to gather intelligence and thwart hostile actions by those who would harm us. Closure would permanently -- again, permanently -- stop a critical network of submarine manufacturers, laboratories, professional schools, and maintenance facilities that have evolved over the last 100 years. A network that can never, ever be replicated anywhere else in our nation.

In short, a decision to close this base is

a decision that would have a profound and lasting impact on the United States of America's future security. A similar case we would say can be made with respect to the 103rd Fighter Wing. While obviously this matter has a far smaller impact than the closure of Submarine Base New London, we would be remiss in not mentioning this critical A-10 unit.

The 103rd is battle-hardened from its operations in Iraq and Afghanistan and has a distinguished record of providing close air support to our soldiers and Marines on the ground.

To lose their contributions would be a disservice to the military and to our nation and leave our state's Air National Guard without any flying mission at all. In the case of the both the 103rd Fighter Wing and the submarine base, you will find that the defense department underestimated military value, drastically underestimated the cost associated with these closures, and grossly overestimate any savings from trying to reconstitute these critical military assets elsewhere.

Such analysis is not only shortsighted, we believe it is highly dangerous as well,

particularly while we are at war. In closing, again, the submarine base is wrong, is the wrong choice for the American taxpayer and for America's security.

At this time, Commissioners, after a short video, we invite the commission to listen to our distinguished panel of experts and announcers, to question them and to engage in a good dialog. They're here to answer all of your questions. Again, we thank you for your thoughtful consideration of our point of view. And now the video.

(Video played.)

VADM KONETZNI: Mr. Chairman, ladies and gentlemen of the commission, my name is Al Konetzni. I'm very honored to be here. I retired in September of 2000. Admiral, I'll see can if we get another microphone for you.

VADM KONETZNI: Thank you very much. I retired September 1st, 2004. Mr. Chairman, it's good to see you again. A long time ago we played football against one another in White Plains. Hell of a long time ago.

CHAIRMAN PRINCIPI: Not that long.

VADM KONETZNI: That has nothing to do

with the hearing.

CHAIRMAN PRINCIPI: You're weakening your case. Guess who lost.

VADM KONETZNI: He's a hell of a football player. Retired after 38 years. I loved my service, and I loved my submarine force, and I might as well let you know right up front that I am probably one of the most parochial bubbleheads in the world. I served the last three -- over three years at Deputy Commander and Chief of Staff of the Fleet Forces Command, CENTCOM a very, very real role for our Chief of Naval Operations to align all of our fleets in Europe, the Atlantic, and Pacific so that we would have a true fleet input to requirements. I think we were pretty successful.

Before that I served for over three years as a commander of submarines, as I've said before, in the Pacific. And before that for three years I served in Japan and Korea. So, I know that area of the world very, very well.

I asked to be invited here. I am not getting any salary. I did pimp somebody in the back to pay for my parking garage ticket, and it happened to be one of my Naval Academy classmates, so I'll probably get that. I think the listing for

closure of the submarine base in New London is ill conceived. I think right at the front it's very dependent on a long string of unrealistic assumptions that I think all would turn out to be wrong. And this team here today will discuss that. But I am here as an American. I'm not here for New England, for New London. I'm not even here for my home state New York. I live in Kings Bay. I love it. I had a lot to do with the bringing on of that base in the '80s, and it's a great, great place.

I'm here for national security. I'm here because the United States Navy, and I don't need -- and I don't mean to lecture you -- has two very strategic missions that only the Navy does, and they have to do with access. One is mine warfare. That's not a subject for today. And one is antisubmarine warfare. That's why I'm here, access.

The United States Navy submarine force is premier in antisubmarine warfare today, and I believe, tomorrow. Oh, yes, there are a lot of pundits around who will say, We will transform this, we'll do this and do that. We're not ready for that, and we've got to stand up to that. The threat, well, again, you don't need a tutorial,

ladies and gentlemen.

400 submarines in the world today.

There's no doubt in my mind why countries buy them.

They are a grade A symmetric threat. They make

them powerful. A little less than half are our

friends -- of that 400. China has a larger force

than ours. I love China. We have a lot to do with

China, but let's face it, we're competitors in

Taiwan. In ten years China will have twice as many

submarines as this country. In the year 2025,

they'll have three times at the rate we're doing

business. I see this scenario: Access. I see a

problem with Taiwan. I see us putting our white

hats on -- the white cowboy hats -- and going

across the world and getting there, and I see one

punch in the nose, and it will ruin America as we

know it today. And that's why I'm here.

When I look at force structure, the pain

is there. We're much busier today and have been

for the last ten years, I know my life in the Navy,

than during the Cold War. I got along very well

with a classmate of yours, Admiral Dennis Blair,

when he was CINCPAC when I was SUBPAC. He made a

statement several times that we need at least 35

submarines in the Pacific. Of course, I had 25 at

the time. He said, We've got to look at China and North Korea more so, and he wanted to double the coverage. That is intelligent surveillance and reconnaissance coverage of China at the time. My ships at the time were up to an 80 percent operating tempo. That meant when they deployed for six months, 80 percent of their time was at sea. That exists today. The problem with that is two-fold. You do not do the maintenance that is required for these ships and these are engineering works of art that have to live for 33 years. Quite frankly, you run out the fuel because the newer ones will not be refueled.

We put submarines in Guam. Worked hard. Why did we do that? Because the national command authority says you have to have a certain number of submarines in the western Pacific, and we were violating that half of the time in the late '90s and the early 2000s. And the thought was, If we can do it without an infrastructure growth, let's do that. And we won. And there were some people who said, This is idiotic, I won't mention who they are, but we did it. It was the right thing to do for the nation. We've displayed flexibility. We fought for some time -- I say, "we," the submarine

force -- for flexibility. I was of the people that got very, very deeply involved with flexible operations and the fleet response plan, I worked that with Admiral Bob Mandel, and I think we came up with a good plan. One big piece of that was the submarine force. It's amazing to think that we now deploy submarines to the western Pacific from the east coast and most Americans don't know that the big trip from New London, Connecticut to China is shorter than from San Diego to China. And most Americans don't know that that gives us great flexibility, because the trip from New London, Connecticut to the Persian Gulf is shorter than it is from Norfolk and/or Kings Bay. I only make those comments because that shows flexibility.

And I want everyone here to know that I was the one who in the late '90s and early 2001 wanted to put more submarines in the Pacific. I still feel that way. Today we can deploy nine -- we can stretch it to ten -- submarines at a time. Our combat and the commanders, some Navy, some Air Force, some Marine, some Army, they have a requirement for critical requirements up to 13. And the pundits would say, Well, they are unrestricted. I say, God forbid we should have

those unrestricted four-star generals and admirals out there if they're not looking at what the United States can offer. But the fact is, over 30 percent of critical peacetime missions are missed annually. That means we don't know, just like we don't know -- we didn't know much about the Chinese in the Yuan class being launched last year. What else have we missed? Can't go there, but it's critical.

The next piece is training our allies. I'm very proud. I love South Korea. My best friends. This country has done more for South Korea's submarine force than any other country in the world, and they know it. But it breaks my heart when I take a look today that we can only give our dear allies in the Pacific half the time they require in training.

Now, if I could ask to go ahead to that next slide here, force level studies. The submarine force has been studied more than any force in the United States, I am convinced, in the history of this wonderful country. At least 14 times in 12 years. I would tell you, as a very parochial individual, that I have said that oftentimes those studies were delayed. The '99 task force study that the chairman and joint chiefs

were supposed to come out in 1997 in September. But I will tell you this, ladies and gentlemen: They've been very pragmatic in the past. They're a good approach. It's important if we're going to spend billions of dollars on this force for national defense, we better know what we're getting. And so, I agree with every one of those studies.

In each case, from 1992 until very recently, the low end of needed submarines for warfighting in peacetime was put at 55, always with a caveat that said: Less than 55 puts the United States of America in danger. We're talking about risk. The average of those studies in the '90s and the early 2000s is about 55 to 68 submarines, generally hitting about 60.

I believe the studies lately are wrong. I believe they are reverse engineered, looking at what we think we can afford, and then we'll fit the facts. You're dealing with that today to some degree, and it's not your job. And it breaks my heart that we have put you as a nation in this position, because you see when you look at the force structure, you go down to 2024, that says 45. Where did that number come from? And then on March

23rd, 2005, the Navy, very, very selectively, the people who were involved, put out the 30-year submarine study that says it will be between 37 and 41. I don't think that's the way to do business. I think it's intellectually dishonest.

I think that the Navy projections are budget driven. And I think it's truly unfair. And I think it's inappropriate for the national defense of this nation to delete the infrastructure of our great submarine force prior to truly understanding, as Senator Dodd said before, the national security requirements. To do so, ladies and gentlemen, I believe, will spell dire consequences, since the action of shutting down this infrastructure will make sure that this force is minimal and is minimized as an instrument of national defense.

The results of that action will hurt our flexibility. Talked about WESTPAC, going to China, going around the Pole, talked about the Persian Gulf. I would add one other comment. We use that term an awful lot about the center of excellence. The synergy that that place gives us in New London, the schooling for the young people, the big grade officers, the senior officers, the chiefs, the team trainers. The building -- walk down and see what

they really look like, those big black beauties on the pier, the businesses that are close to NUWC, the Underwater Systems Command. They are close to University of Rhode Island. They are close to Penn State University Applied Research Laboratory. That has an awful lot to do with what we do -- undersea medicine and the like. That center of excellence will be removed. It reminds me of something I think about all the time. Can you imagine if we just said, let's break up MIT? No problem. Send a little piece here, a little piece there, and a little piece there. It will be 30 years before that great institution could recover.

The bottom line of all of this is if we should close this very critical infrastructure -- in this case New London, Connecticut, and I feel bad that you are here doing this -- you doom the United States submarine force. If the nation doesn't want it, so be it. I'm sorry that you have to, ladies and gentlemen, deal with that.

I would say finally that I think the decision deviates from the force structure plan and I think it truly deviates from military value Criteria No. 1.

This will be discussed in detail, and I

think we will be able to make a very strong case. And now I'll turn the floor over, if I may, to Mr. John Casey, the president of Electric Boat. Thank you very, very much.

MR. CASEY: Mr. Chairman, members of the commission. I congratulate you and thank you for what you're doing. You have accepted an ominous task. My purpose here this morning as President of Electric Boat is to describe to you a little bit about what you have heard regarding the partnership that Electric Boat has with Sub Base New London.

Electric Boat consists of about 12,000 employees, 8,600 of those are in that Groton facility. Interestingly, about 3,000 of our employees are former veterans, many of whom served time in the very sub base we're talking about closing at some point in their career. We do business with 4,000 vendors -- over 4,000 vendors across 47 states to make that engine room model come to sea. And today, for the last few years, our company has been focused on three national security issues that affect our business. And those, as you see before you, are the submarine force structure, which Admiral Konetzni has very clearly delineated for you, the shipbuilding

industrial base and the health of that industrial base in this very BRAC process in the fall Quadrennial Defense Review that will occur later this year.

Now, we, as a business, intend to adapt to the Navy needs and national security policy, but it's important to recognize how each of those three issues affect our business. And our business basically consists of three segments: There's the engineering and design portion of the business; there's the construction of new vessels; and there's the overhaul and repair aspect of what we do. Each of those, in turn, will be impacted in one way or another by the BRAC of Sub Base New London.

Electric Boat has, in fact, designed 15 of the 19 submarine classes that have ever sailed our oceans in the United States Navy. We have delivered over half of the 200 submarines. One of the reasons we're able to do that is because of the proximity to Sub Base New London. However, as the leader of the organization, when I try to narrow down the thoughts and try to get our organization focused on three fundamental issues, I like to think about those as the three Ps. The first of

those is the product and the customer. We have to understand that and take a leadership position on those issues. The second is the performance of our business; and the third are the people, the most important aspect of what I can describe for you today.

If I look at the force structure slide, and as Admiral Konetzni did, to try to describe to you why that's important for undersea superiority, I think to some reading I've done recently, a fellow by the name of Michael Pillsbury describes and translates Chinese military philosophers, military strategists, and what he says that they say is that World War I was won with the battleship; World War II was won with the aircraft carrier; should there be another conflict, especially in the Pacific, that war will be won or lost based on undersea superiority, specifically submarines. That's what the Chinese say, gentlemen and ladies.

In any case, on this slide, no matter which of the studies Admiral Konetzni has showed you, you choose. At some point we need to build two Virginia class ships per year. That building process requires -- for the last two years of that

process -- the involvement, the intense involvement of the crews of those ships. It's not a turnkey operation.

From the point in time when we fill the reactor plant, until we take the ship to sea -- and the crew, in fact, lives aboard that vessel for the last six months -- the crews themselves, the uniformed, military people, are part of that process.

Let's shift when we talk about product to the design aspect of what we do. Clearly, the center of excellence, unmatched. On that chart you can see displayed in dark blue every original new design we've conducted in the last 40 to 50 years. And the lighter colors display those ships that were designed as follow-on designs. Our ability to do that starts with what we call "concept formulation." Concept formulation is where the smart people sit around in a room and talk about missions and requirements and make sure a ship becomes balanced.

Now, our organization, as you may or may not know, has delivered two newly-designed nuclear-propelled vessels in this past year. There is no other organization on this planet that has

done that -- no country, no company, no organization. We are able to do that as a result of the close coordination we have with the Navy, our customer, including the development squadron that's located in Sub Base New London.

Just to delve into the technology for a second, submarines are different for what I think are five very special reasons. First of all, they're nuclear propelled. And there are people eating hamburgers next to a nuclear reactor receiving less radiation than you would if you went to the beach in the summertime.

Secondly, they are sub safe. They are traveled at a test depth, the propeller shaft is about this big, and I am a drawing about three feet in diameter, the size of that hole on the surface is not the same as that hole -- the size of that hole at test depth, and it can't let water into where the people are. It's acoustically pure. It has to remain stealthy and it has to sustain significant shock loads.

You all remember the old World War II movies, "We don't put sailors in harm's way." And in order to build those in some sort of modular fashion, we have to have extremely tight

conventional control, where we align sonar spheres and components to within a 32nd of an inch of the ship's centerline before the ship centerline even exists so we can bring components together from three separate facilities. But most importantly, Commissioners, and members of the commission, we send people from our community to places where a human life cannot otherwise be sustained.

Let's shift to an example of what's happened recently. The JIMMY CARTER, clearly the most magnificent ship that's ever been produced, in my view. I'm a little parochial, along with my admiral friend here. However, we cut the procurement cycle in half on this program. Look at any significant procurement of a military product and look at the time it takes. Five years ago that ship was nothing more than a Power Point presentation, just like you're looking at it today on that slide. And today that ship has been to sea and back numerous times.

The crew is assigned again to that ship prior -- two years prior to the ship being delivered. So, our ability to integrate with the Navy is extremely important. And you can see there that 2500-ton module being moved from our Quonset

Point facility in Rhode Island and integrated into the ship, and the ship at sea this past year.

Furthermore, we continue talking about product and how we integrate the crew, we have built a building inside our shipyard, the admin's COATS, Combat Control System Module Assembly and Test Site. That module or that building simulates the sensors and simulates the ocean. We move into that building, the combat control system platform -- not just gear that gets offloaded, but those two decks you see in the upper left-hand portion of that picture is actually the upper two level decks for the HAWAII, the third ship of the Virginia class being integrated with the sonar sphere. That ball in the bottom of the picture and the people you see on the right, those, in fact, are members of the crew of the HAWAII well in advance of that module even being put into the ship. It's very important we integrate that carefully. They're called, by the way, the precommissioning unit, for the record.

What about the performance? How do we do that and not make it cost more than it should? The Seawolf program was terminated in the early '90s. We, as a business, recognized that if we intended

to stay in business, we had to keep our rates at a cost the country could afford. So, we projected when we went into Virginia that if we could hold our rates roughly \$50 an hour, adjusted for inflation, by the end of the last decade, by 1998 when the Virginia class program started, that we would remain affordable.

Well, folks, it's 2005, and our rates are just about 50 bucks an hour, without adjusting for inflation, and we've been able to do that because of intense reengineering. And more recently, we've been able to do that because of the repair work that's inside our shipyard. We have to balance reengineering with volume of work. And if we go to the next slide, I think that tells a huge story about what volume work is all about.

We have reduced the Groton waterfront -- the people actually building and repairing and maintaining ships -- to about 1,500 people, which is roughly equivalent to what we consider our critical mass to be. As you can see, we ramped up to deliver the Seawolf, the MMP portion of the Seawolf and the first of the Virginia.

But then those orange and blue coverings of the overhaul and repair work, that's in our

yard. Those are ships that are home-ported in Groton, crews that can stay with their families when the ship's at sea, not send crews to go on the road where they spend six months occasionally at sea without seeing their families. It's nice to think we have the crews at home with their families when the ships are being maintained.

We have, in the last four years -- since we've been back in that business -- been able to achieve about \$100 million of reduced cost of construction contracts and other contracts as a result of overhaul and repair volume being part of our business.

If, through this process, which you found yourself in the middle of, volunteering for the country, we continue doing that, we have an opportunity to continue to reduce costs -- roughly \$50 million per year. That's what we can promise if the country makes the decision that keeps us in that business.

Specifically, that gray portion on the bottom are the 300 to 500 people, depending on the day of the week, that work inside the sub base. And without question, if that goes away, that overhead will be absorbed on other programs inside

Electric Boat. And let me close with the most important aspect. When I look out the windows, I'm concerned about our data docs, and we have some real fancy trains, and we have some really, really neat computers, but it only works because of the people that are part of our company and the investment the country's made in bringing those people to where they are today, the designers, the engineers, the shipfitters, the pipefitters. And I can go on and on, because frankly, I started there as a welder 27 years ago, and I've seen each of those positions along the way. But we have those kinds of people up at the sub base, the New England Maintenance Manpower Initiative, 431 of them, in fact, that have replaced 260 military billets. That's creative. Public/private partnership creativity. We are managing not only our own civilians, but the military nuclear regional maintenance department at Sub Base New London. We have at least one of our graving docks, so when it comes time to bring a ship for repair, they don't need the asset. They can use our asset. By the way, we're investing \$40 million today to repair all those assets and bring it up to the state of the art. We are managing for the Navy the shipping

port, the floating dry dock that's located inside the sub base, a facility that was previously managed with about 70 to 80 military people, we're doing that with 30. Another creative process.

We have signed a multiple acquisition contract with the Navy so they can quickly assign work to us when they have surge requirements that needs repair. So, let me close out. I am deathly concerned that our nation will allow our submarine industry to atrophy like the United Kingdom did. The United Kingdom came to us and asked us, Electric Boat, to help them with their Astute program, because they made the kind of decisions that are on the table today and allowed that capability to atrophy. We don't have anyone else to ask. We just hope. So I ask you. I plead with you. Carefully consider the submarine design construction life cycle support capabilities inherent with Electric Boat and the unique synergy between Electric Boat and New London Submarine Base and the value this region delivers to the United States of America. Thank you. That concludes my comments. I'd be glad to take your questions.

PRESIDING COMMISSIONER NEWTON: Thank you.

MR. SAWYER: Good morning. It's my job to

expand upon the very -- extremely good testimony that's been given in the last two cases and talk about the relationship of the base as the heart of a military industrial complex, a regional complex. The most important connection, of course, is from the base itself. It has seven submarine specific capabilities that are embedded for training, operation, tactical employment and its linkage four miles away to the Electric Boat Company, and also 40 miles to NUWC, the undersea warfare center. This is a capability that has existed for a long time -- since before World War I, as a matter of fact.

Culture matters. And the integration of the 20,000 people, represented full-time dedicated working on submarine problems and multi billion dollars of facilities that it represents is something that is unique and special -- one of a kind.

Next slide, please. Chairman Hunter mentioned the fact that it is -- that this base and its location to the -- particularly Electric Boat and the other industrial centers is a one of a kind. The word "unique" really applies in this case. Often misused. There are no other

installations, certainly in the United States, where an industrial facility such as Electric Boat is joined at the hip with operations and tactical developments. It has been that way for many years, and a whole culture has developed around it.

It's important, I think, for me to stress to you all that the submarine base is absolutely the core, the heart, the vital center of that industrial base. Deconstruction of the synergies that exist by taking the center of the heart away and moving these ships and the schools and all of the ancillary tenant facilities that exist there, in my opinion, would be a disaster.

Synergies are another word that's often overused, where 2 plus 2 is 5 are great when they work. When they're deconstructed, they can become disasters, because now, two less one may be zero. And I submit that is potentially the case here. The other quantifiable results of this deconstruction are essentially priceless. In terms of impact on people, on their capability, on how they work together, and the deterioration of the culture, but I can bring up a quantifiable result that heretofore has not been included by the Navy in their BRAC studies.

Can I have the next slide, please. It's interesting that in the late '90s, when the -- after the Cold War and it was obvious that the construction activity at all of our shipyards was decreasing, but particularly in the case of submarines and Electric Boat, that it was necessary -- important -- for the boat company to get back into the repair business. Now, when I was in the Navy department, for example, the volume of business at Electric Boat was roughly over three times what it was in the late '90s or is today. Over three times. We also had two designs in being, one of which Mr. Casey talked about as a part of a delivery.

It's interesting that the first time in my lifetime there are no new design submarines as a project going on at Electric Boat. The point here is that the Navy force had the foresight and agreed with the shipyard had the foresight to get back into the repair business. Mr. Casey has demonstrated and indicated how effective that has been, both in terms of performance efficiency, training of Naval personnel, but also in terms of overhead reductions at the shipyard.

I can say for a fact that were the sub

base to close, submarines taken away, that overhead is fixed overhead, would be factored back into the cost of new construction submarines at the current rate of production and the planned rate of production, which, as you know, goes on for the next 20 years. This would be both cost to the government, cost to the nation, and I feel also a potential could put Electric Boat at a competitive risk, and thus, put into risk a capability which exists at this shipyard which is unique in the world. Thank you.

SENATOR REED: Commissioners, I'm very pleased to be invited to join the Connecticut panel to speak on behalf of Sub Base New London. Many Naval facilities and private institutions in my State of Rhode Island work closely with Sub Base New London to provide the Navy with unparalleled capabilities in undersea warfare. I would argue that this relationship simply cannot be replicated and is a strong argument against the closure of Sub Base New London. As I stated in my earlier presentation, Newport, Rhode Island is the home of the Naval Undersea Warfare Center or NUWC. NUWC is the Navy full spectrum research development test and evaluation, engineering, and fleet support

center for submarines, unmanned undersea vehicles, and undersea offensive and defensive weapon systems. One of NUWC's key activities is to work closely with Submarine Development Squadron 12 or DEVRON located at Sub Base New London. DEVRON is not only an operational squadron of submarines but also a squadron intended to test next-generation systems and develop tactics for both Atlantic and Pacific submarine fleets.

Working with DEVRON, NUWC is often able to translate an operational requirement into a useable technology and then insert that technology into a submarine for the DEVRON to test, ultimately increasing the warfighting capability of our submarine fleets throughout the world.

Also, Sub Base New London is located only 45 miles from the University of Rhode Island Graduate School of Oceanography. This institution maintains state-of-the-art laboratories and instrument facilities and offers an extensive and specialized array of scientific and technical equipment and services. URI's School of Oceanography supports hundreds of research programs, including certain projects with Dr. Robert Ballard, the world's premier ocean explorer.

URI's work is matched by other institutions in the area, including the marine sciences department of the University of Connecticut, the Coast Guard Research and Development Center, and the University of Massachusetts Woods Hole Oceanographic Institute.

If the Navy moves submarines out of Sub Base New London, they will lose a window on the cutting edge of oceanographic research, exploration, and discovery. Sub Base New London is not an isolated base. It is an integral part of a community of Naval, academic, and industrial facilities that ensure the United States maintains the finest submarine force in the world. Closing Sub Base New London would destroy a significant part of what makes this community work. And I believe the Navy would feel the adverse ramifications of such a decision for years to come.

I would argue very strongly that the defense department's recommendations for closure should be overturned. Thank you for your attention. And at this juncture, I think it's appropriate if you have questions for my colleagues.

MR. MARKOWICZ: Chairman Principi, BRAC Commissioners. Thank you for this opportunity to provide additional testimony regarding the Department of Defense recommendation to close Sub Base New London. I would like to preface my remarks by noting that we have had only a few weeks to analyze the BRAC data that was belatedly released one month after the BRAC list was announced on May 13th. We have provided you this interim report of our preliminary conclusions and respectfully request the opportunity to provide additional information as we continue our examination of the complete Department of Defense BRAC record regarding Sub Base New London.

We would further note that although significant data is now available in the public domain, important data call answers, as well as their associated questions, remain redacted, presumably because they are classified and are, therefore, unavailable to the general public. As noted in our community meeting with you on June 1st, our ability to access and openly challenge the complete file is hampered by this classification issue. We will demonstrate today, however, that we believe there are substantial deviations from the

BRAC selection criteria. We also believe there are substantial deviations from the force structure plan, as was also suggested in the recently-released JO report.

We will point out to you specific flaws in the military value calculations, the capacity analysis, and the configuration analysis. We will identify where costs are understated and where savings, particularly recurring savings, were overstated. We will further point out environmental and economic impacts that were also understated. The Naval Submarine Base New London and Groton, Connecticut, as pictured on this slide, is the only nuclear certified waterfront in the United States inventory that currently home ports 18 fast attack nuclear submarines, plus the nuclear research submarine NR-1. This is more than at any other Navy facility and uniquely includes all four classes of nuclear attack submarines. It is a singularly compact and self-sustaining installation. All associated maintenance, repair, and logistics support for the assigned submarines is within short walking distance of all piers. Also within walking distance of the piers is the Navy Submarine School. This is a one-of-a-kind

education and training complex that exists only at Sub Base New London.

All submariners initially learn, periodically upgrade, and operationally improve their professional skills at Submarine School. It is incomprehensible how the Department of Defense BRAC process could have so undervalued what is uniquely the submarine force's center of excellence, Sub Base New London.

As cited in this slide, the act that created the BRAC process stipulated that it should be a "fair process." And that the Secretary of Defense "shall consider all installations inside the United States equally."

In the testimony before you on May 17th, officials of the Department of the Navy certified their compliance with these statutory requirements. We note that all Navy bases appear to have received similar capacity and military value data costs. This information was used to compare the respective surface and subsurface functions of each base. We will demonstrate that data accuracy and analysis flaws in the subsequent evaluation process failed to produce fair and unbiased results, and thus created substantial deviations from the BRAC

selection criteria.

As you are aware, the Department of Defense recommendation is to completely close Sub Base New London, as pictured in this overhead shot, and relocate all assets and tenant commands to other military facilities. This slide depicts the BRAC proposal for the transfer of submarines and major waterfront support activities. We would call your attention to Kings Bay in 2005 and 2011. Though the inventory of Trident SPNs -- strategic missile submarines -- in Kings Bay is currently being reduced, thereby suggesting excess available capacity, the President's fiscal year '06 budget submission restores the Trident inventory, the community of the strategic missile submarines and the to-be-converted guided missile nuclear submarines to eight at Kings Bay and this should occur as early as fiscal year '07.

This slide, similar to the last, depicts the BRAC proposal for the relocation of major tenant commands from Sub Base New London. Though it has been suggested that with BRAC the consolidation of assets will yield savings, this proposal actually divides and transfers NUMI, the Naval Undersea Medical Institute, to two separate

locations. NUMI trains hospital corpsmen for independent submarine duty at Sub Base New London. There are no submarine stations at Pensacola and Fort Sam Houston.

The Department of Defense deviated substantially from BRAC selection Criterion 1. Sub base closure proposal significantly undermines fleet operational readiness and strategic flexibility to support current and future missions. Recognizing this problem, Commander Fleet Forces Command, Admiral Fallon opposed the closure recommendation. By failing to include the unique and special mission capabilities of Sub Base New London, the Department of the Navy understated military value to support total force missions and operational readiness.

Furthermore, the Navy procedure for determining military value failed to consider jointness and ignored the synergy among Sub Base New London tenant commands in its data-gathering and scoring methodology.

Significantly, Submarine School was considered a mere tenant command, and its proven capability to support warfighting, training, and operational readiness was effectively dismissed

from the military value calculation.

We have identified a number of areas where process flaws occurred. We will address the four that significantly resulted in the systematic understatement of Sub Base New London's true military value. The first process flaw involved using extra credit or military valued bonus points to overvalue the ship berthing characteristics of some bases. This approach failed to comprehensively assess and assign similar military value for difficult-to-reconstitute assets possessed by Sub Base New London.

Next slide will illustrate this point. Military value evaluation question SEA-3 was one of three questions that awarded the most military value points, 4.15, in the surface/subsurface scoring process. The valuation question SEA-3 scored 4.15 points for Sub Base Kings Bay because it is an SSBN home port and a Trident weapons, a Trident missile weapons station. Thus, Kings Bay received extra credit as an SSBN home port for being nuclear certified. Sub Base New London, a nuclear certified facility, received no such credit. The only other ship class that provided a Naval base with military value bonus points was the

nuclear powered aircraft carrier or CVN, though the eligibility for these points was expanded to include nonnuclear certified facilities.

The process to assign military value points by ship type was flawed. This led to the systematic failure to properly credit Sub Base New London for its nuclear qualified waterfront, while incorrectly crediting its capability to another uncertified naval base.

The second military value evaluation process flaw involved a Department of the Navy's decision to ignore relevant information after it had been solicited, certified, and compiled. Three questions that were thus deleted and directly resulted in sub base military value being undervalued are provided in the next slide.

Among the military evaluation questions and answers that were deleted by the Navy analysis group were two associated with operational infrastructure and one associated with operational training. The questions SEA-14 and 15 requested data regarding an activity's unique -- which was defined as performed at no other location or specialized, which was defined as not unique -- capability or missions. Question SAE-22 gathered

data regarding each activity's unique operational training. Sub Base New London submitted ten pages of information in a response to SAE 14. Sub Base New London's submission in response to questions associated with SAE-15 is unknown. The questions and the answers are redacted.

Sub Base New London submitted detailed information regarding the operational training capabilities of Submarine School in a response to SAE-22. The decision to disregard relevant information to drop these questions to score them effectively as zero contributed to the systematic undervaluation of Sub Base New London. The use and storing of irrelevant information is the next pair of -- is the next area where there are significant military evaluation flaws. Since the analysis of surface and subsurface operations was consolidated, the result was a distorted military value calculation, with Sub Base New London being undervalued.

As the next slide demonstrates, unique surface operations capabilities of some naval installations is irrelevant to submarine operations.

The military value points assigned to

operational training evaluation questions SEA-25 and 26 were 3.14 and 2.51, among the highest in the military value scoring matrix. Credit was assigned for naval base's proximity to two specialized training facilities. Anti-air warfare and naval gunnery, for which nuclear submarines have no operational capability or requirement.

The use of this irrelevant information creates a faulty estimate of Sub Base New London's military value, not only in comparison to surface ship bases, but also in comparison to other submarine basis, such as Kings Bay.

This flawed approach to assessing operational training is consistent and comprehensive, as shown in the next slide.

The military value evaluation process scored 11 operational training questions. Nine questions were scored based upon the distance to another facility. One of the two remaining questions did address student throughput for C, F and other pipeline training, but allowed credit for schools located at other bases up to 50 miles away. The 11th and final question assessed the throughput of an activity's small arms range, hardly a significant training capability.

The total military value points available in the operational training scoring was 24.5, nearly one-quarter of the total 100 points available. Submarine School's unique and specialized capability to support operational training was essentially ignored. And the military value of Sub Base New London was accordingly undervalued. This was confirmed when Congressman Simmons requested clarification of the valuation of Sub School.

The written response stated that Sub School's military value scores were not considered in the surface/subsurface function analysis as Submarine School was considered a tenant activity.

Next slide. The fourth military value process flaw involves inaccuracies of scoring. Errors occurred with either the local entry of certified data and/or the analyst's use of the certified data. Subjective judgment was involved with the wording of the questions, interpreting and answering the questions, and in scoring the answers.

The next slide, which was questioned by Commissioner Coyle at the community meeting on June 1st exemplifies this problem.

Two operational infrastructure evaluation questions, SAE-4 and 5, attempted to quantify the length and relative condition of piers for ship berthing. For the first question, total linear feet of piers in various categories, Sub Base New London received zero points. Yet for the second question, total linear feet of piers constructed since 1990, Sub Base New London received 1 point. We have been unable to reconcile this scoring conflict. The necessary information is in the capacity data call, where three of the nine pier-related answers and their questions are redacted.

We have determined, however, that with 16.25 cruiser equivalent lengths, Sub Base New London piers can simultaneously accommodate at least 20 fast attack nuclear submarines. We have also learned that Sub Base New London has 7,766 linear feet of piers within it and 4,008 linear feet of piers built or renovated since 1990. The next slide shows one of these piers.

This overhead view of one of Sub Base New London's piers with a moored submarine is representative of the ten modern piers that provide alongside berths, one on each side, for 20 nuclear

attack submarines. The piers that are planned for Norfolk and Kings Bay require significant construction, and it will not simultaneously accommodate all assigned units without nesting. I will address this issue later.

In addition to military value scoring problems, these data-gathering inaccuracies have had a significant effect on at least one alternative Sub Base New London scenario, DON 0004, move the SSNs from Norfolk to New London.

There are three modern drydocks called graving docks in New London Harbor at the Electric Boat Company. Sub Base New London reported only two. One of these graving docks -- Mr. Casey referred to it earlier -- is being repaired, and therefore, has temporarily lost its NAVSEA certification. This may explain the discrepancy in the count. However, with one last graving dock available, scenario DON 0004 required a second new \$93 million floating drydock at Sub Base New London. This significant one-time cost led to the rejection of the move-SSMs-from-Norfolk-to-New-London scenario. The error in correctly reporting the number of graving docks contributed to this rejection. Gabe Stern

will speak next, and his expert analytical team will rerun the scenario 004 with correct data, and the results are dramatically different in the amount of recurring savings achieved.

Inaccurate scoring undermined the military value evaluation process and significantly impacted compliance with BRAC's selection criteria. Through a series of process flaws, faulty metrics, and data inaccuracies, the military value of Sub Base New London has been distorted and undervalued. Furthermore, with military value scores of between 37 and 75, and a standard deviation of 10, the process was far from being statistically robust. To further compound this issue, it is noted that ten of 14 bases with a lower military value remain open.

To more accurately represent Sub Base New London's military value, we have compared it to the scores of the only other east coast sub base at Kings Bay and provided adjustments that are listed in this slide. The individual elements of this table, some of which, such as piers, bonus points, anti-air warfare and gunnery ranges we have already discussed and are a reasoned adjustment of scores between Sub Base New London and Sub Base Kings Bay.

It is a thoughtful attempt to compare and reconcile the qualities of two subsurface operational functions. Since the questions and answers were deleted, no adjustments have been tabulated in this slide for the unique capabilities of Sub Base New London and Submarine School. Therefore, the total adjustments have been conservative. With the addition of 12.87 military value points, Sub Base New London's adjusted military value of 63.55 places it in the top five surface/subsurface bases, a position that reflects more accurately its military value.

Moving on to Selection Criterion 2. The Department of Defense deviated substantially from BRAC selection Criterion 2. The availability and condition of land and facilities at Sub Base New London has not been challenged. Its buildings and piers are modern and represent a larger military construction investment over the last decade than at Kings Bay. The proposal to replicate the entire complex at two other locations with substantial new construction suggests an inaccurate assessment of conditions at the existing location, and it's, therefore, a substantial deviation from the selection criteria.

At Sub Base New London, ten piers with berths for 20 SSNs exist. In Norfolk and Kings Bay new piers must be constructed, and when completed, will require nesting, an operational impediment I will discuss later. At Sub Base New London Submarine School exists within walking distance of the piers. At Kings Bay new training facilities must be constructed, and when completed, will require a bus to get to the piers located two to three miles away. At Sub Base New London the repair and maintenance facilities exist at the piers. At Kings Bay, new facilities must be built. Utilization of the cruiser equivalent length metric produces a distorted picture of SSN pier capacity and creates suboptimum berthing conditions at the receiving locations, a clear deviation from the selection criteria as depicted in the following slides.

Sub Base New London, ten piers, 20 nuclear attack submarines, one floating drydock. Piers which I noted earlier, received zero military value points. This model and unique configuration avoids the situation where submarines have to be nested as depicted in the next two Slides.

This is the proposed new berthing

configuration for nuclear attack submarines in Norfolk. Note that in addition to pier construction, dredging is also required. Nesting is a suboptimum berthing configuration for SSNs. Significant in-port disruption of training, maintenance, and repair occurs each time either the inboard or the outboard SSN must be repositioned for such routine evolutions as weapons handling, crane support or underway departure of either. Repositioning is an all-hands evolution interrupting all on-board activity for about half an in-port day.

The availability and condition of piers and facilities at Sub Base New London, the existing location, completely avoids this operational readiness impact.

Furthermore, implementing the Sub Base New London closure proposal actually adds new pier capacity at substantial cost, \$70 million, to Norfolk, with no measurable increase in its military value.

Next slide. This is the proposed new SSN berthing configuration for Kings Bay. Note the nesting requirement with the same operational limitations I discussed earlier. As in Norfolk,

new capacity which contributes no measurable increase in Kings Bay's military value must be added with new piers, as indicated. They are the crosshatched areas in the -- unlike Norfolk, dredging in support of a new pier construction has not been stipulated. It is assumed that this will be performed during Kings Bay's annual harbor and channel maintenance dredging. New London requires no regular maintenance dredging.

Note the ships at the new T-pier extension that must share pier space with the floating drydock from Sub Base New London. Infrastructure at Kings Bay's must also, therefore, accommodate the ships indicated, plus 100 military personnel and 300 civilian contractors from the Naval Ordnance Test Unit at Patrick Air Force Base and Cape Canaveral in Florida.

Finally, please note the explosive safety quantity distance or ESQD arc. Though Sub Base Kings Bay encompasses a significant amount of land, the utilization of area circumscribed by the 8,500-foot ESQD arc is severely restricted. Not permitted activities within the ESQD arc include berthing, messing, training, and administrative functions. The Department of Defense deviated

substantially from BRAC selection Criterion 3. Two different force structure plans were utilized. The first was submitted in March of 2004, and the second in March of 2005. The difference between the two plans is a 21 percent reduction in nuclear attack submarines. In so doing, the Department of Defense deviated substantially from its initial force structure plan, as well as the future total force requirements of selection Criterion 3.

It is unclear when and how the March 2005 21 percent reduction in SSNs affected the decision to close Sub Base New London. However, at a December 2004 meeting of the Navy analysis group, the minutes suggest that the move of the SSNs from Norfolk to New London scenario should be reexamined if "there is a significant change in the Navy's SSN force structure."

We have found no record of this closed scenario being reexamined after the March 2005 change to the force structure plan. As noted in my earlier comments, we have reexamined this rejected and closed scenario.

The proposal to close Sub Base New London further substantially deviates from selection Criterion 3 in that it eliminates, without full

replacement, existing surge and contingency capacity for Atlantic nuclear attack submarines. It also closes a difficult-to-reconstitute nuclear certified waterfront, the Department of Defense definition of the term "surge."

The failure to properly consider the existing ability of Sub Base New London to accommodate the requirements of Selection Criterion 3 is a by-product of a flawed configuration analysis. This process also compounded the effect of the military value bonus point scoring methodology I discussed earlier.

Configuring analysis included several rules or constraints. The first required one SSBN or nuclear attack -- nuclear ballistic missile submarine home port per coast. And a second required two home ports per coast for nuclear powered aircraft carriers in a cold iron status. In effect, a protective do-not-close fence line was established around Kings Bay, Norfolk, and Mayport. This left only three operational bases in play, Sub Base New London, Ingleside, and Pascagoula.

With all three of these installations recommended for closure, the selection and use of configuration analysis constraints suggest process

predecisions.

Notwithstanding the military value analysis flaws that understated Sub Base New London's military value and the effects of configuration analysis, Sub Base New London stayed open in the majority of the results, including an optimum solution.

In addition to Sub Base New London, two other installations were candidates for closure, but were granted exemptions during the deliberative process. Naval Station Everett was allowed to remain open, and the quadrennial defense reviewer, or QDR, was cited as the justification. Naval Station Everett received exactly the same military value score as Sub Base New London.

Sub Base San Diego, one of four Pacific submarine home ports, was also allowed to remain open. Compared to Sub Base New London, it has significantly less SSNs, no on-site nuclear repair, and limited submarine training capacity. The requirement to align industrial facilities and capabilities with carrier and strategic force laydown was cited as the justification for this exemption.

As we noted at the beginning of my

remarks, the enacting statute required the BRAC process to be fair and all installations to be considered equally.

Gabe Stern will now address the Selection Criteria 4 and 5.

PRESIDING COMMISSIONER NEWTON: Before you get started, Mr. Stern, I just want to suggest to you that you have approximately 40 minutes left.

MR. STERN: Good morning, Chairman Principi and Commissioners. Thank you for this opportunity to explain how the Navy substantially deviated from BRAC selection Criteria 4 and 5. We have put together an expert analytical team which has evaluated the Navy's overruns and constructed corrections to those runs. This group consists of individuals experienced in the areas of Navy operations, construction, economic modeling, and cost accounting.

So when we tell this commission, for example, that the Navy has underestimated the cost of rebuilding the Sub School at Kings Bay, we do so with confidence, based on analysis by engineers and accountants who have recently been involved in building these same types of facilities for the US Navy. Criterion 4 requires that the DOD consider

the cost of operation and manpower implications. The expectation is that the recommendation make economic sense.

Criterion 5 requires that the cost and timing of potential savings be considered, with the underlying consideration be that at the end of a reasonable time period, the recommendation results in material savings. We have concluded that this recommendation does not save any money and would, in fact, cost this nation very real dollars. COBRA is not a budgetary model. It is designed only to compare and contrast realignment and closure alternatives. The Navy's use of this Department of Defense's model contains serious flaws that undermine the model's comparative value.

Specifically the Navy used inconsistent input data. For example, acts where the recent costs were inserted in some instances while nonbudgetary default were used in others. The inconsistent use of data sources in almost all instances were to the detriment of Sub Base New London.

Furthermore, these actual costs were often misapplied. Additionally, and also in violation of Criterion 4, costs that would be incurred by the

federal government, but not directly by DOD, were totally ignored. Also ignored were most environmental costs. Most significantly, Navy also overstates recurrent savings. Claimed savings are the driving factor in showing a positive return on investment. COBRA results are most sensitive to adjustments to annual recurring savings. These costs and savings flaws in the Navy's COBRA model undermine the comparability and value of this output.

By not recognizing the incremental infrastructure at Kings Bay that is needed to support additional personnel and SSN submarines, the Navy has understated the one-time cost by \$370 million. SSNs require unique maintenance and support facilities, all of which already exist in Groton, but not at Kings Bay. Navy did not factor in the cost of housing, feeding, and caring for the doubling of sailors and their families at Kings Bay under this recommendation. Review shows the realignment costs proposed by the Navy simply do not fully accommodate this very large personnel increase.

In 1993, the Navy estimated closure of the lower base and related transfers at \$300 million.

Costs, by the way, rejected by the 1993 BRAC commission as too low. In today's dollars, that \$300 million would be about \$450 million and still too low.

In 2005, the Navy estimates a cost of only \$680 million for a far more involved closure and transfer than the proposal rejected in 1993. In 2005, not only is the lower bases being proposed for closure, an entire base closure is proposed, including the Sub School, the hospital, the medical institute, and related support facilities. To say that all this can be accomplished with only an additional \$230 million and without the use of tenders requires an extreme stretch of imagination and is unrealistic.

The Navy justifies its recurring savings by assuming there are 1,560 unspecified personnel in excess at Norfolk and Kings Bay -- in excess.

Elimination of these billets is the bulk of the Navy's claimed recurring savings. Clearly, if such excess labor does exist at Norfolk and Kings Bay's, the Navy could today eliminate these billets and achieve the same substantial recurrent savings the Navy claims from the proposed realignment. And it could do so without any

up-front costs.

The results of the underestimate of one-time costs in overstating recurring savings is summarized as follows: One time military construction costs, underestimated by at least \$190 million; one time moving costs, incompletely estimated and omissions of these costs add up to the cost and understatement of \$31 million; environmental closure costs were undervalued by over \$31 million; and environmental remediation costs of at least some \$125 million were totally ignored. Commissioner McCarthy will explain these errors in detail. Recurring personnel savings are overstated by at least one-half of \$84 million. Again, recurring savings drive the result in terms of net present value.

And recurring other unique costs are almost totally eliminated, resulting in a claim of some \$42 million per year savings above what even optimistically could be expected. Let me give a few examples of these. Next slide, please.

With respect to the cost of recreating the Sub School at Kings Bay, the Navy used a cost of \$211 per square foot, an amount perhaps sufficient for like institutional buildings like a high

school, but not for a building with the structural requirements of Submarine School which must support heavy training stations and related equipment. You saw some of those stations in the video.

Recent experience for this type of construction found DOD paid an average of \$325 per square foot for this type of building or \$47 million more than the Navy used in the COBRA model.

Other adjustments for building cites the Kings Bay soil construction conditions requiring an additional \$58 plus million. A total adjustment for Sub School construction at Kings Bay alone is \$105 million.

Let's look at an example of recurring savings overstatement. Navy assumes some 1,560 billet eliminations, which will produce \$169 million per year of the claimed \$192 million per year in recurring annual savings. We have assumed half that amount, \$84 million per year, which we still feel eliminates more positions than is reasonable.

For example, 528 medical billets are eliminated at New London under this proposal to be replaced with only 62 billets to support the 6,485 replacement personnel and their dependents at Kings

Bay and Norfolk. While some elimination may be feasible, 451 billets is an unrealistically high elimination value.

Another example. All personnel support billets, 181 are eliminated. Again, another unrealistic assumption.

Further, 430 contractor billets that exist in New London at \$57 an hour today are to be replaced by only 143 government billets priced out at \$29 an hour. This does not make sense, based on actual experience in New London in replacing government billets with contractor billets. In fact, the Navy directed substitution of contractor employees at New London recently because it saved significant costs, with two contractor employees found to be sufficient to replace three or more government employees. Two for three. We believe, based on discussion with the contractor, that contractor labor will still be needed and that, therefore, Navy claimed savings are overestimated by \$42 million per year.

I invite you to take a look at the next slide. This slide summarizes the flaws in the Navy cost and savings analysis before and after correcting for the Navy understated costs and

overstated savings. The Navy claims the one-time cost of only \$670 million by the end of the Navy study period, which is 2005, as shown on the graph. They claim a net present value savings accrual of about \$1 1/2 million. The area under the curve. They predict break-even will occur in year 2013, but if you correct for the one-time cost underestimates and you proper credit transfer personnel billets, this eliminates any savings claim in the study period and results, instead, in a cost to the nation of \$274 million.

If it occurs, break-even will not be realized until the year 2041, well beyond the Navy's 2025 study period. Adding correctly for ignored environmental remedial costs at New London and the ignored new housing costs at Kings Bay brings this recommendation to over a cost -- not a savings, a cost -- of \$470 million by year 2025.

Break-even, if it were to occur, would not be until the year 2057. Further adjustments not shown in the slide -- and there are several, as you have heard today -- should include substituting a proper discount rate for the default value used in COBRA. The Navy uses the rate of inflation. The federal government borrows money using treasury

notes. Everything we do is debt financed. The proper discount rate should be the cost of the money to the federal government. Correcting the discount rate use would add another 350 million in recommendation costs and, therefore, extend the break-even point well into the next century.

So, what do we have? In summary, the savings do not exceed the cost of the Navy's recommendation, even using COBRA's understated discount rate. The lower the discount rate, the more the savings. The higher the discount rate, the less the savings.

The information we have presented indicates that the Department of Defense has substantially deviated from BRAC selection Criterion 4 and Criterion 5. We will continue to provide COBRA detail for the commission's consideration. We look forward to working with your staff to establish proper COBRA conclusions. Thank you for your consideration. Commissioner Abromaitis will now address Criterion 6.

MR. ABROMAITIS: Mr. Chairman and members of the commission. Thank you for the opportunity to speak with you today. I just want to share a couple of statistics with you. Those being that

the State of Connecticut has only 1.2 percent of the total US population, all having 23rd ranked economy in the nation. Our state is rich in tradition, quality of life, and most important, second to none in the productivity of its work force. With these facts in mind, the Department of Defense recommendation to the BRAC commission to close the Submarine Base New London and Groton, as well as other recommendations related to Connecticut will hit Connecticut harder than any other state. The net effect of direct cut job loss is 8,568 out of the national net number of 12,684. That's 68 percent of the total. That's the largest single closure before the BRAC in terms of jobs lost.

The overall impact of the Sub Base New London closing over the course of the phase it proposed could, based on our own analysis, affect 31,000 jobs and have a negative economic impact for over \$3 billion. As a matter of fact, we've heard from companies from virtually every part of our state on how this recommendation will harm their business and the citizens of Connecticut, and that doesn't even take into account Rhode Island. Our economy is still recovering from the last

recession, and this base closure would take Connecticut a generation to recover.

Based on these facts, Governor Rell assembled a strike force of nine state agencies to analyze criteria 6, 7, and 8. In the spirit of time, I'd like to turn it over to respectively to Jeff Blodgett to talk about some of the inconsistencies we found in those criteria.

MR. BLODGETT: Thank you. Good morning. My task is to provide a critical review of some of the key elements from Criterion 6 and Criterion 7. So, with regards to the economic impact analysis of the BRAC, I'd like to point out the following: There was a significant omission of thousands of jobs from their consideration. For instance, sub base contractors totaling almost a thousand, including mission critical employees, as well as general support employees, were not considered. Further, spousal jobs -- that is, jobs held by the federal military and civilian employees' spouses were not factored into the equation. This is estimated by the state tax department at 2,950 jobs. So, this is almost 4,000 jobs that were not factored into the equation.

The region of influence is also

misspecified. If we can go to the next slide.

As you see here, this is an equally-scaled map showing the relative sizes of Norfolk, Kings Bay region, and New London County. These are the regions that were used as a basis for the analysis. Because of the distortions in size, the economic impacts to New London County have been grossly understated.

The third point, because the BRAC economic model is static, it does not capture the long-term multi-year cumulative impacts of the shutdown; additionally, provides no estimates of the out-migration of people and labor -- people and capital from this region should this closure come to pass. And if it does come to pass, there will be significant losses of population.

Fourth, the model provides no fiscal estimate of the impacts on the state and local government. From work we have done in Connecticut, we know that the loss of the base could cost the state more than \$45 million annually, as well as having a tremendous fiscal impact on local communities. Finally, our regional competitiveness in Connecticut will be adversely impacted. Increased unemployment claims will

necessitate raising the unemployment insurance rates paid by businesses an estimated 2.5 percent. This increase in business costs in an already pricey state could result in the loss of an additional 3,000 jobs.

These are the summary points. In the interest of time, I'm going to jump ahead. I'd like to go to Criterion 7. So, if we could go to the next slide, please. I'd like to draw your attention to a capacity study that was carried out by the Department of the Navy in 1995 and the citation and the title of that study is on the slides for your reference.

This study dealt with the capacity of three east coast Navy bases, New London, Norfolk, and Kings Bay to handle the new Seawolf class attack submarine. The consultant hired by the Navy undertook a thoughtful and deliberative process and comprehensive analysis based on 14 criteria identified by the Navy. Next slide please. These criteria are here for your review. And as you can see, they are similar in most respects to those being used in the current BRAC round. In every case, at least 10 of these 14 New London scored first, came out superior to each of the other two

bases in terms of its capacity in this regard. As a result of this analysis, Sub Base New London received the highest overall ranking and was the final home port recommendation of the consultant. And the consultant's wording is provided for your information in the top box here on this screen.

Therefore, I submit to the BRAC commissioners that if this comprehensive, well-documented analysis resulted in Sub Base New London being selected as the best overall choice for home porting attack submarines in 1995, and given that the only change of any significance at the three bases in the last ten years has been a \$100 million infrastructure expansion at Sub Base New London, then what was true in 1995 still remains true in 2005. Sub Base New London remains the base of choice in regards to home porting attack submarines.

In the face of this analysis, it is clear that reason and logic dictate that Sub Base New London be stricken from the list of bases slated for closure. Thank you for your attention and consideration. I will go on to Commissioner McCarthy.

MS. MCCARTHY: Good morning. I would like

to take a few minutes to highlight information in the DOD recommendations and information developed by the Connecticut DEP, the Attorney General's office for your consideration that identify areas where the board substantially deviated from selection Criterion 8 related to environmental assessment and remediation. Specifically in the report excluded from consideration, restoration costs. Costs that Congress mandated DOD to consider during this BRAC process -- an obligation the DEP through -- DOD, through internal policy, chose to defer. It underestimated both closure and restoration costs. It failed to consider the requirements of the legally-binding federal facilities agreement that governs cleanup of the more than 20 already-identified Superfund sites on this base, and it failed to consider the implications of existing deed restrictions. The result of these inadequacies is a significant underestimation of base closure costs. Closure costs represent the immediate and unavoidable costs solely associated with the closure of this base. The Navy estimates less than \$10 million, while Connecticut has documented in excess of \$41 million in closure costs.

We'd also note for the commission that the Navy themselves acknowledged their own failure to properly assess radiological contamination, calling into serious uncertainty any attempt to fully project cleanup costs.

Remediation costs were nevertheless estimated by the Navy at \$23 million, while Connecticut documented remediation costs of nearly \$125 million, not including any necessary radiological cleanup. In sum, the closure of the base would cost the Navy \$41 million in immediate costs and require \$125 million plus in cleanup costs on an accelerated timetable.

Why accelerated? Because the existing federal facilities agreement does not allow the base to be transferred until it has been cleaned up, necessitating an accelerated schedule to meet DOD's proposed timetable. In addition, deed restrictions raise serious doubts about the neighbors' assertion that proceeds from the sale or lease go to the Navy, adding further uncertainty to the DOD cost benefit assessment.

Lastly, there are other environmental considerations that should have been more fully evaluated when comparing New London and Kings Bay

sites. Those considerations include dredging, storm severity and frequency, and endangered species concerns are issues that directly impact operating costs and raise additional questions concerning military readiness. In closing, I appreciate the commission's attention to the detailed information that we've submitted, and I would respectfully remind the commission that Congress mandated a more thorough assessment and consideration of environmental restoration during this BRAC process, specifically because DOD has a long history of underestimating the costs of assessment and cleanup of the military bases.

In fact, a recent GAO report indicates that approximately 65 percent of the Navy's 13,000 untransferred acres could not be transferred because of environmental reasons. We have confidence that your assistance in a more thorough and accurate assessment of environmental cost for this BRAC process will prevent the addition of 700 acres in New London, Connecticut to the Navy's list of unusable sites.

CONGRESSMAN SIMMONS: Good morning, Commissioners. My name is Rob Simmons, and I represent the Naval Submarine Base New London. We

are proud to call ourselves the submarine capital of the world now and into the future.

The BRAC commission should remove Sub Base New London from DOD's closure list because the decision to close the base would inappropriately end a force-level debate that is still underway. The DOD substantially underestimates the base's military value. It overestimates the savings from closing the sub base, and substantially underestimates the costs of moving elsewhere.

Recently, the Government Accountability Office reported that closing the New London base is based on a decrease in submarines in the 2005 future force structure. But it warns us that, "There is uncertainty over the number of submarines required for the future force." The uncertainty exists because most of the official stakeholders have yet to approve the March 2005 force structure plan that drops the fast attack force to 41 or below.

The Navy's fast attack force currently stands at 54, while the 2001 QDR posts 55. Just last month, Vice Admiral Muntz, Commander, Naval Submarine Forces testified that "54 submarines are about what we need into the future." Our intention

in telling you this is not to ask the BRAC commission to make a judgment on force level. Just the opposite. We ask that you not foreclose the national fate on force level by accepting a plan that has not been approved by the submarine force, the joint chiefs, the Secretary of Defense, or the Congress.

Naval Station Everett was exempted for closure in anticipation of the 2005 Quadrennial Defense Review. We ask you to consider similar treatment for Sub Base New London. The Connecticut team showed you that the military value of Sub Base New London is artificially low because of selective scoring and incomplete information. Under criteria 1, the Connecticut team has also demonstrated substantial deviation in current and future mission capabilities.

Synergy and jointness were ignored in the scoring. And the Submarine School was degraded as a tenant command, despite its unique role in warfighting, training, and readiness. The sub base received no credit as a nuclear certified facility, and three questions on its uniqueness were deleted. If corrections were made in scoring errors, Sub Base New London would have a military score of

63.55 versus 50.68, making it one of the top bases in the country.

The Connecticut team also showed substantial deviation in availability of land and facilities. Over the past ten years, hundreds of millions of dollars have been invested at Sub Base New London, creating a modern facility with piers for 20 submarines. Sub School is a state-of-the-art facility, and fast attack maintenance facilities are in place with no need for new construction.

The DOD plans for both Kings Bay and Norfolk require substantial new construction with substandard berthing, where submarines are nested and congested. Criteria 3, the Connecticut team showed substantial deviation in contingency and mobilization, future force requirements.

Criteria 4 and 5, the Connecticut team showed substantial deviation in the extent and timing of potential costs and savings. Most important, the Connecticut team's comparison of potential savings eliminates the \$1.6 billion in savings for closing the sub base, and the Navy's break-even point of 2013, we believe is closer to 2041 to 2057.

You've heard the substantial deviations in criteria 6, 7, 8, and so, I will pass over those and say in closing that in 1993, the BRAC commission removed Sub Base New London from the BRAC list because of substantial deviation in the criteria. The commission found that the closure scenario would require "substantial mil con at Kings Bay and Norfolk to replace capabilities in facilities that exist in New London." That was true in 1993. That is even more true today.

Let's not destroy the submarine capital of the world. For the sake of the Navy and the nation, save the sub base. Take it off the list. Thank you. And I will now turn the briefing over to Brigadier General Martin for a presentation on Connecticut's Air Guard and our state's --

BRIG GEN. MARTIN: Good morning. I'm Brigadier General Thad Martin, adjutant general for the Connecticut National Guard, testifying today as a state commissioner. My testimony is provided to show Bradley Air National Guard base's true military value is higher than currently portrayed in the DOD BRAC recommendation. I will also introduce a better plan for meeting the nation's needs for the A-10. Submitted for the record are

folders containing the background data to support statements addressed in my testimony.

Data in those folders has been certified per the instruction of BRAC analyst, Mr. Brad McCree. My testimony addresses the data entry errors which mask our true military value, the Air National Guard A-10 basing proposal, and BRAC process shortfalls that discount the advantages inherent in Bradley and other small installations.

The first data entry error is on Question No. 8 in Criteria 2, ramp and apron space. The nebulous nature of the question left open the interpretation of own versus accessible. The question was worded in part: "Complete the following tables for a ramp apron space. Include only the ramp aprons which are owned/controlled by the installation OPR which the installation has access to but may not own." The question attempts to further explain how to allow for both owned and accessible ramp space. But the question lacked clarity regarding how to enter the data. The actual data entered highlights the confusion.

Only nine installations reported accessible ramp space at all, while just six reported both owned and accessible. So, an

omission of one or the other did not stand out for scrutiny during the certification process.

Clarity issues aside, the result in our case was that only owned/controlled data was entered. At over 99,000 square yards, the ramp can accommodate 36 A-10s, two full squadrons. This comprises one-quarter of complete ramp and apron space available for our use. The other three-quarters allowed by Question 8 are pictured here. By reporting what is available under the joint use agreement as accessible, the total square yards exceed 442,000 square yards. The net result of that calculation changes the installation from earning 25 points in Air Force Formula 8 to earning 100 points, increasing the SOF/CSAR MCI score three and a half points.

Looking at the SOF/CSAR MCI list, the BRAC recommendation created or retain these ten facilities for the A-10. As you can see, Bradley's military value rated 1/10th of a point below the lowest scoring remaining A-10 installation. That 1/10th of a point is the military value justification for moving the A-10s.

So, starting with Bradley ranked 98th with an overall MCI of 35.4, and then adding the

corrected 3.5 points, Bradley moves from 98th to 81st in military value. Therefore, with the military value corrected for Formula No. 8, Bradley becomes one of the top ten scoring facilities for the A-10.

Taking full credit for available ramp space affects our calculations as well. The ability to park C-17s was used as a yardstick to determine an installation's ability to support large-scale mobility deployments. You would expect an international airport to do well in this category. But only space for three C-17s on the guard ramp along with our A-10s was counted by DOD question 1241 in Criterion 3. This additional ramp space accommodates 20 transient C-17s, without impacting the terminal areas or the Army Guard ramp. Bradley can also deice large aircraft, and there is substantial fire protection and rescue support should an emergency arise.

Maximum on-ground credit only requires ten of these 20 parking spaces. This correction earns the maximum points, which is equal -- which equals 2 .64. In addition to the three and a half points from ramp apron space, the additional 2.64 increases Bradley's overall score to 41.54, and

moves us further up the A-10 list. Among all 154-rated Air Force installations, Bradley now ranks 66th.

Among guard A-10 units, we moved to second in military value. If the Air Force and DOD had used correct data for Bradley and ranked us accordingly, the military value based recommendation would have been different. The BTEC scenario examined Bradley as a candidate for supporting the new basing structure. In Scenario S101-J, the Air Force determined Bradley could park 36 A-10s. The same scenario estimated the cost to robust Bradley and concluded that the costs were zero. Therefore, Bradley can support 18 A-10s as we did from 1980 to 1994 at no additional cost.

The stated justification to move and retire A-10s from Bradley in Volume 5, Part 1 was the military value. With Bradley's military value corrected, the recommendation should change accordingly. Our purpose is not to suggest we close any other A-10 unit. Instead, the best choice is to maintain five guard units with 18 PAA each.

This will allow the right number of units to support AEF requirements and provide 36 A-10s in

the region. The Air Force has acknowledged that for stand-alone reserve component units, 18 aircraft is an acceptable fit, because reserve component organizations have higher experience levels.

The average pilot at Bradley has 2,500 A-10 hours and 137 combat hours. Our A-10 maintenance personnel have an average of 14.8 years of maintenance experience. The infrastructure for this proposal already exists. The guard end strength does not change, so the manpower authorizations are not a limiting factor. An A-10 weapon system funding supports the same 356 aircraft in the fleet today to well beyond 2011.

As stated, Air Force goal for BRAC 2005 is to reset forces in a strategic way and support ten equally-capable AEFs. After BRAC, there will only be 11 A-10 flying units, of which only nine available to support ten AEFs. Retraining one additional combat -- retaining one additional combat-coded A-10 squadron fixes the AEF problem and only requires the BRAC commission to change the Bradley realignment recommendation, aligning both Bradley and Barnes to 18 PAA A-10 units does more than support this region. It will better provide

for AEF requirements with ten combat coded units supporting ten AEFs and will not cost more.

Now that we have explained how Bradley's military value was incorrectly scored and provided an optimal A-10 basing proposal, we will point out additional shortfalls in the BRAC commissioning criteria. In both the BTEC minutes and the BRAC recommendation, the Air Force assumed that the Bradley's A-10 pilot and maintenance experience could simply move with nine aircraft up to Massachusetts. That is simply not accurate. Movement of National Guard technicians and airmen across state borders will be subject to the discretion of the state adjutant general for the gaining state. It is a clear example of a lack of coordination by the Air Force with the adjutant general.

The reality of the BRAC proposal is that over 500 Massachusetts Air Guard members from Otis will be offered employment at Barnes ahead of Bradley's A-10 qualified personnel. And base closing technicians may register into the priority placement program for re-employment up to two years prior to the effective date. So, if the DOD recommendations become law in 2006, a Bradley

airman on a 2007 reduction schedule would have no advantage over an Otis airman on a 2008 reduction schedule.

Another reality is bargaining units represent technician guard members by organization. I've enclosed copies of the union contracts for the record. The hiring priority in the current contract gives priority to the Barnes-accepted technician, second priority to any member of the Massachusetts Air Guard, and third priority to personnel eligible for membership. The result of this miscalculation could create an estimated \$26 million bill just to transition F-15 pilots to A-10s, followed by a reduced combat capability for three to five years as transitioning pilots become competent in a new weapons system.

Simply stated, DOD saves more money, enjoys redundant layers of security, and maintains a higher level of readiness by basing A-10s at Bradley. The facts speak for themselves. I urge you as Commissioners to use your authority to first, from the certified data provided, add the additional points to Bradley's SOF/CSAR MCI and correct Bradley's military value. Next, adopt the Air National Guard A-10 weapons system council

proposal to retain five combat coded A-10 units;
and finally, consider the Air Force BRAC process
shortfalls in your deliberations.

As the commission, you've asked for facts.
In the case of Bradley Air National Guard base, the
facts demand combat coded A-10s remain in
Connecticut. Thank you.

SENATOR LIEBERMAN: Members of the
commission, Chairman Principi, General Newton,
General Turner, Congressman Bilbray, Secretary
Skinner. I know we're coming to the end of our
time. I want to briefly summarize. I promise you
that I will not indulge myself in the God-given
right every senator has to filibuster today.

I want to thank you for your attention to
the argument that we have made on behalf of
Submarine Base New London and the Bradley Air
National Guard base. I want to thank you more
generally for the seriousness of purpose with which
you have gone forward, for the independence of
spirit, for the transparency and openness of the
process that you are conducting. It is clear to me
and all of us that you understand the enormous
responsibility that you have under the law to
determine which of the military installations the

Pentagon has recommended for closure you will allow to be closed, and which you will stop from being closed in the interest of our national security.

The power you have literally is life-and-death power over these military facilities, and perhaps, Commissioners, that's why today, in summarizing and closing our argument, I feel less like the senator from Connecticut than a defense attorney.

The prosecutor here, the Pentagon, has recommended a death sentence for Submarine Base New London. You are the jury. And I urge you to apply the same kind of standards a jury would in a capital case; that to close this extraordinary national asset, never to be opened again, you should feel, beyond a reasonable doubt, that you will not thereby jeopardize America's security.

I feel very strongly that if you take the eight criteria that the law sets out to guide your judgments, that today Mr. Markowicz, Mr. Stern, the state commissioners, the others -- I've been referring to Mr. Markowicz. I think a few of you were in my generation. Maybe you remember Joe Friday, Dragnet, just the facts. I think with the facts that have been set before you today, we have

demonstrated that the Pentagon underestimates the military value of Submarine Base New London, underestimates the cost of closing it, particularly the environmental costs, and grossly underestimates the cost of relocating this base. Remember, this is not a situation where you've got two or three bases with redundant facilities so you decide to consolidate in one or two.

A decision to close Submarine Base New London requires the relocation of that base, including its extraordinary Submarine School -- given no points, as Mr. Markowicz pointed out -- unfairly no points in the Pentagon's military evaluation.

Members of the commission, I believe that we have put so many holes into the Pentagon's case for closing Submarine Base New London that it looks like a piece of Swiss cheese with more holes than cheese left in it. I don't believe the Pentagon has sustained the burden of proof it has under the law. I believe we've shown clear substantial deviation, on not just one point or two, but several points from the criteria that the law sets out. Your decision is final. It is terminal. This is not like a family leaving a home for a

summer vacation and turning the water off, knowing when you come back you can turn the water back on. You turn this base off, it's never going to be rebuilt again anywhere. Why take the risk? Why take the risk in the middle of the global war on terror? Why take the risk as we watch China rising as a submarine power, soon to have -- apparently having more subs out there than we do? Why take the risk as we watch Russia resurging as a submarine power? Why base this judgment on a number of -- an estimate of a submarine fleet which has the Government Accountability Office -- not just our witnesses -- the Government Accountability Office says the basic premise here on which the Navy based its recommendation to close submarine base 11 -- 37 or 41 subs is unsettled, unsettled by the President, unsettled by the Congress.

A final word to each one of you. I know some of you personally. It's an honor to know you. I know the records for the rest of you, and I know that each and every one of you have given most of your adult lives to service for your nation. I know your commitment to America's fighting men and women in uniform. I know your commitment to our national security. I know you understand the

importance of the relationship between our military and the people in this great democracy of ours. I have confidence, therefore, that you have noted that the impact of the Department of Defense recommendations this time around in BRAC would be to remove the operational Navy from New England; to break the contact between the people of New England and the Navy with, I believe, dire consequences for improvement and equally dire consequences for the place of the military in the minds of the people all over America, which is so fundamental to our democracy. I am confident in all I know about each one of you that you will not allow this base to be closed because you have reasonable doubts about whether it is the right thing to do for your country.

And so, with thanks for your attention, we rest our case -- not just for Submarine Base New London and the Bradley Air National Guard, but for America's future national security -- in your thoughtful, responsible, and patriotic hands. Thank you very, very much.

PRESIDING COMMISSIONER NEWTON: Senator, thank you very much. And Governor, thank you very, very much for you and the delegation and your entire

staff presentation this morning. Let me see if my colleagues have any questions. Commissioner Skinner.

COMMISSIONER SKINNER: As I understand it, we have some work to do to analyze the costs as recommended by the Department of Defense and as now analyzed by you, and we have very competent staff, and my experience shows we can do that. And I understand that you've talked about locating SSNs between Kings Bay and Connecticut. But I didn't hear any talk about moving the SSNs out of Norfolk. And maybe it goes to one of -- maybe you, Admiral, I don't know. But if, in fact, the economics don't work 'cause the recommendation that the Secretary made were based on economic savings by closing the base because it's excess capacity that we don't need. And if, hypothetically, those numbers don't work and the cost of building another facility and the cost of -- are greater than they had anticipated, and the costs of shutting down are greater than they had anticipated, and then the uncertainty of the size of the force going forward, it might make some sense to take and keep New London open. Are there any economic savings by moving -- and I think there are nine SSNs in SIMA

at Norfolk, moving two or more, which you have capacity for at New London, moving the rest down south, and then using Norfolk as kind of a surge -- you know, a surge place if you needed to station them there. What are your thoughts on that? I understand that you would not be following the flag. The flag -- all the flags seem to be in Norfolk -- or a lot of them. But what are your thoughts on that idea?

VADM KONETZNI: I'm going to let John Markowicz take that specifically. I would say this: That regarding Norfolk, Virginia, and I've been stationed there several times in my life, very, very good facility, certainly submarines could be moved from Norfolk to another place, and you'll get the argument from many people that you don't want to leave the fleet concentration area. I don't like that argument, because as a citizen for many years in Hawaii, we had a lot of submarines, and we had no problem at all working with the battle group, sending our crews and our skippers back to San Diego to work with them.

But it certainly is doable. With that said, I'll let John take on the economics part of that.

MR. MARKOWICZ: Commissioner, I've given that a lot of thought. I think I touched on it.

COMMISSIONER SKINNER: If my comments -- if I was way off base, you wouldn't have given it a lot of thought. So, that's good news.

MR. MARKOWICZ: I touched in my comments about scenario DON 004. That was a scenario that was rejected, I think, in December. And the scenario is to move the nine from Norfolk to New London. And one of the contributing factors to that objection was this one-time \$93 million floating drydock that New London needed -- I think because they didn't properly report the number of graving docks at Electric Boat because one was broken. By the way, that \$93 million floating drydock doesn't appear anywhere else. It was a unique New London requirement.

In other words, for the particular scenario that is on the table where the submarines go to Norfolk and Kings Bay, no new additional floating drydock capacity of graving docks at Norfolk and floating drydocks at Kings Bay is the same. So, New London gets stuck with some bill.

Now, looking to 2011 and 2013, the time period of this, I've looked at the decommissioning

rates on the 688s. And I've looked at the construction rate in the Atlantic of the Virginias. And as the slide Mr. Casey had showed you, it comes down. Until Congress appropriates two per year, that number comes down. It's also conceivable and we have reason to believe that the Navy's planning on moving the Seawolves and consolidating them when the JIMMY CARTER goes to the battle group Pacific -- goes to the Pacific.

The net result of that is to 2011 or 2013, you could accommodate in New London 20 fast attack nuclear submarines as you draw down the Atlantic, and effectively consolidate all of the fast attacks in New London. You don't close down Norfolk. Norfolk you need surge, and if you start building two again, you need to plus up. You don't need to build new infrastructure of any dramatic amount in New London because we used to have another whole squadron here called Squadron 10. So, the capacity exists.

The savings -- the savings come from two sources. You don't spend the billion dollars proposed in this plan, and you take a look real hard at the 1,500 to 2,000 -- including contractor -- billets that the Navy has certified to you are

in excess in Kings Bay and Norfolk. By the proposal on the table of picking up everything in New London and moving it somewhere else, not reducing the SSNs, not reducing the Submarine School throughput, and suggesting there are 2,000 jobs here that can be eliminated does the opposite. It suggests there are 2,000 jobs somewhere else that are excess capacity. I don't think it's that high a number. But I think that's where the recurring savings are.

So, in what I've just described to you, you consolidate, you accept reality that at least for the foreseeable future until 2011, 2013, decommissions will exceed billets. You reposition a little bit to the Pacific. You bring it into New London, you preserve what is truly -- and I'm not blowing smoke -- a true submarine existing center of excellence with the synergy that's been discussed thoroughly and completely by everybody here. And I heard it earlier from the Rhode Island delegation when they were before you. You preserve it and you maintain -- does that answer --

COMMISSIONER SKINNER: And then you would -- you would assume that whatever excess you have in Georgia you deal with that in the normal

programmatic way -- if there are any excess. And No. 2, you would have no new infrastructure required down there because they would -- the fleet would not -- they still have, you know, the ballistics.

MR. MARKOWICZ: Exactly. I don't think the number's 2,000. A process -- if you go to your data calls and you look at what Sub Base New London submitted to support the closure analysis when it talks about billets being eliminated, it says, "Per conversation with the gaining activity." In other words, the person I know very well, Dave Alexander, probably from the sub base calls his opposite number in Kings Bay, Norfolk and says, Hey, we're going to send a bunch of submarines. Well, at the other end, what do you think they are going to do? They're going to low ball it, hold onto their billets. It's human nature. There is no independent assessment done of any these billets reductions. It's these people calling back and forth. I think the 1,500 to 2,000, I think it's a fuzzy number.

And I say this for another reason. You've got about 9,000 full-time employees at the sub base. They're working full time. They've got

jobs. They're not sitting around. There are 18 fast attacks at the Submarine School. To suggest that 25 percent of them, 1,500 to 2,000, are in excess doesn't make common sense, and that's the flaw in the recurring savings, and I think that's where there are some recurring savings if you accept my approach to what could probably happen in the future with downsizing in the Atlantic and consolidation to the Pacific.

COMMISSIONER SKINNER: Well, you would assume that the -- between the appropriation process and the pressure on cost -- that they would have run out a lot of that excess in the system here since that adding 60 -- unlike shipyard capacity, I mean, these are people you're talking about.

MR. MARKOWICZ: Commissioner, we asked that question, and we were told very directly, This is the Base Realignment and Closure Department of the Navy. That's their function. That's what they're trying to do. And they're using the cruiser equipment like pier metric as their standard and so, you end up with things like Submarine School? It's a tenant command. That's what happened.

COMMISSIONER SKINNER: Okay. Thank you.

MR. STERN: Mr. Skinner, we have, as you might guess -- we run the COBRA scenario for 04. And since you've asked, I'll offer that we have found in the 2025 year period, savings of over \$200 million, and we'd be happy to provide the details of that to your staff.

MR. MARKOWICZ: And that scenario assumes moving 9. I'm suggesting the number that's moving is going to be probably in the six to seven category, and the infrastructure in the one that exists. Some buildup of GEQ, but nothing of the dramatic nature you need at Norfolk and Kings Bay

CHAIRMAN PRINCIPI: Admiral, in this post 9/11 world, does it make good military sense in your view to concentrate most -- in this case in subsurface -- most of our assets in Norfolk, Virginia? My site visit to Norfolk certainly indicated to me it's a rather congested base -- a lot of carriers, a lot of assets there. Is it -- from a military perspective, is it better to disburse those forces or to have more concentrated in one place?

VADM KONETZNI: I certainly believe that we make a very, very large mistake by concentrating

our forces. I know last -- I think it was actually last September our Chief of Naval Operations Vern Clark had a trip to Florida and made that statement that in the post 9/11 world, we would be very, very foolish to concentrate our forces. I will tell you this: In my over three years in Norfolk at Fleet Forces Command, we constantly -- when I say "we," I'm talking about myself and Admiral Bob Nater, my boss at the time, focused on that waterfront. We looked at dredging so we could move the channel away, because all it would take would be one merchant to plow into either the carrier piers or the submarine piers, which are a little bit more protected because we do have the waterborne protection there or the destroyer piers. We were greatly concerned. The cost was prohibitive. We did everything, including having the Army Corps of Engineers to help us with that sort of a project.

With that all said, to put our eggs in one basket is a very, very discouraging thing for me, as a citizen of this great nation. And it's one of the things that I'm not so sure we look at that you have to look at in BRAC. But as I mentioned even earlier with myself, when I take a look at strategy and I look at national defense, I said to myself

three things: Look at synergy, look at separation, look at where we have ports, look at where we don't. And that means the east coast, the west coast, and I call it the southern coast, which you'll deal with in a couple of days when you go to San Antonio. It's of great concern.

Ladies and gentlemen of the commission, we say the words about strategy. We all do, all of our naval leaders do, the military leaders. We talk about how critical national defense is. Then somehow we must think the American people are not bright, because we kind of return to, Gee, I don't think I can afford it, so I won't have that base. I won't have that flexibility. I won't have that safety. That's why I say, Mr. Chairman, the risk of some of these decisions I think will put the nation truly in danger.

CHAIRMAN PRINCIPI: Thank you.

PRESIDING COMMISSIONER NEWTON: Thank you very much. Any others? Governor, Senators, Congressmen, and the entire team, we want to thank Connecticut very, very much for your presentation this morning. We will have a short recess as we bring the Massachusetts team in here.

(Recess was taken.)

PRESIDING COMMISSIONER NEWTON: Ladies and gentlemen, I'd like to call this presentation back to order again. Earlier I made an opening statement, and in that statement I made some comments about the thanks that we on the commission certainly want to give to all of the citizens and others who have provided information for us for this commission. We realize that all of you will not have an opportunity to speak today. However, this delegation, the Massachusetts delegation, as well as other representatives, will be here and voice some of your thoughts and ideas for our consideration as we deliberate for this very important decision. We're pleased to welcome the Massachusetts delegation, and at this time, gentlemen, we'd like to ask you to please stand for administering of the oath by our federal officer, Dave Hague.

(Witnesses sworn.)

CHAIRMAN PRINCIPI: Thank you very much, Senator, and Massachusetts has an hour allotted for you. And Senator, I will give that time to you to use as you see appropriate.

SENATOR KENNEDY: Well, thank you very, much, Mr. Chairman, and we've allocated the time

between the members. I'll be recognized for the first five minutes. First of all, all of us want to welcome you to Boston, and we also understand the service that all of you have had in different areas. We thank you for being willing to take on this responsibility -- enormously important for the national security of the nation, and we're grateful to all of you for your interest, your commitment, and experience.

Chairman Newton, we thank you for being here and Chairman Principi, Sam Skinner and Sue Turner, Congressman Bilbray. I've had the good opportunity to serve on the Armed Forces Committee for 24 years. I've either been the chairman or the ranking member of the Force Projection Subcommittee. And our committee, the Armed Services Committee, is the committee that drafted the BRAC legislation. And this is the fifth BRAC commission that I've had the opportunity to be involved in. And it was very clear in the drafting of the legislation that what the members of the committee were looking for is maintaining military value, maintaining military value, and finding out, by the reduction of the total number of bases, how we could increase efficiencies for our national

security and Homeland Security and how we could enhance military value.

And we think that any kind of evaluation of the military value issue on the Otis Air Force base makes a very convincing case and why that base is absolutely indispensable in terms of our national security and in terms of Homeland Security.

Later on in the presentation you'll have an opportunity to hear in great, great detail the figures that justify the military value. But for those at Otis, understand that they were there in the hours of 9/11, two or three minutes after the collapse of the buildings. The pilots and force were there for the shoe bomber that had to be brought to earth -- to ground -- here at Logan Airport. So, we believe that any fair evaluation of this will find that this is an absolutely indispensable case.

Mr. Chairman, if you will look over at the chart here, you will see the routes, the air routes of incoming planes into the American perimeter, not only to the northeast, but these planes and air routes that are coming into the United States, and if you see the dot that is the center of this

program, you'll see the absolutely indispensable place -- location that Otis has. We don't believe that in the military evaluation it was fair consideration of the air space, nor the surge capacity. And if you look at the routes, the planes that are coming in, you will find out Otis is absolutely indefensible to be able to intercept any potential dangers of the plane.

Secondly, we believe that it's essential to look at where we are in Boston and New England should the decision be to maintain the closing of Otis. If you look at this chart, you will see that there will be some 90 planes that will be available to secure Washington, D.C., 27 planes for New York, and only three effective planes for Boston. We're not asking an unfair accommodation for our national security, but if you're looking for the security from Maine all the way down through New York and even down to Washington, D.C., we think that effectively without Otis we will not have the kind of Homeland Security which is so essential and it's a key part of this presentation.

Finally, Mr. Chairman, we wanted to show the indispensability of this base with the Coast Guard. That case will be made later by others on

this panel. This map here gives you the example of 520-odd interventions that Coast Guard has had, the savings of hundreds of lives. And if you understand that Otis is not there for the National Guard, for the 102nd, and the additional burden that will be placed upon the Coast Guard and the financial burden will be so heavy that there's a very good opportunity that that will be closed for fixed wing planes and that this kind of protection that is indispensable in terms of Homeland Security protecting people will be completely lost.

Mr. Chairman, we believe that any kind of fair recognition of the indispensable role that Otis plays in terms of our national security, in terms of our Homeland Security, and with regards to the interservice cooperation between the Coast Guard and the National Guard, and that function is so essential and so important for our overall national security and for Homeland Security that we believe the case is there to make sure that this base continues to operate and protect the security interests and the Homeland Security interests of our country.

GOVERNOR ROMNEY: Thank you, Senator Kennedy. It's an honor to join with you and other

colleagues on this panel. Chairman Principi, Chairman Newton, Congressman Bilbray, Secretary Skinner, General Turner, General Counsel Hague, and executive director Battaglia, it's a pleasure to welcome to the State of Massachusetts today. We're fortunate that men and women of your experience and knowledge and capability are willing to give their time to review this very important task.

I have a couple of topics I want to address with you today. First, I want to commend the Air Force in its decision to consolidate Electronic Systems Command activities at Hanscom Air Force base. This allows the Air Force to capitalize on the extraordinary technology clusters that exist in the greater Boston area. In the slide that you're seeing, you're seeing just a summary of some of those items. Some 49 colleges and universities are located within 50 miles of Hanscom and Natick, being Mitre Corporation, Lincoln Labs, federally funded and scores of high tech research companies likewise, leading research hospitals -- in fact 25 percent of all NIH medical research funding comes into the greater Boston area. It is also the No. 1 biotechnology cluster in America, and ranked by the Milligan Institute as

the No. 1 state in America for science and technology.

The Air Force is following the same trend we see in private sector R&D. Companies come here to access intellectual capital in their specific area of research and also in related fields. The cutting edge of innovation often occurs at the intersection of technologies. Materials, communications, biotechnology, computing, consolidate C4 ISR activities here allows the Air Force to take advantage of the wide range of intellectual clusters and assures that our nation's military maintains technological superiority. This is just as true for Natick, which houses the Army Soldier Systems Center.

As Governor I want to assure you that the transfer of functions to Hanscom will happen expeditiously and efficiently. My Secretaries of Environment and of Transportation have already prepared a detailed plan of action to ensure that all necessary construction and modifications occur on the Air Force's timetable. We'll take all necessary actions to ensure that the transition is smooth and timely.

My second topic relates to Otis Air Force

base. Other witnesses will point out several unintentional but critical errors in the analysis which led the Air Force to its conclusions.

I want instead to address the proposal from my perspective as Governor. I'm very concerned that neither I nor my adjutant general was consulted in the Air Force process, because the wing and the base are part of the Massachusetts Air National Guard. And because they form a critical component in my state's Homeland Security plan, our involvement should clearly have been sought and considered. Let me elaborate a bit.

First, Otis is located on the Massachusetts Military Reservation. It is jointly used by the Air Force, the Air National Guard, the Coast Guard, the Army National Guard, and several state emergency agencies.

Last year I signed a 50-year lease extension with the Department of Defense to ensure that the 22,000 acres of the reserve remain available for Department of Defense purposes. This is a unique property, used for training by the military throughout the northeast. The multiple federal and state activities located at the reserve operated -- operate in an integrated manner. We

integrate training, we integrate rescue activities, we integrate first response. The 102nd Fighter Wing at Otis Air Force base are the centerpiece of those activities. If they're removed, the benefits of integration are lost.

For example, the BRAC report does not explain how the US Coast Guard is to continue its search and rescue and Homeland Security operations if the airfield is closed. The Coast Guard performs hundreds of search and rescue missions a year. In the last three years, 213 lives have been saved on those missions.

By pulling out of the 102nd and closing Otis, the remaining operations of the Coast Guard, the Army Guard, and the other state response agencies can be seriously impacted.

Second, the assumption is that \$17 million in annual costs of running the airfield would simply be transferred to the Coast Guard. This is simply shifting cost from one federal agency to another federal agency. And it's not practical to ask the Army Guard or the Coast Guard to operate an airfield. They don't have the experience and expertise and capability of the 102nd Fighter Wing.

Third, we are very concerned that the plan

to provide fighter interdiction support from my state by locating two fighters in a neighboring state is impractical and would not provide ample cover for this region. These fighters interdict in the busiest air routes in the world, as Senator Kennedy has explained. They also protect massive critical infrastructure on the ground. I'll provide you under separate cover sensitive information on the critical infrastructure in Massachusetts that has been confirmed by the Department of Homeland Security as requiring special prevention and protection plans.

Much of the energy and transportation capability of the entire northeast flows through the Commonwealth of Massachusetts. Obviously, any vulnerability is unacceptable. Finally, I want to echo the concerns raised by the adjutant generals at the hearing in Atlanta. As Governor, I respectfully request that the governors and the Air National Guard be given the opportunity to provide a revised proposal for the Air Guard for consideration by the commission.

The bottom line is that the proposal before you would reduce the state and national Homeland Security and response capability and would

not actually save the federal government any money at all. I think the TAGs can do a better job. Thank you for the opportunity to be with you today, and I'm happy to introduce Congressman Delahunt. Congressman.

CONGRESSMAN DELAHUNT: Mr. Chairman, members of the commission. Welcome to Massachusetts. I represent the 10th Congressional District here in Massachusetts, which includes Cape Cod, and the islands. Obviously, Otis is situated on Cape Cod.

I put forth the premise that the credibility of the process itself is at stake. The President has articulated the rationale for this BRAC round as necessary to save money so as to better wage war on terror and to protect America.

The recommendation to close Otis and redeploy the 102nd Fighter Wing fails on both counts. Let's be clear. This proposal will not realize a reduction in cost, and it will make the northeast region of the United States less safe. It amounts to nothing more than a budgetary shell game that will reduce our capacity to defend the homeland with no financial benefit to the taxpayer.

At best, as others have said, it merely

shifts the financial burden from one federal agency, in this case the Air Guard, to others, such as the Coast Guard. And in the long term, may very well end up costing more to the American taxpayer.

And rather than furthering the Pentagon's purported goal of integration, collaboration, and jointness among military services, in the case of Otis, the opposite is true.

As you're aware, you visited the venue, the military reservation is not only home to the 102nd, but hosts the Air Force's PAY PAWS defense warning system, the Massachusetts Army National Guard, the FAA's regional Air Traffic Control operations for southeastern Massachusetts and a growing number of key Coast Guard operations, including Air Station Cape Cod.

In fact, the Coast Guard complex is one of the largest in the country and is critical for search and rescue, port security, marine safety, maritime law enforcement, and Homeland Security from the Canadian border to New Jersey. Recently, I met with senior Air Force officials and was particularly disturbed to learn that there was no serious consultation with other federal agencies that maintained a presence at the military

reservation. In fact, they did not even believe they were compelled under BRAC guidelines to do so. This conclusion is perplexing, since it's my understanding that it is a requirement of the BRAC process. It appears to us that the absence of such an impact analysis violates the Pentagon's own BRAC criteria and could jeopardize the critically important Homeland Security functions of other services such as the United States Coast Guard.

The Air Force's estimate that closing Otis would save roughly 30 million annually I would suggest is elusive, because it results from the outright elimination of many of the services on which the Coast Guard and other tenants must depend. It would merely shift the burden to them, as the Governor has indicated.

As the host service to the base, the Air Guard provides a wide array of services to all tenants, including the operation of the base, the base's infrastructure and utilities. With respect to the Coast Guard, the Air Guard provides base security, airport runway operations and maintenance, Air Traffic Control, water supply, wastewater treatment and distribution. Simply put, closing Otis would be a disaster. The Pentagon

proposal assumes you can surgically remove the 102nd Fighter Wing without affecting anything else. And it's just simply not accurate. If Otis goes, we not only risk putting at risk existing operations, but a range of new initiatives, like a new Coast Guard port security unit, and a new Homeland Security training center.

If Otis goes, who will operate the airport for the Army Guard and the Coast Guard? We don't know. If Otis goes, who will bring water to the Army Guard, Coast Guard and others at the base? We don't know. If Otis goes, who will provide the water and sewer to the 1,100 military personnel and their families from all of the military services that currently live in base housing? We don't know.

If Otis goes, what will happen to the FAA services that operate out of the Air Guard's complex? What will the closing of Otis cost them? We don't know. If Otis goes, who will operate the fire department at the base? Who will put out the fires at the base airport, at the base housing or at PAY PAWS? We don't know. A list of unanswered questions goes on and on. The reality is that if we close Otis, all we are really doing is just

sending a 20 to \$30 million bill to each of the remaining federal agencies and asking them how to figure out to pay it. And the consequences of not knowing are profound.

For example, in recent testimony, the Coast Guard estimated that they would need an additional 17 million annually and 100 new personnel. This is a conservative estimate that does not even factor into the equation capital costs.

The Coast Guard cannot come up with that funding. So, what do they do now? What will this mean to the enforcement of fishing regulations? How will this affect the next oil spill in Buzzard's Bay? Most important, how many lives will we fail to save? And this is just one agency.

What are the ripple effects for all the other tenants at the base? Where else are we compromising national security and public safety? And all the Air Force can say is, We don't know. Let me suggest that's unacceptable. We can accept the prospect of bad news at the base if the decision is credibly based on a full and far-fold review of the facts and a thorough analysis of the consequences to the affected communities and all

other federal agencies. This has not been the case with Otis. If we accept the President's rationale for this BRAC closing, then the Pentagon's recommendations for Otis must be rejected. Thank you, Mr. Chairman.

PRESIDING COMMISSIONER NEWTON: Thank you.

ADJ GEN MASON: Good morning, Mr. Chairman. Oliver Mason. Thank you and members of the BRAC commission for allowing us to offer testimony on behalf of the Massachusetts National Guard. As the adjutant general, I will be making my remarks in the state status. Last week on June 30th in Atlanta, the BRAC commission heard from members of the adjutant general's association where they spoke about flaws in the information and data used to analyze National Guard bases -- Air National Guard bases. Today you will hear how that flawed data was applied to one of these bases.

Here with me today and seated behind me is Colonel Mike Kavey, commander of the Massachusetts Air National Guard. To my left, Commander Paul Worcester, Commander 102nd Fighter Wing who will provide a detailed presentation on the 102nd Fighter Wing at Otis Air National Guard base Cape Cod. I have three points to make. First, I

understand and support the BRAC process. Second, I support the Army recommendations. Third, neither I nor my predecessor were consulted regarding the BRAC process in Massachusetts. In fact, the adjutants general were not involved with the BRAC process until recently, and that the BRAC recommendations for some Air National Guard bases are flawed and inaccurately portrayed the values of these bases.

Specifically for Massachusetts, Otis Air National Guard base and the 102nd Fighter Wing was not given a correct assessment, as will be demonstrated by Colonel Worcester. It is our hope that after you hear this morning's presentation you will have a better understanding of how this flawed data information impacted the BRAC recommendation for the 102nd Fighter Wing and Otis Air National Guard base.

I will be followed by Colonel Worcester to make that presentation.

COLONEL WORCESTER: Chairman Newton, Chairman Principi, Secretary Skinner, General Turner, Congressman Bilbray, distinguished members. We thank you for this opportunity to address our issues with all of you. We believe our factual

presentation of the issues surrounding this important process is in the best interest of the taxpayers and the military. With no further ado, on the 31st of May we briefed our concerns on the possible existence of substantial deviations in the BRAC process and analysis.

In this briefing, we'll show you these deviations and discuss the resulting impacts. We have categorized these deviations in three components: Military value assessments and the resulting score, cost savings, and the impact to homeland defense.

In the first of our three components, we look at military value. Under military value, in the eventual development of a base's unique military value score, we found three major deviations. First, incorrect data was used to develop our fighter mission capability index or MCI score that was used later as the primary basis for BRAC decisions.

Second, the Air Force used a flawed methodology to evaluate training ranges that put quantity over quality.

And last, there was an overemphasis on training, while other important military values

were missed, including failure to consider homeland defense issues. I request you key in on Point No. 1 where the wrong data resulted in a low and incorrect score.

On the military value, left bar, as you see before you, you can see our initial fighter MCI score from -- as scored by the Department of Defense. When we briefed you last month, we had just seen the military value rankings for Air Force fighter bases. We knew right off that something was wrong. We have the premier operational base in the United States. We have huge accessible -- easily accessible air spaces for operations and training. We have superb ramp space, and most importantly, the ideal location for defending the northeastern United States. Our military value ranking just didn't make sense.

In the five weeks since we briefed you, we carefully reviewed the available Air Force data and the ranking process, and in fact, the Air Force did get it very wrong. We found many significant errors, including erroneous data, missing data, and programming errors.

We found that when we corrected these errors in the three data error blocks depicted here

on the slide, our recalculated score rises substantially from 42.83 to 60.88. This correction achieves what should have been Otis's correct MCI rating. It was based on a precise recalculation using the correct data applied to the Air Force's own formulas. The impact of this correction is huge.

Using the initial inaccurate score, we were dead on arrival when the Air Force developed its basing scenarios. Only those bases with the highest military value ratings were considered for key flying missions. Those with the lowest scores were closed. If our score -- corrected score -- had been used by the Air Force, Otis would have remained open. The three data error categories I just briefed can be further broken down into nine different attributes that gained substantial errors that can -- I'm sorry -- contained substantial errors where data corrections or recalculations gained additional points for Otis.

In the next few slides we are going to discuss these attributes in a little bit greater detail. Three aerospace categories or attribute issues are problematic. Proximity to air space, supporting mission, range complex supporting

mission, and access to supersonic air space. The three air space issues are summed up on this slide. The three major air space ranges were not included by the DOD in the BRAC data collection process, resulting in a loss of credit for those air spaces.

For the air space we did get credit for, that credit was incomplete or improper as identified in the briefing graphic block in the upper right-hand side or for failure to consider several important air space attributes, such as proximity or access to supersonic air spaces.

When you include the missing air spaces, that which we didn't get credit for, Otis is No. 1 in the nation for total volume of air space available. Under key mission infrastructure and large scale deployment, initial credit was given for 18 explosive sided parking spots. That's very critical to our F-15 mission and the ability to load armament on them. Hangar spots for 12 F-15s and parking for three C-17s, far below our true capacity. We should have been credited for the actual capacity, which is much more than 50 explosive sided parking spots, more than 30 hangar spots and more than six spots for C-17s. By the way, all of these points would have brought us up

to 100 percent credit in those categories.

Otis can support all of these forces simultaneously, unlike many other installations where they would have to make a decision to harbor or bed down all of those airlift aircraft or their fighter aircraft. At Otis we can do it all simultaneously, concurrently, with no impact to any other operations. Our airfield capacity rivals or exceeds the capacity at many higher-rated Air Force installations.

Using the formulas and algorithms that the Air Force used, my team was able to input the correct data to arrive at the fighter MCI score that Otis Air National Guard base should have received. Please note we rose in value by 42 percent and a ranking from 88 to a new position of 27 overall. This ranking was based on certifiable Air Force data and results in a dramatic change in our overall ranking compared to our Air National Guard installations. We are confident when our analysis is complete we will be the highest-ranked fighter base in the Air National Guard.

So far we have shown you that correcting Otis's ranking using the Air Force's own methodology resulted in a dramatic leap in Otis's

Air Force -- in Otis's ranking. What we will discuss now are flaws with the Air Force's methodology. Flaws which, if corrected, would have resulted in an even higher rating for Otis.

For example, the Air Force methodology rated installations with access to a few large high quality ranges lower than those with access to many small ranges. Ranges that were too small to support fighter operations were included in the fighter MCI equally and skewed the overall military value. In another example, the Air Force methodology did not consider air space saturation and accessibility. These attributes are too important to ignore.

Finally, the Air Force methodology purported to measure a base's proximity to air space but a high percentage of the score bore little relation to actual proximity. If the Air Force had gotten its methodology right, Otis would have rated higher still. Here is a detailed look at how the flawed methodology affected the Air Force's valuation of training ranges. The blue depicts the high usage air spaces that our unit uses at this time.

If you just look at the -- our two normal

air spaces and then compare them to those further down the south coast that are in a congested area, you will notice that the mid Atlantic bases identified in red with multiple ranges get higher scores, whiskey 72, an alphanumeric designator for air space, that space which is on the bottom of the slide broke up into small pieces or segments is, again, broken into small -- 16 different individual air spaces. Langley Air Force base received credit for 16 separate ranges, as did any other base that was within 150 miles of those ranges.

These are additive, which artificially boosts their score, and unfortunately, this is factored into 34 percent of the total MCI. Interestingly, our prime air space, that whiskey 105 area at the 6 o'clock position in blue, only got one -- credit for one air space, and yet, it is broken into nine individual segments. Our unit only got credit for one. And at least it should have gotten nine.

Saturation concerns -- meaning how much units using the same air space in a fixed amount of time -- was not factored into the equation. Issues such as range scheduling, deconfliction, necessity to seek air space extensions, etcetera, are all

current day-to-day problems that were not addressed. These are not an issue for Otis. We have access to superb, large high-volume air space around the clock. And yet, we were scored lower than other bases, such as Langley, Atlantic City, and others to the south that have to share and deconflict their ranges. We are the 95 percent user of our air space. Our air space can support advanced long-range, large-force training scenarios that are critical to the fielding of fourth and fifth generation fighter aircraft capabilities and is part of the BRAC philosophy established by the Air Force for current and future mission assessments.

The last several slides consider the Air Force's failure to accurately measure important attributes because of flawed methodology. To our surprise, one vital attribute of military value the Air Force did not even attempt to capture was a base's value to homeland defense mission. This slide depicts the actual fighter MCI criteria, and corresponding weighting factors. As you can plainly see, homeland defense is not a consideration in rating a base's military value. The emphasis on training ignored strategic military

value and homeland defense.

As you can see from this quote, the Air Force acknowledged the importance of this mission. It failed to quantitatively or qualitatively measure its importance as a current mission.

In fact, the United States Navy took this approach to homeland defense at Naval Air Station Point Mugu and removed the base from BRAC consideration. The Air Force, however, chose not to follow this approach. Factors obviously crucial to a fighter base's contribution to national security were left out. Factors such as current air sovereignty on mission, as we do in Otis our suburban strategic location, our surge capability in response to increased NORAD threat levels such as what was accomplished on 9/11, our extensive base security and multi-layer protection, and a future and asymmetric threat assessments and response capabilities in the future are all attributes that should have been considered. Otis would have stood out as the premier air defense location for the protection of the entire northeastern United States.

Let's sum up our military value components. Using the corrected military value

score, Otis should be ranked 27 out of 154 bases. The incorrect military value prevented Otis from being considered by the base closure executive group four of the basing scenarios that followed. We were excluded from the game. If they had corrected the flawed methodology for evaluating air space and given proper consideration to current and future homeland defense missions, the Air Force would have improved its ranking process and Otis would have remained open.

Our second major component discusses cost savings. And as you will see in the next few slides, the estimated DOD cost savings are wrong. They are clearly inflated.

Flawed methodology is a theme that will be a repeated theme here, as we will demonstrate in this component. This chart shows the Air Force applied the COBRA model after completing the basing scenarios. It was not comparative. If you didn't score high enough in the military value category, you weren't entered into the basing scenarios. And, therefore, the resulting COBRA analysis was entirely flawed. According to GAO's BRAC report of July 2005, 71 percent of the annual same and recurring Air Force estimated cost savings are

related to personnel. Those same number of losses taken anywhere within DOD would yield the exact same savings. In other words, they are not specific to Otis base closure.

Although the Air Force could have used COBRA for comparative analysis, they used it simply to determine the cost impact of the final basing scenario. Unfortunately, this calculation is grossly off the mark. This slide shows DOD's projected cost savings from the Air National Guard fighter basing scenario. As we will show, the analysis has two key inaccuracies: Failure to capture accurate one-time conversion costs associated with moving Otis fighters to Atlantic City, and the true recurring leave behind costs to sustain current Otis-supported tenants.

Under one-time conversion costs, those costs were grossly underestimated. A conservative estimate of true training alone would put this number at \$78 million. Our point papers detail the cost figures using actual Air Force data, conservatively adding \$73.2 million in one-time costs.

Under the recurring costs, the DOD ignored leave-behind cost for federal MMR tenants in spite

of the requirements under statute 29.13(e).

Closing Otis Air National Guard base will require significant yearly leave-behind costs for the US Coast Guard, Army National Guard, and other significant tenants, such as our Air Force PAY PAWS active duty units. Most of the inflated cost savings associated with the roll up scenario, which includes the proposed closing of Otis Air National Guard base, comes from not including the recurring costs that would be incurred by the US Coast Guard and our MMR tenants should Otis Air National Guard base be closed. In addition, \$20 million per year of recurring costs are uncontracted for in the Air Force's COBRA analysis and must be considered.

Shifting the costs to the US Coast Guard is a huge part of the equation in this closure recommendation which the Air Force overlooked. According to GAO's BRAC report of July 2005, and I'll quote: "While the Air Force officials recognize the Coast Guard could be affected if the base is disclosed, their cost and savings analysis did not consider any costs that could be incurred by the Coast Guard." Subsequent to the recommendations being made public, the Coast Guard estimated they would incur about \$17 million in

additional annual operating costs to remain at Otis Air National Guard base.

In addition, there are considerable other cost impacts to the various tenants the unit supports that have been not -- that have not been calculated in the cost savings formula.

It is not just about runways associated with an airport. Factoring in the one-time and recurring cost figures, the true recalculated savings to the taxpayer is at most \$18 million over the same DOD time period of 20 years. Not \$336 million.

Put another way, that's less than a million dollars a year. Note the time to a break-even point on this chart doesn't even happen until nearly 2024. That, by the way, is a DOD savings error of over \$318 million. Again, these are conservative estimates and other data is still being analyzed which could further drive that error up.

Moving to our third major component, homeland defense. It is critically evident that this important mission did not receive the proper emphasis. I know you've seen this slide. Otis is critical to the homeland defense mission. Every

month we have more than 16,000 international flights into our area of responsibility. The red routes depicted on this slide show those arrival corridors, as you've been told. Every month we have over 400 flights of interest. Flights of interest involve air carriers departing from countries known to have poor screening techniques, have poor internal security, or even unintentionally carry watch-listed passengers. We've seen them all here in the northeast, and we are, without argument, the busiest unit in the nation responding to them. And that's because of our location. It has been this way for 55 years, and that will not change. It's worthwhile pointing out the alternative scenario of basing air sovereignty alert fighters further inland and a spider web of Air Traffic Control delays will harm our current superior alert posture and response capability in the northeast.

We are told by FAA experts that air sovereignty alert scrambles from the proposed air sovereignty alert detachment will be subject to five or six intermediate level-offs due to high density traffic in that area and along their expected flight path to intercept aircraft as they

arrive into the United States air space. We are also told during periods of bad weather those delays could be extensive. None of these critical data points were captured in the BRAC process and are gravely important to the air defense mission.

Again, I want to please have you make note of the air route traffic convergence as we move to the next slide.

This chart shows actual scrambles to intercept points conducted by Otis F-15s since 2002. Notice the majority of the intercept points and how they correlated to the previous slide's jet route convergence. We have unimpeded supersonic access to these points over water with no Air Traffic Control delays. The same could be stated for responding in the opposite direction, say to New York City, as we did on 9/11.

Relating to the air sovereignty alert facility inland, encumbrance or -- sorry -- relocating to an air sovereignty alert facility inland, encumbrance by the added distance and any air traffic control delays and the difference depicted here in red might be even greater. Or to put it more simply, when seconds count, location is the key.

But at Otis it isn't just about us. We have a Homeland Security partner in the US Coast Guard. They depend on the superior location of Otis Air National Guard base as well for their critical and timely response capability. I'm going to quote from Admiral Sullivan last week. "There will be an opportunity cost if the Coast Guard is forced to move from the central location of its busy northeast US proliferating area. This operation will increase mission response times beyond accepted standards."

While this charge depicts their fixed wing capability up and down the east coast, it is the more fuel-critical helicopter force assigned to Otis that requires close access to its customer and, therefore, incapable of being moved to alternate bases. I think it is important for you to know that gap-filling helicopter units not depicted in this slide in places like New Jersey are short-range versions and cannot meet the longer range requirements of the north. They are limited to 100 nautical miles. For a US Coast Guard relocation scenario, moving assigned Otis -- moving Otis assigned long-range helicopters to New Jersey subsequently would leave the northern area of

responsibility uncovered.

The US Coast Guard is extremely busy, just like its host. If the five-year history that were plotted on the slide, this red circle would be a sea of white. Their Otis location provides them the minimum response time and maximum loiter time for search and rescue of the New England fleet, as well as provide the perfect base for emerging and growing maritime law enforcement and home security missions.

Before sending up our three components and making a recommendation to the BRAC commission, it's worth pausing for a moment to consider some lost opportunities. The Air Force BRAC process was supposed to offer a means for fair consideration of all bases, leading to a force structure that optimizes military value and cost savings. Unfortunately, the Air Force failed to abide by these principles when they carried out the BRAC review of Air National Guard fighter bases. As we have seen, the Air Force failed to accurately rate Otis through errors in data, flaws in methodology, and the exclusion of Homeland Security considerations. Entering the scenario development phase with this incorrect rating, Otis' closure was

assured. Had Otis received the correct rating, without question it would have remained open to continue its vital mission. You, the commission, have an opportunity to correct the Air Force's mistake.

In conclusion, substantial deviations do exist in the BRAC process. The Air Force didn't play by the BRAC rules. If they had, Otis would be ranked 27th not 89th in fighter MCI. The cost savings would be less than \$18 million, not \$336 million. They would have consulted with other agencies on the leave-behind costs and homeland defense, America's Job No. 1, would have been considered from the beginning.

Therefore, we ask you to reject DOD's proposal and remove Otis from the closure list. Again, on behalf of the nearly 1,100 men and women of the 102nd Fighter Wing team, we thank you for listening to us once again, taking these facts into consideration in making a decision which is in the best interest of this nation's security. My team of professionals cannot be duplicated or moved away from this critical installation. For 84 years this team has demonstrated why it has an enviable record of outstanding performance. They know the business

of national security better than any. They are willing and able to continue providing the necessary security this new world environment demand. We need to give them that opportunity. Again, on their behalf, we thank you. Senator Kerry.

SENATOR KERRY: Chairman Principi, Secretary Skinner, General Turner, Congressman Bilbray, General Counsel Hague and Executive Director Battaglia, thank you all very, very much for your remarkable patience. As veterans of many hearings, we admire your perseverance of tenacity that you approach this. We are very, very grateful of that here in Massachusetts for your careful listening of the presentation, all the presentations by each of the states.

In the end, the case for the Massachusetts bases is not founded on emotion. It's not based on the economic impact. And certainly economic impact falls into the appropriate criteria outside of military value. I think that the case you've heard in a superb presentation by Colonel Worcester, a case based on common sense. It's based on facts. It's based on an accountable, truthful analysis of data, and we ask you to examine that data as

carefully as it's been presented to you.

The presentation that you've just heard we believe makes clear that the Otis National Guard base remains -- is today -- a vital and relevant part of the reaction to the threats that we face today in the country. The defense department plain and simply got it wrong in putting Otis on its list. I'd just quickly recap the three main points: No. 1, Otis's military value was not fully captured and appropriately captured in the defense department's calculations, particularly as it relates to homeland defense.

No. 2, the Air Force's expected savings from closing Otis are overstated, and they ignore other costs that the government will incur. And No. 3, the closure of Otis will gravely undermine the ability of other federal tenants -- and there are 28 of them -- with the principal tenant of concern is the United States Coast Guard and undermine its ability to be able to perform its mission.

At this point I'd like to ask that the written testimony be placed as part of the record for all of the testifiers, and there's a letter that was sent to Senator Kennedy, myself and

Congressman Delahunt from Vice Admiral Cross which says specifically, "Air station Cape Cod is optimally positioned for Coast Guard resources to perform the service's missions in the northeast in the most effective and efficient manner possible. Moving the air station to the nearest available adequate facility north or south puts the Coast Guard at risk for standing up an additional operating facility in the opposite direction." I'd ask that that letter be made part of the record also.

I served, I guess, ten years or more or so as the chairman and ranking member of the committee that has jurisdiction over the Coast Guard. And I can tell you that every single year, particularly with the increase of Homeland Security responsibilities, the increase in drug interdiction responsibilities, as well as the increase in all of its coastal lifesaving responsibilities, the Coast Guard is underfunded. It's underfunded today. It's been underfunded for years. Its fleet is not adequately provided for. There are -- there is a backlog on overhaul. And so, to abandon an analysis, an appropriate analysis of this cost shifting is, frankly, irresponsible, both in the

context of Homeland Security, as well as the armed forces direct defense responsibilities that the Coast Guard performs.

Bottom line is very simple. Otis Air National Guard base should remain open. Its unique geographical location, its access to unrestricted air space which you've seen described and graphically displayed is important to other vital federal missions, including the operations of the Coast Guard that make it critical to our nation's security.

There are a number of other bases that I'd just like to mention very quickly, if I may, sort of wrapping up here before I introduce Congressman Lynch. Massachusetts and Connecticut have long shared common pride in the service of the 104th and 103rd Fighter Wings of the Air National Guard. Barnes Air National Guard base which is home of the 104th at Bradley International Airport, already mentioned home of the 103rd, are just 12 miles apart. But there are very significant differences between those bases, differences that make Barnes the right base for the future of the A-10 and its successor. We're going to provide you with additional details, if we may, on the merits of

Barnes in the days ahead, but in the meantime, let me just say that the Barnes National Guard base is well suited to meet the operational needs of those in the field today. Its munitions storage facility currently stores more reserve materials for six other military units, including Connecticut's 103rd Fighter Wing. At present, Barnes has significant reserve capacity for aviation and support environments for everything from air-to-air missiles, high explosive rounds, hand grenades and other munitions. Barnes National Guard base has more than enough space for its current and future missions, and according to the Air Force, it is suitable for every single transport aircraft in the United States inventory. The C-141B, C-5, C-130, C-17, KC-10, KC-135, and so forth. It also has the advantage of being able to deploy combat-loaded aircraft or load and unload munition force transport aircraft. In short, it is an exceptionally capable facility well suited to current and future missions.

A quick word on Hanscom. We really want to underscore to the commission the unbelievably vital role that Hanscom plays in terms of building and maintaining America's high tech space forces.

It is a unique location, and unique means unique. No other place in the country can replicate what Hanscom has in terms of the preeminent high technology base. The Air Force recognized that, saying that it had the value by consolidating some of its high tech research and management at the base. It's ready and capable. The state has put up additional funding to support that influx of personnel. And the high tech work force that is present is world class, joined by world class research institutions and by world class R&D makes our commercial investment in research and development make the Commonwealth well suited to be able to support the mission there, and the Governor has already mentioned to you the military institute's ranking in it's 2004 findings that it was the dominant first-place ranking in the country. That synergy is critical to the ability of those skilled workers to be able to do their job and provide the best capable output to the military itself.

And I might add that unique synergy is really lost to some degree from the two elements that the Air Force has decided to move out to New Mexico and Ohio, because they don't have that

similar synergy and base to draw from, and in addition, it is anticipated that of the 225 scientists and engineers who would be affected by the relocation, only about 10 to 20 percent will move. So, in effect, you are reducing the capacity of the mission, not augmenting it, and losing perhaps the most critical resource of all, which is the human personnel resource. And those professionals are critical to it.

Here in Boston, final base I want to mention, we have a military organization which has a strange name. It's called the Puget Sound Naval Shipyard Boston Detachment. The name is the only thing that ought to be changed, not its mission. Because they are a self-sustaining planning yard, separate from Puget Sound Naval Shipyard. Their only association is for the administrative bases. The ships that they serve are on the east coast, none of them in Washington, and they provide engineering, design, logistics and planning support for the modernization and repair of US naval vessels. They are the only naval engineering activity in the country to win a public/private competition in which the Navy recognized it could not afford to lose their expertise, and Congressman

Lynch will speak to that. Before he does, I just want to close with one comment for all of you: The traditional military service in Massachusetts and throughout New England is as old as the country itself. We're proud of our military bases. We're proud of the men and women who serve on them. They are a very important link between our communities and the nation itself. They live among us. Their children go to schools with our kids. When they come here, they become our fellow citizens. We want them to stay. We don't want them to stay just for the basis that, you know, that we want them. We want them to stay because the example that they give to the country is important to the future service of our nation. In your analysis of military value, a number of the categories are future mission, future capacity, surge, the ability to meet contingencies. We need a military that looks like and represents the nation that it serves.

Increasingly, with the BRACs, the BRACs have been shutting down many of those bases in New England. We believe that it is very important link to our country and to the concept of service to have that presence. It's not an easily tangible

measurement as you make these judgments, but as you listen to the common sense of Colonel Worcester and the facts that we've put forward, we think that it certainly is worthy of consideration.

And finally, we also think that it's important to note that the Quadrennial Defense Review is underway. And we don't even yet know the full impact of some of the foreign base closures, with Iran looming on the horizon, and North Korea looming on the horizon, with serious questions of force structure and deployment facing us as a nation, I think BRAC has an important responsibility to not rush to judgment where there may be questions, and to look at this larger picture. And we ask you to do that, both from the context of immediate security needs, and also in terms of future and New England's great heritage with respect to our armed forces. Thank you.
Congressman Lynch.

CONGRESSMAN LYNCH: Thank you, Senator. Chairman Principi, Secretary Skinner, Congressman Bilbray, General Turner and Director Battaglia, welcome to the City of Boston. I have the wonderful honor of representing this district. I am told that we've gone over a little bit, and so

some of my time has been reduced. I would ask your particular attention in focusing on the issue that John Kerry introduced a moment ago. I am here today representing the men and women of the Boston Planning Yard, Puget Sound Naval Shipyard Detachment. The only connection we have with Puget is that we are combined for administrative purposes. They handle the payroll for the office that we have here in Boston. If we relocate the Boston Planning Yard to Puget Sound, which is being considered, we'll be losing a facility that has consistently drawn from the excellence here at MIT and other Boston universities and has developed a strong bond to our community. Sometimes in the scope of these broad initiatives such as the BRAC process, inconsistencies, inaccuracies, flawed data gets involved, and that has happened here. And sometimes we lose the underlying mission, which is retaining and improving military value. We all know, for example, that the Boston Planning Yard is not a shipyard. But that's how we were measured and classified within the BRAC process.

What you and I both know is that the Boston Planning Yard has distinguished itself there, as Senator Kerry mentioned, as the Navy's

only planning yard that has been billed a most efficient organization through the A-76 process. They went up against Northrop Grumman and were victorious in that competition.

What I'd like to show you is that the COBRA analysis has been inaccurate. The cost of base realignment analysis has several significant flaws. And finally, I'd like to talk about the wrongful military value analysis.

The Puget Sound Naval Shipyard Detachment is more accurately named the Boston Planning Yard or BPY for short. The Boston Planning Yard supports modernization and repair for over 630 naval vessels from Old Ironsides to the Navy's joint command and control. And most of the Navy amphibious fleet which helps the fight on global terrorism. Virtually all the LPD and LSTs serviced by the Boston Planning Yard have been involved in the global war on terror in the past few years.

The Boston Planning Yard is currently comprised of 108 direct personnel, including engineers -- engineers, technicians and logistic specialists. There are also 105 direct personnel positions -- indirect personnel positions filled by Marine Systems Corporation, which is a service --

disabled-veteran-owned small business located here in Boston.

Let me make it clear. The Boston Planning Yard is not a shipyard or repair facility, which is how we were classified and billed in the BRAC analysis. I'd like to move to a outline of the three main arguments for removing the Boston Planning Yard from the BRAC closure list. Beginning with the fact that we've been named a Navy's most efficient organization. It successfully won a 30-month A-76 competition against Northrop Grumman by reducing operating costs by 30 percent and underbidding Northrop by 11 million over five years.

One would think also by the DOD BRAC recommendations to realign it to Puget Sound that there is a plan and inherent assumption that Puget will be able to perform the work at the same cost as the Boston MEO. Unfortunately, there is no rationale to justify that assumption. In fact, Puget Sound has not submitted a plan to BRAC to accomplish the Boston detachment work in accordance with the Boston MEO structure or cost basis. Thus, the \$11 million nonrealization of savings must be taken into account in the BRAC analysis.

I also want to point out the obvious here. The ships that we service as customers through the Boston Planning Yard are nowhere near Puget Sound. We are moving -- moving our efforts further away from the customer, further away from the 630 ships that we service in the Boston Planning Yard. This proposed realignment does not result in an increase in military value for the Navy. In fact, it undermines the military operational readiness. First, the goal of the force structure plan is to bring the force to the fleet. Moving the Boston Planning Yard to Puget Sound would move these critical engineering facilities further away from the Navy's customers because none of the ships serviced by BPY is located near Puget Sound.

Secondly, Puget Sound Naval Shipyard Nonnuclear Engineering and Planning Department where BPY's work would be sent already has an excess workload of 164 man years, indicating a shortage of manpower. Boston Planning Yard, by contrast, is currently working at an optimum efficiency and does not have a shortage of engineering and technical power because we draw on MIT. We have programs with MIT and the other universities in the Boston area. We can draw on

that pool of talent.

Finally, by moving BPY to Puget Sound, we're losing the Boston brain power, particularly that of engineering professions at schools like MIT.

We have a rich and diverse and deep pool of engineering talent. If you look at the private sector, engineering firms in the United States are moving to India to tap into the pool of engineers there. We're doing just the opposite in this process. We're moving away from the richest pool of engineering talent in the world. It's not a smart decision on the part of the military to do this.

BPY has a strong ongoing relationship with MIT where BPY employees can enroll in MIT's professional summer programs, and the Boston Planning Yard employs both MIT graduates and Navy officers waiting to enroll at MIT.

The cost of base realignment actions analysis is also flawed. The COBRA analysis contains recurrent saving errors that significantly change the BRAC calculated payback time. There are two egregious mistakes in the COBRA analysis that I want to point out here.

First, COBRA incorrectly double-bills the Boston Planning Yard. Review of the BRAC data indicates inaccurate values for recurring savings regarding the building lease. COBRA list the best -- I'm sorry -- the base operating support as \$765,500 in both the POS input as well as annual recurring cost selections. This is simply incorrect. The number should be counted once in the BOS, as this contract is not a lease. The \$765,000 represents the reimbursement cost at Fort Dix, the Army facilities management agent for the Barnes building where BPY is located. These funds reflected entirely in the BOS. They cover services such as utilities, fire protection, janitorial, and security services.

Second, COBRA incorrectly estimates Boston's information technology expenses as \$314,000 per year. In fact, BPY reports IT costs of only 26,900 per year. That's the 287,000 difference in yearly reported savings.

If we pull the -- if we plug in the actual IT numbers provided by BPY, as well as subtract the cost of savings from the incorrect lease data, the payback is not the estimated four years made by BRAC, but it is actually 23 years, which is a huge

difference.

Lastly, we all know that military value is at the heart of the BRAC process, so let me briefly talk about this aspect. The Boston Planning Yard is incorrectly categorized as -- I'm sorry -- in the industrial joint cross service group. Given the parameters of the MP analysis, BPY's low score of .0872 is inescapably predetermined. It was presumably categorized in this group because its official name, "Puget Sound Naval Shipyard Detachment Boston," implies that it's a shipyard. So, we didn't get -- we were graded on how many piers, how many drydocks, how much equipment we have. This is all office space that we operate in. So, we're being measured by a different classification. We were doomed to failure by being plugged into a process that gives us points for shipyards and dock equipment.

Boston detachment has always been independent in its existence since 1974 as a planning yard. And let me reemphasize. This is neither a shipyard nor a repair facility, and such attributes that are linked to those facilities are simply not applicable. So we -- for every scoring initiative that we have a nonapplicable, that

reduces our military value score. But it's just part of a larger process.

Look, in closing, as someone who worked in a shipyard as a welder, I worked for General Dynamics, and someone who now serves on the Subcommittee on National Security and Emerging Threats and spends a lot of time paying attention to the things that we all care about in this process, there's been a sizable mistake here. This organization, the Boston Planning Yard, is a most efficient organization. Not by my analysis, but by the Navy's analysis going up against Northrop Grumman, a pretty competitive firm in its own right. This is a model for the future. This is a paired-down organization of highly-specialized highly-educated people who are serving what should be the model in the future. They should not be in the risk of being closed down.

Again, if you look at the model that we've got here, we've got a wonderful pool of talent. We need to keep this operation here. I think we've got every reason to remove the Boston Planning Yard from the BRAC list, and I thank you for your willingness and your service to your country during this process. Thank you.

PRESIDING COMMISSIONER NEWTON: Governor, Senators, and the entire team, thank you very, very much. I'll see if my colleagues have any questions. On behalf of the entire team we want to take a special moment to say thanks to the Governor and to Senator Kennedy and the entire delegation for helping to arrange these outstanding facilities that you have made available to us today to hold this hearing. Your staff and all the personnel here have been very, very gracious, both with their time and with their talent that helped to make this a success for us, and we just particularly want to say thanks for that. Again, thanks very, very much for your presentation today. It will help us in our deliberations. Thank you. Ladies and gentlemen, we'll be in a recess for approximately 30 minutes.

(Recess was taken.)

PRESIDING COMMISSIONER NEWTON: Ladies and gentlemen, I'd like to call the hearing back in session. I gave an opening statement earlier, and I'd like to repeat part of that, but particularly for our audience that has arrived since I made that opening statement. We, the Commissioners, would like to take this opportunity to thank the

thousands of involved citizens who had already contacted the commission and shared with us your thoughts, concerns, and suggestions about the base closure and realignment proposals. Unfortunately, the volume of correspondence we have received make it impossible for us to respond directly to each of you in the short time at which the commission have to complete its mission.

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

At this point, we are prepared to listen to testimony from the New Hampshire delegation. Senator Gregg, for you and for the Governor and the entire team, we're very pleased to have you with us this afternoon. And sir, we have two hours for this presentation. I will leave that time to you to -- to dispense as you see appropriately. I would invite the audience -- I know that you're excited. I know that you're here to support your

delegation and the entire team here, but as they make their remarks, I would ask you to please hold your applause as much as you possibly can, because you will take away from their time, and we have another delegation after this one.

So, if you would bear with us, we will work our way through this. Senator, sir, it's yours.

I'm sorry. Let us get sworn in. I would like to have the entire delegation to please stand so our federal officer, Dave Hague, can swear us in, please.

(Witnesses sworn.)

SENATOR GREGG: Thank you, Commissioner, and Chairman Principi and members of the BRAC commission. Let me begin on behalf of not only New Hampshire but also the Maine delegation, the Governor of Maine and the participants in this presentation in thanking you folks for the attentiveness you have shown to the issues which we have raised with you. It has been exceptional in our opinion. You have listened to us as we have presented on a number of occasions the facts as we see them, and we want to thank you for that.

We especially want to thank your staff,

which has always been receptive to our input and the points which we have been raising, and we believe we have received tremendously fair treatment by the commission and are very appreciable of that.

I think we all understand that in today's national defense structure and in the world that we live in today, which is a dangerous world, stealth is the ultimate defensive mechanism. It is the weapons system of the future. The capacity to have stealth is absolutely critical to the capacity to have a strong national defense, and the ultimate stealthy weapon is, of course, the submarine. And the American submarine fleet, the nuclear submarine fleet is the best in the world. It is the best in the world because it is the best made and the best manned and is the best maintained and the best operated.

And ironically, the world's finest, unquestionably the world's best facility for maintaining/overhauling submarines is the Portsmouth Naval Shipyard. That is a simple uncontroverted fact. The irony that the Navy has put this yard on its list is something which we find to be very discouraging.

We will show today, using the criteria which the BRAC commission must turn to, that the Navy has substantially erred. It has erred on the issue of strategic value, and it has erred in the area of cost. We will show that it is inconsistent with the strategic needs of this nation to close this extraordinary facility and to lose the people who work there.

We will also show that the cost to the American taxpayer of closing Portsmouth will dramatically exceed the savings and that, in fact, the closing of this shipyard will mean significant loss to the American taxpayer. Our presentation today will be done by a number of members. It will be criteria based. It will be fact based. It will be led off by Senator Snowe, who will summarize the case, followed by Admiral Konezni, who is, in his own right, an expert of extraordinary proportions in the area of submarine strategy. I know you've heard from him earlier today, but he has some unique thoughts that are specific to Portsmouth on top of his general concepts of strategic need relative to submarines.

We had hoped to hear today from Rear Admiral Klemm. Admiral Klemm was the commander and

was in charge of all depot maintenance and construction and capacity within the Navy. Early this afternoon, Admiral Klemm was forced out of this area by the defense department. This decision, in our opinion, was inappropriate, but Admiral Klemm was given -- was put in a position where he could not go forward as a result of the fact that he was essentially told by the Department of Defense that his testimony would be inconsistent with present policies.

Now, Admiral Klemm's testimony, as he would have presented it, was submitted to NAVSEA and was approved by NAVSEA over a month ago. Admiral Klemm's testimony would have been as a private citizen, as he has retired from the Navy. But the Navy has certain technical capabilities to apply here, and they have chosen to apply them. His testimony, in our opinion, would have been devastating to the Navy case, because of his expertise and because of the fact that his points went to all the criteria which you must consider, and refuted, basically, the Navy position on all those criteria points and shows substantial deviation, and more importantly, would have gone to the issue of our national security and the need for

the Portsmouth Naval Shipyard. I would think probably as a commission that you might want to ask the question why? Why would a person of such extraordinary capability and such unquestioned expertise in the area of maintaining our submarine fleet be forced out of presenting his testimony by the Pentagon?

Obviously, he is not in a position to come forward, but you are in the position to ask him what he would have said. And I would hope that you would ask your staff, at a minimum, to hear his thoughts relative to the Navy's presentation.

(Applause.)

SENATOR GREGG: The -- I would ask the panel, does the panel mind if the audience applauds or do you think that --

PRESIDING COMMISSIONER NEWTON: That's fine, but I just -- I was just encouraging not to take your valuable time. That's all.

SENATOR GREGG: I just didn't want to interfere with your procedures. We will then proceed, after Admiral Konetzni's testimony, to Earl Donnell, who works at the yard, has worked at the yard for a considerable period of time, and he will give an extremely substantive presentation

dealing with the capacity, utilization, and cost. And after Mr. Connell, a number of presentation will be made by other members of the delegation and by the Governors and by Paul O'Connell, who is the representative of the unions. All of these presentations will be criteria-based. We appreciate your time and being willing to listen to them, and thank you for this opportunity. Senator Snowe.

SENATOR SNOWE: Good afternoon, General Newton, Chairman Principi, members of the commission, and I want to thank you personally for your consideration of cases that you'll hear this afternoon, and I wanted to echo what Senator Gregg indicated. We are all mindful of the significant responsibility before you. We appreciate the open-mindedness and the seriousness of purpose and the inclusiveness that you have accorded us throughout this process and including your visits to the facilities that we will be discussing here this afternoon.

My purpose today is to outline our case for how the Department of Defense substantially deviated from both the force structure plans and the selection criteria with regard to military

value, cost savings, and economic and environmental impact. The shipyard we are discussing here today was specifically designated by NAVSEA to execute the Navy's one shipyard transformation, a core strategy called for by the Secretary of Defense to enhance the Navy's military readiness. And yet, now they're recommending the complete closure of Portsmouth. DOD proposes to sacrifice this core strategy and thereby directly jeopardizes the Navy's essential need to have its primary assets return to their operating fleets on schedule and under budget.

Today we will show how DOD substantially deviated from the statutory criterion and from its own force structure plan, a critical point that speaks directly to the priority issue of operational readiness. On that note, both the 2004, the 2005 force structure plans requires the same number of submarines until 2019. Therefore, future workload levels necessary to maintain those submarines will not and must not decline for the next 15 years. We will explain that closing Portsmouth would dangerously preclude ready access to such crucial repairs. Moreover, as BRAC law requires DOD to base its recommendations on their

force structure plan, DOD cannot attempt to now end run that plan with their '06 budget submission that would inactivate up to four submarines over the next two years. The point is workload and capacity calculations based on budgetary shortfalls rather than force structure plan by letting the BRAC statute and fundamentals of our national defense and must not be considered in evaluating future workload level projections.

Turning now to the statutory criteria, Criteria No. 1, that speaks to capacity and readiness. We began with the important criticism by the GAO that on the broad issue of measuring excess infrastructure capacity, DOD's overall methodology, and I quote "-- is not well grounded and suffers from limitations that prevent any precise measure of excess capacity." Then with specific regard to Portsmouth, first, we will show that the Navy estimates that if Portsmouth closes, an excess capacity of approximately 4.5 percent would remain at its other three shipyards. Yet the Navy's own data shows that the department historically underestimates workload capacity by approximately 14 percent.

Second, we will further demonstrate, using

DOD's capacity analysis, that without Portsmouth's capacity, workload would exceed maximum capacity at the three other remaining shipyards by more than 9 percent, posing an unacceptable risk to the Navy as submarines sit pierside awaiting maintenance.

Third, we will show the crucial flaws in the DOD's drydock capacity analysis of the Navy's three other nuclear shipyards. The DOD failed to account for required drydock maintenance. The DOD left no capacity for emergent or unplanned dockings of east coast ships, and the GAO concurred in its July 1st report of last week that closing Portsmouth would hinder the Navy's ability to make unanticipated repairs. And finally, the DOD completely ignored the reassignment of Portsmouth's 13 selected restricted availability that comprise 25 percent of the entire submarine fleet. Normally, such availabilities are specifically assigned within three years.

Fourth, we will show that comparing the total work force strength to the scheduled workload closing Portsmouth would result in the loss of an average of 1.4 million man-hours per year to the further detriment of operational readiness.

Fifth, while the Navy's analysis proved

repeatedly that there would be cost associated with closing Portsmouth, every analysis, including the very latest, showed that closing Pearl Harbor would result in significant savings for the Navy.

Finally, Portsmouth had provided an additional 60 weeks of submarine operation time by returning boats ahead of schedule. In contrast, 124 weeks of operation time have been lost due to the combined inefficiencies of the other shipyards. In fact, current performance of the other shipyards will result in additional loss of 108 weeks of operational time next year.

Extrapolating from these figures over the next five years, we would lose at least 184 weeks of submarine operation time or 37 weeks a year of operation time by closing Portsmouth, and we can ill afford to lose those 37 weeks. As the current Commander of Naval Submarine Forces, Admiral Charles Muntz testified just three weeks ago, and I quote: "Possibly the best force level yard pick in combatant command's deployment request for daily submarine operations which exceeds what we can provide with the current force." He goes on to say, "Combatant commanders currently want 150 percent of the critical mission days that we can

provide."

Simply put, the nation cannot afford to have more subs tied up dockside, awaiting maintenance, due to any capacity miscalculation, let alone one that erroneously recommends closing our leading and best-performing public or private shipyard. Together, these and other facts we will cite demonstrate that the recommendation to close Portsmouth substantially deviates from Criteria 1.

With regard to Criteria 2, the availability of facilities, you will hear that this recommendation deviates substantially from force support requirements. The industrial joint cross service groups meeting minutes on November 18th, 2004 where Admiral Klemm noted, and I want to echo what Senator Gregg said, I regret that the Department of Defense has denied his ability to testify here today, and I hope that you will be able to hear from him in the future.

But he noted at that meeting that the FY '05 force structure plan, and I quote, "precludes the closure of Portsmouth, unless its three drydocks are replicated at another shipyard." So, not only does this statement undermine DOD's argument that excess capacity exists, it also begs

the critical question, why build three new drydocks at what have historically cost an average of \$400 million each when they already exist at the Navy's most efficient shipyard?

Moving to Criterion 3, the ability to accommodate surge, which was added to this BRAC's criteria round. We will show that if the remaining three shipyards receive Portsmouth's workload, they would then be operating at 95 percent of maximum capacity, and that is prior to accounting for the accommodation of any emergent or unplanned needs apart from surge.

This is particularly disturbing, given the Director of the Navy Nuclear Reactors' testimony three weeks ago, and I quote that "any further reductions in capacity would push the limits of viability and eliminate the modest surge capacity we have today." Clearly DOD substantially deviated from Criterion 3.

With regard to Criteria 4, the cost of operation and manpower implications, we will show that the Navy failed to account for at least 287.6 million in performance-based cost savings at Portsmouth. As GAO stated in its July 1st report, "The Navy had difficulty in adequately quantifying

Portsmouth's efficiencies." In fact, we learned in the meeting with Navy officials that DOD struggled to account for efficiency, that the industrial joint cost service group could not figure out how to incorporate efficiency differences among the shipyards into the COBRA analysis or any other model.

As you will see, the result is the DOD could not and did not consider Portsmouth's cost efficiencies that have saved 82 million over these other shipyards each refueling and 26 million for each depot modernization. So, we ran the analysis for them under Criteria 5, the extent and time and cost savings, and what you will see is how accounting for Portsmouth's performance-based cost savings dramatically changes DOD's promised four-year pay back from closure to a remarkable 34 years.

In other words, savings wouldn't occur for multiple decades are well outside the scope of the BRAC law. Such failures of substantial deviations from criteria 4 and 5.

Moving to Criteria 6, economic impact, you will hear how the department deviated in addressing jobs impact by including Portsmouth in the Portland

metropolitan statistical area, rather than the Portsmouth/Rochester MSA. As a result of this error, the department calculated 4,000 direct jobless rather than 4,800 and 9,000 indirect job loss rather than 12,000. As you will hear from both Governors today, this level of loss threatens to impose a regional recession on two of the smallest states in the country, 40th, and 41st in population.

Finally, with regard to Criterion 8, we will show DOD substantially deviated in failing to analyze in their COBRA analysis all aspects of environmental remediation costs of a nuclear shipyard, underestimating by 169 million the relevant environmental cleanup costs.

In sum, to close, the Navy's lead nuclear submarine shipyard, a yard to quote the Navy itself in its meritorious unit commendation just seven weeks ago, and I quote, "Whose extraordinary performance is translated into increased US submarine fleet readiness" would be an unacceptable risk to the military security of this nation. But the Navy's own admission, only one shipyard in the country, public or private, put submarines to sea ahead of schedule, while saving millions of dollars

on every availability, and that shipyard is Portsmouth. It's no wonder then that the commander of the naval sea system command said in a ceremony at Portsmouth just five days ago to celebrate that meritorious commendation, and I quote, "I want to leave you with this," he said, "The Navy and the country need you to continue doing what has earned you your reputation for professionalism and patriotism. I'm talking about your work ethic, your enthusiasm, your attention to detail, your willingness to apply diligence to everything you do." Well, we could not agree more. Now, I'd like to introduce Admiral Konetzni, who will speak to the specific issues of military value at Portsmouth.

VADM KONETZNI: Thank you, Senator. Senator Principi, ladies and gentlemen of the commission, as Jack Nicholson said once before. "I'm back." I want to make sure that I don't bore you with a repeat of basically what I said this morning, which I think applies equally when we look at the threat and the need for submarines. But I would like to expand on some of my words. For the audience here, if you will just bear with me a moment, I'm concerned about two very, very vital

mission areas, national defense of the United States of America. These are Navy-alone mission areas: One certainly is mine warfare, not a subject of today's meeting, and the other is antisubmarine warfare. I will repeat myself by saying we all know what -- it's been said by many, many people over many years that the nuclear submarine of this country is the premier antisubmarine weapon.

With that said, I just want to focus a few moments on some of the global challenges. If I could have that first slide, please. As I said before, I don't want to take up your very, very valuable time, ladies and gentlemen, but let me put some things into perspective. The Pacific is more and more important now. We have a tendency to -- as we look at the global war on terror -- to focus our efforts on that and Iraq and the like, but there are challenges that are out there. I wrote an op ed article the other day, and as I did it, I thought about World War II, and I thought about submarine warfare, and I thought about the defective MAR-14 torpedoes, and I thought about Navy leadership that would not accept that, and I'm always brought back when I think about those sorts

of things to the question, how many good, wonderful young American men died because we had defective torpedoes and wouldn't act?

The tragedy is that we knew those torpedoes were defective before the war. Senior leadership only decided to get involved and admitted that there was a problem in late '42 and those torpedoes were modified so that their detonators would work and so that they would run at the proper run depth in the middle of 1943.

I think we are faced with the same sort of a challenge today. I look at North Korea. How did we know a couple of years ago that North Korea was going to launch a Nodong across Japan? Submarines. How did we know that China is exercising its own fleet -- because I would do the same thing if I were living in China -- out to the second island chain? US submarines. How do we know what the Chinese have in their SN annex cruise missiles that be used against our carriers and our surface ships? Submarines. I mentioned before 19 submarines launched worldwide last year. Nine of them in China. Eight advanced kilos being purchased from the Russians. Building the follow on to Najjar the SSP and the ballistic missile

submarine, and of course, the follow-on to the Hon,
the fast attack submarine, at least five of those.
So, it's a very, very concerning world out there.
The rest of the bullets on the slide speak for
themselves. Iran, knowing what's going on in
global war on terror. What's happening in Africa
and the like? War on drugs and certainly regional
stability.

If I could have the next slide, please. I
talked about these challenges so I wouldn't bore
you ladies and gentlemen or this team, but I would
like to, as we look at this slide, talk about the
term "transformation" that we use quite frequently
in the Department of Defense.

To take on these challenges, I watched the
submarine forces -- I've answered this morning --
do several things. We now deploy submarines from
the east coast to the Pacific. As I mentioned, the
distance traveled is shorter, shorter to China than
it is from San Diego.

It's flexibility. We're operating these
ships at as high rate as we possibly can to keep
them safe and make sure we have enough fuel to last
them 33 years. That's transformation. There are
some other things that have helped us, and I'll

mention in a few moments here, regarding transformation that has truly, truly helped us. Things like digital combat systems and in-process builds that the Portsmouth Naval Shipyard have been very, very involved with things about systems and submarine safety and the like. That's transformation.

The submarine force in the last several years has basically cut in half the time frame to get at potential enemies -- very strong submarine force so that we can step off. And for anyone to think that there is technology on the horizon that can let these submarines go away, I'd sure like to know that. But the fact of the matter is, technology in warfighting is a continuum. We did not use precision guided weapons in this country until we had them. Hate to talk about it. We didn't use the atomic bomb, until we had it. So I'm not willing to risk, as an American citizen, the defense of this country by throwing away a submarine force. If we could have the next slide, please.

The challenges are mighty, and I mentioned this slide before regarding what we have seen China do. I would do the same thing -- patrols outside

of the island chain and certainly some very, very, excellent training in the Yellow Sea. Next slide.

This is what it boils down to, and this argument is all about numbers. We would not be here -- none of us -- today if the numbers were right. In the beginning these studies, I believe, were rather pragmatic, as I stated earlier this morning. They were in-depth. They did not use submariners to a great degree, other than to get the facts and nothing but the facts.

Those studies to a one basically have said time and time again that the minimum number is 55 for the security of the United States of America, and that to fall below that we put the nation at great risk. I didn't say this. But quadrennial defense reviews have said it, the Chairmen of Joint Chiefs have said it, Senator Cole when he was the Secretary of Defense has said it. Of late, though, I'm concerned, because we have somehow started backwards. We started with what we think is a good budgetary number, not an awful lot of regard to national defense, and what we have done is to reverse engineer it and say, Well, that will probably support about 37 to 41 submarines. I would tell you on that Navy future force study

which you are not supposed to use, you should be using the numbers that BRAC was given, it breaks my heart that we put that out and advertise it in such a close period to this right now, because it almost looks like all hands have agreed, and that is just not the truth. I would say the following items regarding this last several studies: I don't think it's defensible as intellectually honest. I think that those who conducted the study did it in a vacuum. I think there was a premeditated outcome. I think that the conclusion justifies that a reduced number of submarines depend on a long list, as I said earlier this morning, and a strange string of unrealistic assumptions, all turning out to be invalid.

The more realistic outcome in each case would be drive the submarines higher. Certainly, our combatant commanders, Walt Dorn a good friend, recently stated -- and he is the commander of the Pacific fleet for a few more days, that he needs new -- that quite frankly they are doing what is necessary in intelligence collection, surveillance and reconnaissance.

Two more issues regarding studies. The arguments are not over. And clearly, a national

debate probably has to ensue. It would be good for us all. But to go ahead and to delete the infrastructure so that the dream, the wish, the promise, the whatever comes true is insane. And it risks national security.

Please give me the next slide, if you would. You've seen this slide before. Every day that we miss we continue to do that. We make reality out of something that hasn't been studied, that hasn't been looked at in the right way. Clearly, if we go the way we are going right now, what will happen is this country will have less than 30 nuclear powered submarines. We are a world leader. I don't think the United States of America can afford that. And we need to make sure that we don't make that come true by taking our infrastructure out.

Give me the next slide, please. I'm going to conclude twice. I don't think that the force structure plan we're seeing in the press has been approved, and I don't think it's the right one. I've stated before several times, ladies and gentlemen, that we can't afford to lose access. We can't afford to get punched in the nose. This little room, this nation, God only knows we'll lose

our best and brightest. And I would tell you that should Portsmouth Naval Shipyard close, that national security risk will grow.

Give me the next slide. I'd like to make some comments regarding depot maintenance. This is what I call a bubble shot. I lived with this with my time as a commander of submarine forces in the Pacific. I'd like to just make just a couple of observations for you here. As you can see, that through the fit-up we're busy, and as you can see, Portsmouth Naval Shipyard is busy. You will also notice that as we go from depot modernization periods, moving in in the middle of this decade to engineered overhauls, that that puts 50 percent more work into that availability.

So, please, ladies and gentlemen, don't be perplexed by -- I don't know where I want to point here -- by seeing the two submarines in the outyears of the five-year defense plan.

Furthermore, I would tell you that during this period of time the work on the Nimitz class, our nuclear carriers, will be significantly harder than what it has been over the last decade.

Please give me the next slide. I use the word "transformation" before, and I like to use it

when it comes to Portsmouth Naval Shipyard. What this shows is the different classes and their life cycles. Submarines last 33 years. It's kind of interesting, isn't it? That submarines last 33 years. It breaks my heart that we ripped off -- we -- the American public, by throwing away 150 submarine years by decommissioning the 688s early. However, that's done. We have a chance to turn that around.

But what I would tell you is they last 33 years. Cruisers last 21 years. Now, why do submarines last 33 years? Look at this crowd and these folks right here. If you take a look at the life cycles of those three submarine classes, you'll notice that 11 percent of their lifetimes -- 11 percent of the entire 33 life-span is in a drydock or in a depot maintenance.

Let me talk transformation. That has been halved in the last ten years because of what Portsmouth Naval Shipyard has done. You haven't lived unless you've been at a shipyard, a submarine commander like myself, and waited for the CHICAGO to get out of a shipyard -- not this shipyard for a DNP in 26 months, and they do it in nine. They do it in nine.

That's transformation. The work force here at Portsmouth Naval Shipyard and all of our public yards, the remaining ones, will be fully loaded until the year 2020. Give me the next slide.

There's another issue. My job was, as a commander, and I thought about it every day, to make sure that we bring the frequency of untoward events, belligerence drownings, deaths, whatever it might be, as low as we can. But the fact of the matter is submarining is a very, very difficult and dangerous business and things happen. What I showed you before is a schedule. Schedule is important. But unplanned events require shipyard and depot work. In my period in the Pacific, I used Portsmouth Naval Shipyard in Singapore for repairs, certainly in the Pearl Harbor Naval Shipyard, and over in WESTPAC due to events as tragic as these.

We sometimes don't understand as Americans and sometimes I don't think we understand as military people -- sometimes I didn't -- that there is a counterevent to every event. San Francisco. Oh, lots of reasons for that terrible tragedy, an uncharted peak. But you know what we did in the

'80s, we took the money away from hydrographic surveys. I don't know. What did it have to do with it? But it had something to do with it. It's the same case that we have here. If we take away the shipyard, there's no going back.

Next slide, please. This is a great shipyard. As an operational commander, I love this shipyard. I don't like that term. I said this four times today -- center of excellence. But this shipyard is the planning yard for the 688 class. This is the shipyard that reduced the time in depot maintenance. This is the shipyard that breaks records every day, and I know that it will be spoken about later. This is the shipyard that innovates. This is the shipyard that knows sub safe so that we don't have submarine problems.

This is the shipyard where all the indicators are green. This is the nation's best public shipyard.

Next slide, please. Ladies and gentlemen, in conclusion -- this is my final conclusion -- thank you for your time. I think that we all need to know that there is significant maintenance downstream. I think that our shipyards, our public yards will be booked up for the next 20 years. I

think that all four shipyards are necessary to complete the workload requirements for the force structure plan that we see today, 55 submarines. I think that if we fail the maintenance mission, we will be brought back to a time that was my worst black days in the United States Navy, in the late '70s where we had ships and submarines after Vietnam languishing for years in shipyards. I remember SARGER celebrating her fifth anniversary on the blocks in Pearl Harbor. I believe by shutting Portsmouth down we will go back to that period of time and the results will be very simple. With a smaller force than we need already, operational availability going south, we'll have fewer submarines to maintain the safety of the United States of America and the free world. Thank you very, very much for listening.

MR. DONNELL: Good afternoon, Commissioners. It's my pleasure to speak with you again today, and especially to provide testimony at this very important event. My name is Earl Donnell. I've been an employee at the shipyard for 37 years. For the past 15 years, I've been a senior manager at the shipyard, and for the past six I've again been honored by being the lead or

the chairman for the corporate resource team. But today I speak to you not from my official capacity but as a citizen of Kittery, hosting city for the Portsmouth Naval Shipyard. And I am extremely honored to represent, again, the men and women of Portsmouth, many of whom I brought today. Rest assured we left a few behind, because there is critical work on two ships to be done, and we will deliver those ships within the next 30 days.

I also today represent four labor unions and three management associations which I think, again, speaks to the uniqueness of our facility. Today I will talk in some great detail on capacity, capacity at our shipyard, capacity across the corporation. We know that this commission has struggled desperately, as do we, with understanding the truth relative to capacity. We will try to bring as many facts to the table as we can today in terms of drydocks, a term called "commodities" used in the COBRA analysis which is really a dehumanization of the fact that we're really dealing with the lives and skills and knowledge of real men and women.

We'll then talk about industrial plant capacity, as calculated by the COBRA analysis, and

then, most importantly, I think, we need to focus a bit today on workload, because it's the workload, the piece that will ultimately determine whether or not you have enough capacity for the future. And hopefully, we can help the commission through some of these difficult decisions on understanding whether we do, in fact, have excess capacity. And then we'll close by talking about efficiency, the innovation of our shipyard, transformation, cost savings. And then most importantly, all of the effects that that has on operational readiness of the fleet.

I'll start by talking to a typical drydock chart. These are charts that you would see represented at any naval shipyard. Down the left margin of these charts you will see numbers that indicate drydocks. We typically number our drydocks in shipyards, and across the top and bottom you will see fiscal years outlined, and those fiscal years by quarters.

Now, the Admiral mentioned a few minutes ago that there are several different maintenance availability types within the submarine force. We have major refueling availabilities; we have shorter-duration depot modernization periods; we

have slightly longer engineered overhauls, and then we have the very short, I'll call it an oil change, two to three-month availability when the ship comes in for certification, some minor alterations, two to three months, and it's back out on deployment again.

And so, what we represent on these charts is the duration of those various types of availabilities and the time that they must spend in our drydocks, which are one of our significant facility capacity issues. You can see here in Portsmouth there are several things you need to take away from these charts.

First, you should see that there is not a lot of white space. We want these drydocks in all of our facilities to be loaded as efficiently as possible. You would also like to see these availabilities as close to heel-to-toe in sequencing as possible; again, for maximum efficiency of our facilities. You can also see on this chart that there is plenty of work for a Portsmouth Naval Shipyard well into the future.

This next chart is a similar drydock chart. It represents the Norfolk Naval Shipyard drydock load as we know it today. You will see

that without any BRAC analysis, without any movement of work from Portsmouth to Norfolk, there are already four conflicts in the Norfolk drydock sequence.

Now, when the BRAC analysis first took place, the data call suggested that 80 percent of the Portsmouth workload would be relocated to Norfolk Naval Shipyard. But after weeks and months of analysis, Navy -- NAVSEA -- determined that that was not a plausible plan. It would not fit. And so, they had to reallocate work. And when they did that, they redistributed the 80/20 split, 80 Norfolk, 20 to Puget, to a 45/45/10 where 45 percent would go to Norfolk, 45 percent would go to Puget, 10 percent would go to Pearl. Now, this shot that you're looking at now represents 45 percent of the Portsmouth availabilities as we know from DOD information that would have been reassigned over that 45/45/10 split to Norfolk. And you can see now that the drydock conflicts become more numerous. There are now seven distinctly different drydock conflicts at Norfolk. But most disturbingly are the little red marks and blue lines at the bottom. Those blue marks are not a barcode indicating what slide number you are on.

Those represent -- those little blue marks represent emergent east coast dry dockings a year as reported by the Atlantic Fleet commander. Now, those are representative of the accident that you heard about. Now, they're not all accidents. Ships have to come in for major mechanical or electrical deficiencies, and they may have to come in for a short one-month docking. But, again, Navy budgets and plans for all six of these, and we would expect that there would be some allocation of drydock capacity to accommodate those, and yet we don't see that. We're the only remake shipyard being offered. Above those are red marks. Those are those SRAs I talked about, those little two-to-three month oil changes. And again, Navy, because it was not obvious to them, even under a 45/45/10 split that they would fit anywhere, they put those in what is determined to be a to-be-determined category. That is a category that Navy often puts work in -- sort of a holding pattern. And many times that ultimately results in the work being deferred to the private sector.

Now, we would not anticipate seeing these SRAs on a shipyard drydock if they weren't going to be -- on drydock plan -- if they were not going to

be done at that shipyard. You heard this morning in Sub Base New London the Portsmouth SRAs that we do are typically done in New London. These SRAs would also most likely follow that floating drydock were it to be located from the -- the other thing the Navy will tell you is that it's not uncommon for these SRAs to be in that TVD category. I will tell you that from nine years of resource planning at Portsmouth from six years doing it at a corporate level, SRAs are always assigned to the shipyard that will execute them within the near term three-year window.

This chart represents the Pearl Harbor drydock loading, and again, not a lot of our work went there. We show this just as an open -- kind of an open notebook to the commission to say that, There, does look like there may be some excess capacity out at Pearl Harbor? But remember, the availabilities of work scheduled on the east coast for those two-to-three month oil change SRAs. It is not practical for Navy to transit those ships one month -- because it's a one-month transit from the east coast to Hawaii -- it's not practical for them to move those SRAs out there. So, again, where are those SRAs going to be accomplished?

It's also certainly not practical -- unless an absolute emergency -- to factor one of those short duration emergent unplanned dockings to Hawaii. There are also some other reasons you shouldn't bank on this -- what appears to be some excess capacity at Pearl Harbor and I'll expound more on that in a little while.

But first, again, I mentioned the transit time. The second is that all of these drydock charts that we've examined just now in the out years represent only the Navy planned duration and quantity of work, which we call a notional number. And we'll show you why it's an extremely dangerous act on the Navy's part to only plan for those notional durations when few shipyards are able to execute to those notional numbers.

And last, Pearl Harbor has not delivered any availability within cost or within schedule in recent years, and consequently, we believe that all of these availabilities will stretch out in duration and conflicts will exist at Pearl Harbor with their own workload without adding any other.

Again, we show you the 45 percent of Portsmouth work that moves to Puget Sound Naval Shipyard drydocks, and again, you can see that it

causes four major conflicts. Now, these conflicts can be resolved by Navy, but ultimately they will result in a major availability maintenance period being rescheduled, deferred, or perhaps even canceled, which, again, impacts the operational readiness of the fleet.

This chart is a chart that was presented to the commission by Secretary Davis when DOD made their recommendations. And I bring it up today only because at the center or the heart of this process the DOD and Navy claims to have used, is an analytical effort. And the analytics from all of the data submission was supposed to be used to guide and drive the recommendations to the commission.

Yet, as Senator Snowe mentioned, on that 18 November industrial joint cross service group meeting, Navy senior representative Rear Admiral Klemm stated, and I quote, "These workload calculations which are all based on the fiscal year '05 20-year force structure plan preclude the closure of Portsmouth unless its three drydocks are replicated at another shipyard." So here, again, we believe Navy got it right. Navy clearly understood back on 18 November, using almost six

Rev. 5 workload that there was insufficient drydock capacity across the corporation from now and out through many years. And we'll talk again more about that duration.

Let's depart now from the drydock discussion for a moment, and let's talk about commodities. It's that human capital capacity, because ultimately in any business today, you are driven by your ability to get work done with your people. It is no different in our industry.

Before I discuss this chart, I'd like to give you a little bit of background information relative to the work force -- the production work force at any naval shipyard. A blue collar nuclear work force typically spends eight to ten years acquiring their skill sets. I think a lot of people don't understand how complex and technical our business is. And so, they just think you can just go buy these things out on the shelf at the supermarket. They don't occur that way. Our workers are skilled craftspeople, begin their career with a four-year Department of the Navy labor apprenticeship that is a certified training program that combines on-the-job experience with academic training. Following that apprenticeship

they typically have a minimum of two years journeyman experience, and then they move on to probably two more years of very specific nuclear and radiological training before we have a fully skilled and qualified nuclear worker. So, you're talking eight to ten years before you bring a new hire up to full proficiency to perform nuclear work.

My point here is that these workers are not simply available on the outside. There's no national labor pool to go procure these folks -- both either public or private. They have to be trained in the shipyard where they will work because our facilities are different, and often our processes are slightly different. Moreover, the assumption of a large number of workers from any shipyard undergoing closure would relocate to another shipyard that followed the work is not substantiated by any experience of previous BRAC rounds or shipyard closures. And I can tell you that although it's been difficult for us, and I know you asked the question when you came to Boston for the site visit, the only data we have been able to produce is our own. Back in the '90s, as our shipyard was cut by some 50 percent in work force

strength, only 8 percent of our work force took job offer transfers anywhere else. Only 8 percent. And we'll show you why that has a significant effect on the bearing of the decision for whether or not we will have adequate human capital capacity in the future.

Any discussion regarding movement of workload must consider the replacement or augmentation of the corporate naval shipyard work force. Now, Navy tried to do that, and I'll show you a slide that says they thought that some 1,400 of our workers would relocate and follow the work. We believe that number is closer to 400 -- that 8 percent that I talked about.

New hires at a shipyard are going to take that eight to ten years to replicate the skill base that we're losing by closing Portsmouth Naval Shipyard. During this time, efficiency will be lost, and I will show you a graph in a while that shows you where -- as Portsmouth downsized during those mid '90s, and we were left with a more and more experienced work force, that unbelievable churn had a demonstrative effect on our performance, as well as the role of another shipyard should they have to go out and suddenly

repopulate large numbers of workers. But we can go higher. Let's not kid ourselves. We can go higher. But it's going to take a while to train that force, and during that time of training, what happens to the quality of our work? What happens to the schedule durations? What happens to the cost?

In response to increasing demands for our skilled labor and decreasing budgets, for the concept of work force sharing, we came across the six nuclear capable yards because the team that I chaired not only looks at the four naval shipyards, but it also includes Electric Boat and Northrop Grumman in Newport News. That concept was born about six years ago by the naval shipyard board of directors. Utilizing our skill sets that are unique to the shipyards, we move our work force to where the workload peaks and valleys are for maximum financial efficiency and to try to optimize schedule execution.

We've established a virtual 9/11 network in the form of a corporate resource planning team where we phone call on a weekly basis, sometimes a daily basis with ETC and until the cameras won't work anymore. We are constantly sharing workers to

the point where, in the last four years, there's been an average of some 300 production workers at any given time away from home and family, sacrificing for this nation to perform critical skilled submarine and surface maintenance across our nation.

Before you leave that -- sorry. Will you go back. Thank you. Let's talk a minute about this particular slide. Down in the left margin you can see the different training skills, and you'll recognize many of those trades -- electricians, welders, machinists. Across the top we have listed the four naval shipyards. And this is real -- kind of like real data from a March '05 meeting. It represents the rating of our capacity to get work done within these trades at the individual shipyards and across the corporation over the next 12 months.

If it's green in a block, it indicates that there is sufficient capacity to get work done within budget and staffing parameters. If the block is yellow, it means that we -- as you might expect -- are incurring significant risk in our ability to get workload done as it's currently scheduled within our current staffing level, within

our experience level, and within our budget constraints.

If it's red, it means very simply that you are in a very bad place. You are in a danger zone. And we likely do not have enough of that trade capacity to get our scheduled work done. Now, again, this is all near-term stuff. But I need you to take this analysis, because it's been fairly consistent over the last six years, and when I show you workload data later, you need to mentally make the jump to visualize what this jump might look like five years from now or even ten years from now.

Before I leave the chart, I want to focus on one particular area. It's about the fourth or fifth line down. It's called "painting and blasting." You can see that the -- this trade consistently for the last couple of years has been in a red or yellow zone for our capacity to get work done. We have had inadequate numbers of skilled craftsmen in the area of painting and blasting. This particular current graph shows that two shipyards are red and two shipyards are yellow. Now, if you don't have enough painters and blasters, you will absolutely impact the docking

duration of availability, because much of the work that they do is exterior to the ship, and in tanks that are flooded when the boat goes in the water, and that work must be done before it comes out of drydock. Now, again, this has been yellow or red for us for a long time. And yet, when you look at the COBRA analysis, and I ask you to have your staff go do that, the COBRA analysis will tell us that we have a 41 percent excess in this commodity. For me, it's unbelievable. It's just another flawed COBRA conclusion.

To look at our resource planning from a slightly different perspective, the heavy blue line on this chart represents our total corporate workload, and the color band represents what would be the remaining naval shipyard work force capacity to get that work done if Portsmouth were to close and our work force not relocate. And you can see that this chart, again, graphically demonstrates that our corporation would be struggling with a 1,700-person-per-day shortfall in our skilled craftspeople to do the critical maintenance work for Navy.

Now, if you add Portsmouth work force back in, it's not a panacea in the near term, because we

can only, at Portsmouth, put about 1,300 production workers on the deck plate on the day. So, we're still running on a constant basis with some 3,500 workers short across our corporation. And that was the genesis of the corporate resource team and the need to move those critical skills almost on a daily basis to where the real work -- the real critical work needs to be done.

Now, I'll talk about industrial plant capacity. But before we talk about industrial plant capacity, we need to understand a little bit about how Navy forecasts workload, because the plant capacity requirements are going to be dictated by how much work you have to get done. It is that simple. This chart shows actual data. The light blue bars show the amount of work that is scheduled across the four naval shipyards at the beginning of a budget year, starting with fiscal year '02 through '04, and the magenta or purple bars represent how much work actually got executed during that year. You can see that over a three-year period, and it seems to be incrementing up, we have averaged 14 percent growth in the year of execution.

Now, a lot of factors are affected when

you underestimate that workload. First off, you've got the facilities in drydocks that we talked about. But secondly, if you're budgeting low, you will staff low, and it compounds our problem with not having enough human capital capacity.

Now, 14 percent maybe doesn't sound like a large number to you, but that equates, in our corporation, to nearly 500,000 man days in a year. That is about how much work a small shipyard like a Portsmouth or Pearl can actually do. We would be ecstatic if we could load ourselves consistently now into the future at 600,000. So, 500 is almost the size of a small shipyard, and we're seeing that at the point of execution.

Now, we'll talk about -- some more about this industrial capacity. We took the COBRA data, and we saw these graphs when you came to Portsmouth, and we tried to put them in a simplistic thermometer-type gauge to help us understand why Navy believes there's excess capacity. The thermometer on the left -- the green area of the thermometer on the left represents our current capacity to perform work as calculated in the COBRA analysis.

The orange area at the top represents the

maximum capacity range. And the gray mercury column on the thermometer represents our current usage. Now, current usage, again, it's wordspeak for workload. It really represents workload. So, when you look at the height of that mercury bar, again, in a few minutes, I need you to put that in perspective on this chart to try to help you and I understand whether or not the workload is predicted accurately in the future so that we can then make some intelligent assumptions on whether we have enough capacity.

The middle thermometer represents the same data, but with the Portsmouth capacity extracted, the workload's not going to go away. We know that. But the capacity will surely shrink without Portsmouth. And now, as Senator Snowe said, without the Portsmouth capacity, Navy is within their max capacity band. They only have about 5 percent surge left, which we believe to be insufficient and places the Navy at high risk.

The chart on the right on top of the mercury column adds that 14 percent growth that we know has been average for the last three years, but we believe may be on the extreme low end of the band for the future, and we'll explain why.

But when you add that 14 percent on, it puts our workload at the point of execution 9 percent over the Navy's capacity. Again, Navy had it right.

On that same 18 November industrial joint cross service group meeting, Rear Admiral Klemm again stated, and I quote, "For the Portsmouth Naval Shipyard the optimization model determined the closure would leave 1.4 million direct labor hours of workload annually that other shipyards cannot accommodate." So, again, twice now Navy has come to the table as part of the industrial joint cross service group and stated, We don't have enough drydocks. We don't have enough human capacity. And yet we made a recommendation contrary to the analytical conclusions.

Next we'll talk about workload. Again, workload is the gray bar. It's the mercury in our thermometer.

We saw this chart. This chart may be the root of all evil when we talk about capacity. Everybody believes when they look at this chart that it instantly equates to some reduced number of submarines. You heard the admiral testify earlier that is not the case. We have four major concerns

with this chart. First, it does not represent workload. It's only numbers of ships potentially. Second, because it doesn't represent workload, it doesn't include surface ship work -- SSBN work, or SSGN work -- other classes of submarines.

Third, it does not support the force structure plan that's been approved by Congress and submitted to Congress. And fourth, it does not support the warfighter requirements, and you heard the warfighter's testimony a few minutes ago. This chart only represents a potential budget shortfall. That's all this chart does.

Back on June 22nd, very recently, our congressional delegation met with DOD officials, and they stated that the decision to close Portsmouth was not based on any of the analytics. It was based on an 18 percent force reduction, and four near-term inactivations. It's really important to know, and Senator Snowe mentioned it before, those reductions don't occur -- they don't start to occur until 2019. That's 14 years from now. Are we perhaps a bit premature with this decision on making a capacity call today? That was reinforced again, and I know you heard this quote this morning, but it's an important one, Admiral

Charles Muntz, Commander Submarine Forces recently testified to the house Armed Service Committee meeting in New London, and he stated, "My sense is that we are today at 54 submarines is about where we need to be for the future." So, again, there is this turmoil within Navy to try to understand what is the force structure for the future. Now, let's again look at workload. This chart is a composite workload. It lists submarine work, carrier work, LEJ deep submergents, other productive work. It's got it all embedded in the heavy blue shaded area, and you can see that this chart goes out to fiscal year 2017. Could have dragged it out longer, but quite frankly, it gets pretty narrow, so it got to be pretty hard to read.

You can see that there's a distinct difference in the near term and the outyear workload, the shape of those curves, and I'll talk a lot about why we have concern about those outyears.

On top of the dark blue area there is a light shaded area, blue, and again that represents the 14 percent that we know, minimally, will be occurring during the year of execution.

The red bar represents the production work

force across our corporation, and the top of the red bar in the outyears represents that work force should 1,400 of our workers relocate as Navy predicts.

The bottom of that band represents only 400 of our people moving, which we think more accurately represents what will actually occur. Now, your challenge and mine is to try to do the GAAP analysis between that workload and someplace in that red band and try to figure out reality. But we have, again, three distinct concerns -- and should you -- for that outyear workload, the height of that gray mercury in our thermometer.

First, I need my glasses 'cause the print got smaller. Future workload does not account for the age of ships. And I'll show you some statistics on that in a minute. It's based only on those budgets and notional durations, and I'll explain a lot more the impact of that. And it does not account for shipyard performance.

Based on building one Virginia class ship a year and knowing the commissioning dates of our fleet, we built this graph to show how the fleet will age with time. An old submarine, like an old car or old house, requires more maintenance. And

you can see that with the build rate that we currently have, which, again, is a budget-driven problem, our ships, our submarines, will be nearing 30 years old by 2025. That is truly significant when the admiral testified that they were only designed to be around for 33 years.

During a house Armed Service Committee meeting just this last April, Rear Admiral Mark Hogle, then deputy director for fleet readiness, now NAVSEA '04 stated, "The work packages for those ships returning from combat operations were larger than normal due to extended deployment length and higher war time op tempo." This reinforces, again, why depot capacity cannot and should not be reduced without detailed accurate analytics.

There was another reason for concern. We talk about this notional duration. You go, Why does that matter? Well, this graph perhaps explains why it may matter. In the early '80s, as Navy was planning for outyear depot modernization periods for the Los Angeles class ships, they were planning those, as you can see on this bar chart, at about 80 ,000 man days per availability. Now, that's what all shipyards were loading in their outyear workload for the 1990s and early 21st

century. They were loading about 80,000 man days at that time.

Now, you can see that over time those notional have grown to 145,000 man days. That is a 75 percent increase in notional quantity in a 15-year period. And why, again, is that significant? Because all Virginia class SRAs in the future are being forecasted at 80,000 man days. What a coincidence. Will history repeat itself? Is Navy again setting us up for a significant budget shortfall by underestimating the significant work packages that will occur on Virginia class ships?

Workload -- we'll talk about performance. On these charts, green is 10 percent. Within 10 percent, they finish. Yellow means that the availability finished, between 10 and 20 percent of original plan. And if it's red, it's more than 20 percent. Now, the significance, again, is if the shipyards that remain open are yellow and red, they're going to eat up more capacity both in drydock duration and human capital.

Conflicts exist with reassignment of Portsmouth work. That 's clear. No naval shipyard capacity for emergent east coast dockings. There's

no capability or capacity for our SRAs, the emergent Virginia class dockings that may occur. There is insufficient human capital capacity. The Portsmouth work force is unlikely to relocate. The Navy skills and knowledge base will surely reduce. We believe workload will unquestionably exceed analyzed capacity in the future. And that lack of capacity will ultimately result in decreased operational readiness.

Jump to the next one. In the interest of time, I'm going to jump over the innovation. You can read through those slides at your leisure. Jump over transformation.

Let's talk for a minute about cost. Go right into the cost. Keep going. I just want to go through these charts quickly. You've seen these charts before. There's a dotted green line at the bottom. That's the average cost for Portsmouth to perform a refueling. The blue line in the middle is the corporate average with Portsmouth there included. The red line at the top is what it will cost Navy on average at the other three shipyards should Portsmouth close.

Again, you've heard the dollar values and you've seen the durations. We certainly do them

cheaper and quicker than anybody else. But let me put it in perspective again for capacity. The left chart cost represents human capital capacity. If you overcost, it takes more people. It consumes more of your work force. Right now Navy forecasts refuelings at 303,000 man days notionally. That's that notional figure that I told you about. 303. If they have to be done at the average without Portsmouth, the red line, that is 35 percent above notion.

Same thing with duration. Duration will extend by 20 percent over Navy's current notional for refuelings.

In the area of DMPs, again, thinking about this graph not in terms of cost and duration but in terms of capacity, the average without Portsmouth is 23 percent higher for DMPs than notional for the Navy. Navy -- all of those drydock schedules, all of those workload schedules all have the notional quantity, and yet we know that the remaining shipyards will perform 25 to 35 percent above those notionals. So, again, why should we believe Navy workload data?

You saw this chart at Portsmouth. It's the chart where we took the COBRA data and we

displayed it for you. You saw similar charts from New London this morning. The red line represents DOD's plan for savings by closing Portsmouth. The green line represents the savings Navy would achieve by keeping us open and let us do the work that's currently scheduled for us through 2019. The red -- the -- excuse me -- the blue line at the bottom represented DOD's projection, but factoring in only increased inefficiency by moving our work to some other shipyard. But we did take the COBRA data, and we did rerun it.

Now, you can see that the DOD savings line, as Senator Snowe mentioned, is projected out many, many years. It goes out 31 years. And instead of \$916 million savings you can have by keeping us open by 2019, Navy will be struggling with a \$425 million debt by 2020.

When we talk about operational readiness, again, the green part at the top represents the 60 weeks that Portsmouth has returned to operational readiness to the fleet. That is equivalent to getting more than one additional operational submarine in the war theater. At the same time, the other shipyards lost collectively 124 weeks, and you already heard that next year alone the

corporation will lose another 108 weeks of operational time due to late deliveries and availabilities.

In summary of our key points: DOD underestimated the Portsmouth military value; they overestimated the industrial capacity; they understated the workload; they inaccurately calculated costs of closure; they inaccurately reflected costs of moving work; and they underestimated our contribution to operational readiness when we returned months of operational time to the war combatants.

Again, Admiral Langwich last week told the work force at Portsmouth, "What you have done is return to the US Navy and the nation readiness and operational availability of the fleet we would have never dreamed of before."

And in closing, despite the analytics on capacity that show insufficient capacity in nearly any facet you look at, the recommendation was move forward for closure. We believe that substantially deviates from Criteria 1 and 2 in the area of efficiency, by recommending closure of the best performing shipyard; DOD recommendation substantially deviates from Criteria 4, 5, and 8

in that it increases cost in manpower and thereby produces no savings.

And then, most importantly, we close with operational readiness, because it really is about delivering warships for the people who need them. DOD inaccurately considered the contribution to the warfighter when Portsmouth delivers ships ahead of schedule, and therefore, the DOD's recommendation substantially deviates from Criteria 1, the military value.

Thank you for your consideration.

PRESIDING COMMISSIONER NEWTON: Senator, you have 33 minutes now.

MR. ALLEN: Thank you, General Newton, Chairman Principi, and members of the commission. My name is Tom Allen. I represent the First District of Maine. I want to make a brief further point about the drydock conflict that Earl Donnell discussed. Last year the Navy -- the delegation asked the Navy to develop a plan to distribute workload equitably among the four shipyards. And this was in response to Navy plans for a draconian 29 percent cut in the Portsmouth workload, more than the other three yards combined.

And that Navy plan is on the top -- the

top half of this particular chart. The Navy didn't comply with our request, so the delegation went ahead and devised our own workload plan that would redistribute work and stabilize Portsmouth's workload at 600,000 man days a year through 2020. And the delegation plan is shown on the bottom half of that chart. The Navy rejected our good faith plan, claiming first that it created four drydock conflicts through 2019. And second, that it created an inefficient workload spike of 32 percent at Portsmouth in a four-year period.

Yet, as Mr. Donnell has stated, the Navy's closure scenario for Portsmouth creates seven drydock conflicts through 2013, and it also creates a workload spike of 37 percent at Norfolk in a two-year period, not a four-year period.

So, at the very time earlier this year when the Navy told us that they couldn't load all four yards sufficiently under our plan -- under our plan because of drydock and workload spike problems, the Navy privately, behind closed doors, developed a plan to close the Portsmouth shipyard, even though this created even worse drydock and workload spike problems. This story is further evidence that the Navy never properly evaluated

more cost effective alternatives to closing
Portsmouth, and thus, deviated from Criteria 4 and
5. And I want to thank you for your attention.
Now, let me turn to Senator Susan Collins.

SENATOR COLLINS: Good afternoon, Mr.
Chairman, Commissioners. I'm Senator Susan Collins
from Maine. I will talk with you today about
Criterion 5, a criterion that was thoroughly
disregarded when the decision was made to place
Portsmouth Naval Shipyard on the base closure list.
Criterion 5 requires DOD to consider the extent and
timing of potential costs and savings.

To estimate the costs and savings
associated with base closures and realignments, the
department developed a model that we've all heard
about known as COBRA. According to its user
manual, COBRA is designed, and I quote, "to provide
a consistent method of evaluating and comparing
different courses of action." In the case of
Portsmouth, however, the only consistency was that
the COBRA results were consistently disregarded.

In each of the COBRA runs, comparing the
closure of Portsmouth and Pearl Harbor Shipyards,
closing Pearl's shipyard consistently produced more
savings. Let's take a brief look at these runs.

When the industrial group met on January 13th of this year, it had before it COBRA runs that actually showed a cost -- not a savings -- from closing Portsmouth. As the slide shows, the COBRA run for Portsmouth reported a \$1.8 million net present value cost over 20 years from closing the facility.

In contrast, the COBRA run for Pearl Harbor reported a \$584 million net present value savings over 20 years from closing that facility. Yet even though the COBRA runs calculated no net present value savings to the department from closing Portsmouth until the year 2026, the industrial group made the decision to recommend closure of Portsmouth, and that recommendation never changed.

As the industrial group's recommendation made its way up the chain to the Secretary of Defense, DOD told us that COBRA runs for all of the scenarios were periodically updated with the latest data. The slide that you see now shows that the department -- what the department told us were its final COBRA runs comparing the closure of Pearl and Portsmouth. As you can see, although the numbers changed, the basic result is the same. The COBRA

model shows that closing Pearl would achieve \$1.3 billion in net present value savings over 20 years. That is \$760 million more in savings than closing Portsmouth would achieve. You should note that the COBRA run DOD released with its decision was done after the decision was made to close Portsmouth and was not consistent with these previous runs. In fact, the department admits that the run was not comparative, and that comparable runs were not done for the other three yards.

There is another flaw with DOD's consideration of Criterion 5. The COBRA runs underestimated the cost of closing the Portsmouth shipyard, because they ignored Portsmouth's superior efficiency as compared to the other three shipyards. It is undeniable that Portsmouth is the most efficient shipyard for depot-level maintenance of submarines. And the faster and better our submarines are repaired and upgraded, the sooner they can return to the fleet and the more effective they will be.

DOD even admitted during its BRAC decision-making process that Portsmouth's efficiency is superior. In its critical January 13th meeting, the industrial group assessed the

pros and the cons of closing Portsmouth versus Pearl. As you can see in this slide, the group's own briefing slide states that retaining Portsmouth "preserves the best-performing SSN depot."

Nevertheless, at that meeting the committee decided to close Portsmouth. Now, why didn't DOD factor Portsmouth's superior efficiency into the COBRA runs? The answer is that DOD simply found it too difficult to create a metric for measuring Portsmouth's efficiency. The minutes of the industrial group reflect that the committee struggled with how to account for Portsmouth's superior performance. Of course, determining how to account for efficiency across the shipyards is not a simple task. But the industrial group did not start wrestling seriously with this issue until very late in the BRAC decision-making process. On November 10th, 2004, the industrial group requested assistance from the comptroller in determining how to account for efficiency. In late December, the comptroller responded by recommending the use of a cost-per-unit of production effort or simply costs per direct labor hour. Either measure would have helped to capture Portsmouth's efficiency.

The industrial group, however, failed to

research a consensus on the comptroller's recommendation. On January 6th, the industrial group discussed this problem again. As the minutes show, one of the participants noted, "Presently there isn't a good metric available to capture or measure effectiveness."

The committee decided to defer this issue to a working group. On January 13th, despite the fact that the working group had not yet reported its recommendations, the industrial group met and decided to recommend closure of Portsmouth. On February 25th, the OSD level infrastructure steering committee approved the recommendation to close Portsmouth. Yet, on March 3rd, one week after that meeting, the industrial group once again discussed, without success, its proposed methodology for incorporating efficiency into the COBRA runs. By then it was too late. Portsmouth never got credit for its efficiency in the COBRA runs analyzing its potential closure because the department never established a methodology to do so.

As a result, the COBRA announcers ignored the savings that have been documented. Portsmouth delivers refueling overhauls for \$82 million

cheaper and six months earlier than the other shipyards average. Over the last five years, Portsmouth has delivered submarines a total of 60 weeks early. During that time, the other shipyards have been a total of 124 weeks late. But these savings were excluded from the COBRA analysis.

The department's failure to devise a metric for crediting Portsmouth for its proven superior efficiency is all the more surprising, given that DOD was willing to use an arbitrary figure of 30 percent to credit the other shipyards for efficiency savings and administrative personnel relocated from Portsmouth.

In sum, Commissioners, Portsmouth did not receive credit in the COBRA model for its proven efficiency because the industrial group struggled but ultimately decided that Portsmouth's efficiency was too difficult to account for. Indeed, the GAO in its report last Friday confirmed that the department recognized Portsmouth's superior performance, but failed to develop a metric to incorporate that factor into its economic model. As a result, the industrial group substantially deviated from Criterion 5 concerning the true savings and costs of closing Portsmouth. Thank you

for your attention. And Senator Sununu.

PRESIDING COMMISSIONER NEWTON: Senator.

SENATOR SUNUNU: Senator Gregg, I apologize. You do now have 31 minutes. My COBRA clock had an error.

SENATOR SUNUNU: Thank you, Mr. Chairman and Commissioners. Senator Collins had the bottom line just right. Portsmouth did not receive credit for the tremendous cost savings that both she and Mr. Donnell outlined. They also, in doing the corporate model, did not consider a number of one-time costs that are absolutely essential to get the economic analysis right. The omission of those savings, the omission of the one-time costs in and of themselves represent a violation of both Criteria 4 and Criteria 5.

But we want to go one step further. We want to look back at the specific omissions and say, What is the magnitude? What is the impact if you appropriately consider these in the COBRA model? The bottom line in doing that assessment can be seen in Slide 1. When you include these cost savings, when you include these one-time costs, which I will detail, you see an underestimation of the one-time cost of \$293

million. An overstatement of NEVN 25, their metric for a net present value, an overstatement of \$1.5 billion in savings that simply aren't there, and a miscalculation in the buy -- in the payback period. Not a four-year payback but a 34-year payback. An error of 30 years. These are no small mistakes.

And what I want to do is touch briefly on the data that ought to have been considered. The next slide details the costs that were omitted. First, \$315 in recurring costs that include those savings; \$287 million in savings. No one does -- no one denies. No one questions that Portsmouth does the work cheaper. Earl Donnel showed \$26 million on a DNP. \$82 million in an overhaul. Those are real cost savings that will be lost if Portsmouth is closed.

Second, \$28 million in recurring costs associated with personnel and environment. These are detailed in the charts in my written testimony, and they are taken from charts that are certified data of DOD responding to Questions 22 in the case of cost savings, Question 26 in the case of deferring environmental and personnel costs.

The second set of data are the one-time costs, the \$293 million that I mentioned. This is

certified data. This is in Chart 1, also, Question 18, \$260 million in one-time costs for closure, including closing down the data network, building preservation, and ongoing operation and maintenance costs, all certified by the DOD, and an additional \$32.9 million in military construction projects, one-time costs not considered in the COBRA model.

We're not talking about renovating gyms. We're not talking about adding street signs. These are real costs that involve renovating the machine shops and essential buildings, expanding storage requirements. Again, these are included in Chart 2 in my written testimony. And finally, the receiving costs. If you were to close down Portsmouth, that work has to be received, the startup costs, the one-time receiving costs at Norfolk and Puget Sound. \$100 million in certified costs dealing with information technology, the NMCI program, getting personnel systems up to speed -- all certified costs.

These absolutely must be considered in any real COBRA analysis. And when you put those numbers into the DOD 's own COBRA model, what do you get? You see the one-time costs go from \$448 million to \$742 million. If we can see the last

slide. That is a difference of \$293 million in one-time costs. We see the net present value of 2025 go from a savings of over 1.2 billion to an actual cost in 2025 of over \$284 million, a misstatement of the NTB of a billion and a half dollars, and the payback, as I indicated, goes from 2012 out to 2042. A misstatement in the payback period of 30 years.

These are not small issues. These are not based on assumptions that this panel is making or anyone at the shipyard is making. It's certified DOD data. These are not technicalities. They are significant, dramatic, and unacceptable deviations from Criteria 4 and 5. If you believe this data, the data regarding military construction, receiving costs, and the cost savings that everyone recognized Portsmouth has done, if you believe that data, then you have to recognize that the recommendation to close Portsmouth simply cannot be accepted and should be rejected by the BRAC commission. Thank you. And I will turn it over to Congressman Bradley.

CONGRESSMAN BRADLEY: Good afternoon, Mr. Chairman. I represent New Hampshire's First District. Commissioners, I would like to highlight

the risks and the costs related to the irreversibility of a closure decision. If our nation's defense requires more submarines or just maintaining the current number of submarines, recreating Portsmouth would be cost prohibitive. First, there are the impediments of establishing a nuclear facility in any community. Second, land values and coastal development pressure makes it exceedingly difficult, as well as expensive, to establish any deep water nuclear port.

Third, there are the long training times for scarce nuclear workers, as has been previously discussed. The cost of building new drydocks must also be considered. The most recent study of construction of a new drydock estimated the cost to be \$400 million. If necessary, what would the cost be to construct a single drydock in 2015 or 2025? The BRAC analysis does not take these considerations into account in its narrow mandate to achieve quick savings on paper.

The fact that a shipyard is nearly impossible to reconstitute creates an additional pressure on the analysis related to base closure, that pressure being the cost of reconstitution. Insufficient maintenance capability will result in

a reduction of submarine force readiness, thus the cost pressure of reconstitution will stifle our future submarine force and cripple our capability to maintain it if we close Portsmouth.

Fundamental to the BRAC criteria is the maintenance of bases and facilities that are impossible to reconstitute in order to meet current or future military needs. Therefore, a Portsmouth closure substantially deviates from Criteria 1, 3, and 5. The Portsmouth Naval Shipyard, a nuclear-licensed facility, is irreplaceable. The threat to our nation remains, and those threats require a strong and vibrant Navy. Thank you. And let me introduce my friend, Paul O'Connor, who will speak about labor and management issues in Portsmouth.

MR. O'CONNOR: Mr. Chairman, Commissioners, My name is Paul O'Connor. I'm the President of the Metal Trade Council of Portsmouth Naval Shipyard. I'm here on behalf of the most elite work force in our nation, the men and women of the Portsmouth Naval Shipyard. Essentially stated, our performance and efficiencies relate directly to military value. Our performance has established benchmark standards that are unattained

by other shipyards and in one shipyard corporation, we continue to renovate, we continue to create more practices to further our capabilities, verifiable by the fact that we have consistently surpassed our own high standards.

At the heart of our superior performance is a labor and management relationship. This relationship has been the catalyst of change in our shipyard. More than a decade ago, we began to mold relationships of trust and respect between labor and management. And what began all those years ago as individual relationships, has evolved into a cultural metamorphosis where today labor is woven into the shipyard fabric. We are an integral element of our shipyard leadership team. And as a result of those efforts and that hard work, our work force has far fewer distractions and is much more able to focus on the mission. Through dialog, our work force is totally understanding of what we're trying to achieve, and they understand exactly how we will achieve it. And the fact of the matter is that with encumbrances lifted, our work force is the guiding force for the majority of our process improvements at the shipyard.

So much more is within our grasp when

trust and respect form the bedrock of our relationships, and that's what we have happening at Portsmouth. Now, this approach to labor and management relations has taken years to cultivate and can't be replicated at other shipyards simply by sprinkling bigger numbers of our work force across the country. If it were that simplistic, it would have happened by now. The fact of the matter is, it's very hard work. It is not simplistic, and it has not happened across the country. You can transfer the billets, but you cannot transfer the culture.

Let me say in closing that if our shipyard closes, the Navy will lose our most critical asset and resource, that being the innovative nature of our cultural experience. Also lost will be the transformational thrust which we provide the Navy at a time when the Navy so desperately needs it. Those losses result in diminished fleet readiness and much, much higher costs. Failure to account for the Portsmouth culture constitutes a substantial deviation from Criterion 1 and Criterion 4. Thank you.

GOVERNOR BALDUCCI: Mr. Chairman, members of the commission, good afternoon. I'm Governor

John Balducci of Maine, and I'm going to address Criterion 8, environmental costs. It shows substantial deviation under the DOD's analysis. The Portsmouth Naval Shipyard is one of the oldest industrial facilities in Maine and the nation. You would expect to find a history of environmental contamination issues at the yard. There is a budgeted plan that provides \$94 million over several years to initiate their cleanup, and according to DOD's own report, there remains a need for an additional \$47.1 million in environmental restoration costs.

The Maine Department of Environmental Protection has determined -- and in documentation supplied to the commission -- that at least an additional \$100 million in cleanup costs will be incurred in order to comply with legal requirements before transfer of the facility for reuse.

The DOD report states these costs are not included in the total closure costs because they would be expended whether the shipyard is closed or not.

This assertion is inaccurate and misleading at several levels: DIRA costs will be significantly affected by a closure in at least

three ways. First: The completion of a cleanup of these sites will be accelerated in compliance with the BRAC schedule. Based on Maine's experience with significant environmental cleanup projects, including military facilities, we estimate an additional cost of up to \$23 million due to this factor alone.

Second, the DIRA cost underestimated in some cases don't account for cleanup costs required under federal and Main law. We estimate that these additional remediation costs will be about \$32 million.

And third, cleanup of a site under existing law involves not only the United States Environmental Protection Agency and the property owner, the Department of the Navy, but the Maine Department of Environmental Protection. Any state, including the State of Maine, going through a similar circumstance would require a thorough cleanup of a heavy industry site which needs to be made safe for public use. Based on review of the DOD analysis, Maine's own experience, we estimate this additional cost to be at \$30.6 million. Further site studies already legally required or estimated at 5.2 million, and the cost of

maintaining the facility safely during the closure process would add another \$31.2 million to the total. Now prior national experience has shown DIRA costs to be chronically underestimated. Environmental cleanup costs following the closure of Pease Air Force base in New Hampshire and Mare Island Nuclear Shipyard have dramatically exceeded initial estimates. The estimated cost to clean up Mare Island now stands at \$225 million, and at Pease, 135 million has already been spent to date, and an estimated 46 million is needed to complete the required remediation.

Based on this experience, it's not unreasonable to assume that DOD's estimates of environmental cleanup at the Portsmouth Naval Shipyard are dramatically and unrealistically low. For all these reasons, the \$47 million DIRA estimate can only be viewed as seriously flawed and cannot be separated from incomplete assumptions on which it's based.

The determination on whether a closure proposal saves money in the required time frame must take into account the full cost of closing the facility. DOD substantially deviated from BRAC's selection Criterion 8 by applying an unrealistic

DIRA standard to a nuclear shipyard closure. If closed, the Portsmouth Naval Shipyard will not have an equivalent end use. They compounded this error by dropping environmental costs from a payback consideration, even though the law requires the department to consider them.

DOD reasoned its obligations to eventually clean up an active installation eliminates environmental costs from payback calculations. In practice, there is a great deal of difference in whether a base remains open or closed pursuant to grant. If the property remains a DOD base, environmental costs are typically recorded in DOD's annual financials report. These liabilities are rolled over from year to year. If there's no money in the services budget to do the cleanup, they're not performed. However, if a base closes, DOD must remediate environmental damage, usually by the time of property transfer to a third party.

It only makes sense to account for cleanup costs and base closure payback consideration. These are real costs. Taken together with other DOD cost errors, these cleanup costs of closing Portsmouth will eliminate all projected savings over the time horizon used in the BRAC process.

I appreciate the opportunity to speak with you today. I know that you're going to apply the standards for BRAC process in a rigorous and fair way. And when you do, I'm certain you're going to conclude that DOD has seriously underestimated the environmental cleanup costs for the Portsmouth Naval Shipyard by more than \$100 million. This represents a substantial deviation from criterion No. 8 and is further evidence that the proposed closure is not in the national interest.

I'd like to introduce at this time my very good friend, the Governor of New Hampshire, Governor Lynch. Thank you.

GOVERNOR LYNCH: Thank you, Governor Balducci. Mr. Chairman, members of the commission. The Portsmouth Naval Shipyard has been a vital and integral part of New Hampshire and Maine's economies and a vital and integral part of our national's defense for more than 200 years. As part of the BRAC process, the Department of Defense is charged with looking at several criterion, including the economic impact on the surrounding community. In the case of the Portsmouth Naval Shipyard, the Department of Defense substantially deviated from that criterion by completely ignoring

the impact on the State of New Hampshire.

In outlining job losses and gains by state, the BRAC report actually stated that New Hampshire was in the win column, with a gain of 4 jobs. Nothing can be further -- nothing could be further from the truth. New Hampshire will actually lose 2,000 jobs. DOD deviated from its obligation to judge the economic impact on the community, and instead chose the Portland, South Portland, Biddeford Maine county-based metropolitan statistical area as the region of influence. This area accounts for only 57 percent of the shipyard's workers. Of the three Maine counties included in the DOD analysis, only one, York, had a significant population of shipyard workers.

DOD considered the economic impact of closing on communities 100 miles away from the shipyard, but did not include the economic impact on closing on communities within two miles of the shipyard gate. That defies common sense and ignores the charge to the DOD under the BRAC process. By spreading its analysis over a large area in Maine and excluding the effect on New Hampshire, the Department of Defense distorts and minimizes the true economic impact. If you look at

actual 2004 employment and payroll data for the shipyard, Maine and New Hampshire together will lose more than 5,000 direct jobs, and nearly 12,000 total jobs, not the 9,000 plus job that DOD predicts.

If the shipyard closes, the unemployment rate for many communities surrounding the yards will more than double.

The loss of 12,000 jobs will be nothing less than a federally-induced recession, one that our region and our workers will not recover from quickly.

The highly specialized skills of these workers are unmatched and not easily transferable to other industries, even if there was an industry in New Hampshire and Maine that was capable of absorbing so many workers.

Even in the rosiest of scenarios, the shipyard will not be converted to civilian use for a number of years, if at all -- something DOD also did not consider. DOD also does not consider the very real difference in the economic impact of closing a military base versus closing the shipyard, where most jobs are civilian and most workers are local. In addition to ignoring job

losses, the DOD analysis is flawed because it looked only at jobs. In considering the economic impact, DOD did not look at the multiplier impact on the economy from the loss of so many jobs, the loss of other business activity, the loss of tax revenue, the drop in real estate values, and the increased cost on unemployment benefits and social services. The economic impact model the DOD used is too simplistic for the purpose and inadequate for a true evaluation.

By failing to even consider job losses in New Hampshire, by neglecting to consider the fundamental difference between a shipyard and other types of military bases, by using inaccurate payroll data, and by failing to consider the numerous other economic costs of the shipyard's closure, the Department of Defense substantially deviated from the requirement that it consider the impact of closure on a community.

So, I respectfully ask you to consider the substantial deviation along with the other members, along with the other information so ably presented by the other members of this panel in your deliberations. And as I reintroduce Senator Gregg, let me just take a moment to thank the workers of

the shipyard, the wonderful men and women of the Portsmouth Naval Shipyard who make all of us so proud.

SENATOR GREGG: Members of the commission, General. Thank you very much for your attentiveness today. In the senate we have Orrin Hatch, and Senator Hatch is sort of famous for sitting through interminable hearings, and so we refer to him as ironpants. And I guess I give you all the Orrin Hatch award today.

We very much appreciate your attentiveness and willingness to sit through this. We have shown, I believe, in an incontrovertible way that the Navy has substantially deviated from Criteria No. 1, Criteria No. 2, Criteria No. 3, Criteria No. 4, Criteria No. 5, Criteria No. 6, and Criteria No. 8 by putting Portsmouth Naval Shipyard on this list. This is a unique facility. It is not an air base. It is not an artillery range. It is not an Army depot. If you close this facility, the people who work there will scatter to the winds. They are not like the airmen or the artillery officer or the soldier who will move onto the next base. You will lose their talents. And you will lose, uniquely, a nuclear facility cited in the middle of an active

harbor.

Thus, I think it should be held to a little higher standard maybe than other bases that are being considered because of that uniqueness, because it can't be replicated, and because the people who work there cannot be replaced. We have presented a lot of charts, a lot of thoughts, and a lot of information to you, but let me simply leave you with three of the ones that get to our point most quickly. The first is the Navy's own analysis of the military value of this facility. Under their own analysis, Portsmouth ranks higher than six other facilities, and specifically Pearl. This, quite honestly, is a smoking gun reflecting the failure of the Navy to meet its own criteria when it put the Portsmouth Naval Shipyard on the list. These are not our estimates. This is a Navy decision, a Navy chart.

The second chart is the capacity issue, which has been spoken to here at considerable length. But this chart reflects the fact that if you close the shipyard, the Navy simply will not have the ability to put into the fleet the submarines it needs in order to protect this nation, because it will not have the drydock

capability to overhaul those submarines in a timely manner. And the third chart addresses the issue of cost. If you honestly evaluate cost, if you put into the COBRA model the numbers that should have been in the model, it is incontrovertibly clear that the closing of this shipyard, rather than saving the American people money, will cost the American taxpayers hundreds of millions of dollars, and it will mean that ships which should be in the fleet will not be able to go in the fleet because they will not have been overhauled in a timely manner.

The Navy did substantially deviate from the criteria on the issue of military value, on the issue of cost, but most importantly, if Portsmouth is closed, we will fundamentally undermine our capacity as a nation to defend ourselves, maintain liberty, and promote freedom around the world. We thank you very much for your attention.

PRESIDING COMMISSIONER NEWTON: Senator, thank you very much. Let me check with my team and see if we have any questions for you and your panel. Mr. Chairman.

CHAIRMAN PRINCIPI: Thank you. Admiral, I've heard that several submarines that are or were

home-ported in Pearl Harbor in the Pacific that have been overhauled in Portsmouth because of both the quality and the efficiency of the work at Portsmouth as opposed to Pearl Harbor. I've heard that from several of our former shipmates. Is that an accurate statement?

VADM KONETZNI: I can say, sir, it's not accurate. We try to use -- obviously, in planning to balance all of the workload, clearly if you live in Pearl Harbor, which I did when I commanded the submarine force out there, you worked very, very hard where possible when the room was available to overhaul -- do the work in that local shipyard -- quality of life. By the same token, I don't think we ever want to lose that ability to have operational availability. And I was at -- this is several years ago now -- a very critical point. The fact of the matter is, the difference between an efficient shipyard and an inefficient shipyard is operational availability. And I would tell you, like at Pearl Harbor Naval Shipyard, I love that shipyard, I've had long talks in the past with Senator Inouye about that shipyard, and they are working to improve. But the difference for a depot modernization period -- I'm giving both ends of the

spectrum -- 26 months it took me to get the USS CHICAGO out of Pearl Harbor versus nine months at Portsmouth is very significant when you have a very parochial submariner like myself complaining about the number of submarines. So, to answer your question, we don't do it that way, sir. We try to make it fit as best we can to make sure that we are utilizing efficiently the human capital of each one of the shipyards to make the schedule work.

CHAIRMAN PRINCIPI: One further question. This is an important subject. The justification for closing -- the justification given for closing Portsmouth and retaining Pearl is that Pearl is strategically placed. If Pearl was realigned to be a repair facility, it gets downgraded somewhat. What would be the impact on our capability, future capability to repair our submarines, and in the same vein, in the event there was a emergency, could teams be sent to Pearl Harbor from -- whether it be Portsmouth or Norfolk -- to man that repair facility if need be?

VADM KONETZNI: We certainly could do that. In fact, Portsmouth Naval Shipyard does that right now, sir. The teams are basically sent, Mr. Chairman, around the world. That could be done. I

would tell you that I -- you look at all of the criteria, and I know that this is as fair a system as people could come up with, there is no doubt about it that Pearl Harbor is strategically located. There is no doubt about it that there has been an awful lot of discussion in the papers about putting a nuclear carrier either at Pearl or Guam. That upsets this corridor completely because it will be very difficult for Pearl Harbor if that should happen to do nearly the work that it's doing right now -- the submarine force. But specifically what was done at Pearl Harbor, and I think it was a very, very good move, and we are doing that on the east coast as well, and that is to put the I level -- the intermediate level -- maintenance, together with the depot so we get greater efficiency. Norfolk Naval is doing that same way in the Norfolk area.

So, you could certainly do that. You could make that a less robust area, and yet still do the work that needs to be done. You could do what occurs right now -- I call it the one-shipyard syndrome, and it is actually Portsmouth Naval Shipyard who came up with that -- to use the workers as efficiently as possible. But I will

tell you I think at the end of the day, sir, that strategic location is important, and the discussions regarding a nuclear carrier there will be important as well.

CHAIRMAN PRINCIPI: Thank you.

PRESIDING COMMISSIONER NEWTON: Commissioner Skinner.

COMMISSIONER SKINNER: I have two questions. One I guess you've answered on the military value of being close to the fleet. But one of the other things that we hear is that it's a deployment. If you move a submarine to Portsmouth it's deploying, and the crew is deployed. If the shipyard's located at their home base, it's not a deployment or at least it's considered a different type of deployment. I also heard Admiral Clark at our hearing in Washington talk about a concept which frankly makes all the sense in the world to me. I'm not quite sure why it hasn't before. Traditionally, Navy has attached crews to ships and they travel together. And he says, you know, implementing a new program where we have eight crews and five ships, and we deploy back and forth. Has there been any thought to -- that would solve -- if you did that with submarines, that would

solve some of the deployment issues, I think, that are viewed by some as a negative to Portsmouth because it isn't a home base for submarines. Would you comment on that.

VADM KONETZNI: Yes, sir. Thank you for the opportunity to do that. I think what you just mentioned is a red herring, and I say that because the experts in the world regarding two crews are the submarine force. We've been doing it for well over 40 years. It's rotating crew through a ship. And many of the ideas the Navy used when I was down at fleet forces are maintained through that. But I think to get right to your point, Mr. Commissioner, regarding leaving home port, your home, to overhaul, do depot maintenance, the fact of the matter is, when I was in Pearl Harbor, I had 19 ships in Pearl Harbor. One of four could be maintained at Pearl Harbor Naval Shipyard. So, three left, and what was done -- and it's not rocket science, it wasn't then -- is we would make sure we go through each family, each crew member, What do you want to do? And what we found in Pearl Harbor, and it will never change, is it works pretty well, because about 50 percent of the crew would like to get back to the continental United

States to be where most of their families live, and the others would like to stay out there and go find another boat. So, it can be done. And I know that Admiral Fargo is stated as saying, I would love to overhaul my ships where they live. Well, I would, too, but we would have to have five public shipyards, one in San Diego, of course, one up in Bangor, and one in New London, and one in Kings Bay. These problems are not insurmountable. At the end of the day, with the appropriate leadership, people -- like I was supposed to do and those that are on active duty doing it now -- we can tailor those things, and have for decades for our youngsters, for our young fighting men and their families such that nobody is hurt, because what's really critical is getting the ship out at nine months versus 26 months is critical.

COMMISSIONER SKINNER: Just one last question, where Senator Snowe and I have had this debate over the phone, a long conversation about force structure and what that force structure is going to be, and this whole premise and recommendation is based on a force structure that's different than the ones in place where there's one that looks like the leaders of our Navy would like

it to be. And our decision probably would be a lot easier if we knew what the force -- might not be any easier, but it would help to know what that final force structure is going to be, because we're making a decision in advance of when that will be revisited and resolved, and I -- maybe I'd just ask Senator Snowe, 'cause I know she's up to speed on it -- to kind of educate all of us again about where do you think that is going.

Obviously, there would be debates between the Congress and maybe even within the military and the administration about whether it's going to be 56 or 41. But that is an important ingredient.

SENATOR SNOWE: Yeah. No. And I appreciate it, Commissioner Skinner, because I think that it goes to the crux of the matter with respect to operational readiness. All of the reports that have been conducted, as Admiral Konetzni has skated, has always been in the range of around 55. And I think what the Navy has done is try to drive the lower numbers into the budget, which is circumventing the base closing process. The only relevant factor in the base closing process will be the force structure plan. Now, as you well know, we don't have the Quadrennial

Defense Review. That isn't coming until end of this year/early next year, so I think that will be well beyond this process. I think it's disconcerting, to say the least, that the Navy would make such a recommendation and even go so far as to inactivate four submarines over the next two years, knowing full well that the force structure plan is quite different. I would be very surprised if it would be any different.

I used to chair the Seabound Subcommittee, Armed Service Committee, and all I heard from commander after commander was quantity was a quality all of its own, given the fact we're in this post 9/11 environment, and now the kind of environment that we're living in. What we did ascertain for threats prior to 9/11, I hesitate to think how we will miscalculate after 9/11. That's why that force structure plan becomes so critical and central to this particular issue and relevant. And if we depart from it, I think it obviously raises significant risks.

So, as Admiral Konetzni said, there have been so many studies, and they've all been in that range. I think it would be very hard to accept a number, as the Navy is suggesting, whether it's 49

or 41, in today's environment and given the demands that are being made on us, and as Admiral Muntz said, 150 percent more mission days than they can provide. And I have talked to combatant commanders ones that visited Portsmouth, the commander of the Atlantic Fleet, and he said, I need my submarines back at sea. I need them soon. And he said, This is terrific. He was visiting Portsmouth last fall, and he said, you know, That's what we need. We need them, and they're absolutely right, because they have to be prepositioned.

So, I am, frankly, chagrined at the Navy of providing the force structure plan that's budget driven as opposed to what it should be for operational readiness. And to a further point on strategic location, I think that that is obviously critical with respect to Pearl Harbor. But when you're talking about the efficiencies of Portsmouth that can save, you know, nine, ten, 11, 12 months, one month of transit time certainly, I think, is well compensated by the fact that they save so many months in efficiency, immaterial where that shipyard is located.

Furthermore, in terms of deployment, once those submarines are torn apart, they're torn

apart. They're not going anywhere until they're rebuilt. And so, I think, therefore, the efficiencies provided by Portsmouth, I think, is so crucial, and it goes to the crux of what we need to do in enhancing the efficiencies. There are availabilities out on the west coast right now that are going for 23, 24 months I've heard this from commander. They can be done at Portsmouth in ten months. Frankly, I think that this will result in significant backlog of maintenance that will make it very difficult for the President to meet his defense commitments.

COMMISSIONER SKINNER: Thank you.

COMMISSIONER BILBRAY: I just wanted to say that sometimes these hearings kind of get out how do you feel, and I was thinking as you were presenting, you know, we don't have to ask, tell us what you really feel in this matter, because you've done a great job. Thank you.

PRESIDING COMMISSIONER NEWTON: Senator Gregg, you've been an extraordinary leader in time management. You even gave us over four minutes back.

I just want to say on behalf of all of the Commissioners, my fellow Commissioners, and

particularly the Chairman, we heard your request with reference to Admiral Klemm. We will make every effort to get his testimony so that our staff at least will have the opportunity to hear.

We want to thank you and the Governors and the entire delegation from both states for the information which you presented to us this afternoon. We also want to thank your enthusiastic citizens who played a critical role in helping us to gather the kind of information we need for those deliberations. So, again, thank all of you very, very much.

We are ready for the Maine delegation as soon -- in about three minutes.

(Recess was taken.)

PRESIDING COMMISSIONER NEWTON: Ladies and gentlemen, I'd like to call the hearing back to order.

Just to ensure that we are still within the law, I will ask the panel to please stand one more time, and we'll have our federal officer to administer the oath.

(Witnesses sworn.)

CHAIRMAN PRINCIPI: Senator Snowe, you've heard my opening remarks several different times,

so I won't do that. The time is yours for you to use as you see fit.

SENATOR SNOWE: Thank you. Thank you, General Newton and Chairman Principi and members of the commission once again. Before proceeding to the case that we will present regarding Brunswick Naval Air Station, as you know, Brunswick is the only fully operational active duty airfield in the northeast United States, and yet, DOD proposes to move its mission and the crucial protection it provides over 1,200 miles away.

Single siting of maritime patrol aircraft in this instance doesn't make sense, because geography matters, and strategic location is a primary attribute for operational bases such as Brunswick. Over the next hour, we will address DOD's realignment recommendation, providing data and analysis that will lead to one inescapable conclusion: That realignment is no more the answer for Brunswick than a full closure. Moreover, we will present evidence today that both refutes the department's official realignment recommendation, and also demonstrates how and why DOD definitively took the issue of closure off the table.

You will hear, as we note on this chart,

that on ten separate occasions officials, including the Secretary of the Navy, the Chief of Naval Operations, the Commandant of the Marine Corps, Commander of Fleet Command, Commander of the Northern Command spoke to Brunswick's military value; that at the OSD's infrastructure executive counsel the IEC concluded, and I quote, "The total closure of Brunswick would adversely impact the Department of the Navy aviation operations in the northeast United States."

In the end, it was NORTHCOM's recognition of Brunswick's strategic military value that persuaded the IEC to keep Brunswick open.

That same rationale should have been a repudiation of single siting of maritime patrol forces on the east coast and underscores the vital necessity of maintaining Brunswick as a fully-active and operational naval air station.

With regard to Criterion 1, this speaks to capacity and readiness. We will show at least four deviations. First, the recommendation ignores Brunswick's advantages for operations and training by the current maritime patrol and reconnaissance aircraft force. And will actually degrade our nation's readiness by requiring detachments from

Jacksonville to perform missions which can only be performed at Brunswick.

Second, no data calls were made to evaluate the new criteria of joint warfighting capabilities. Indeed, the only gaining scenarios run were for aviation assets from reserve air basis before Brunswick was considered for closure, and even these weren't revisited after the final decision to instead realign.

Third, as mentioned in reviewing the Navy meeting minutes, we find the strategic location of Brunswick was raised as a concern on at least ten separate occasions.

In fact, the Commander of the Northern Command concluded that closing Brunswick would negatively affect the Navy's ability to support northern command's homeland defense mission, and the Commander of the Navy Fleet Force Command has requested an operational airfield in the northeast under Navy control.

And finally, the Navy failed to assign Brunswick a military value score for its strategic location. Despite the fact that geography is a primary attribute of strategic value, despite DOD's recognition of Brunswick's strategic value, and

despite the fact that in August of 2004, the Navy analysis group was presented a list of recommended air fields that should be assigned military value scores for strategic location, and Brunswick was on that list.

Together, these and other facts we will cite demonstrate that the recommendation to realign Brunswick substantially deviates from Criteria 1.

With regard to Criteria 2, the availability of facilities, we will show three primary deviations. First, DOD clearly ignored Brunswick's value as a base for the use of armed forces and homeland defense missions, including those necessary to support maritime domain awareness, protect against the greatest threat against our country, weapons of mass destruction attack, and respond to other threats to the northeast.

Second, the DOD failed to recognize that Brunswick is the only base with the infrastructure in place today to support the aircraft of the future, the multi-missioned maritimer, the MMA aircraft. Only Brunswick has a hangar capable of receiving these aircraft. And third, DOD overlooked the fact that realignment will only

increase, not decrease, excess hangar capacity, with Jacksonville required to build a special MMA capable hangars the Navy already built at Brunswick with an investment, as you saw, of \$34 million.

And let me just note that under a full closure, the Navy would still, of course, be required to duplicate existing infrastructure and operate detachments for homeland defense from limited east coast facilities.

With regard to Criterion 3, as you'll see on the slide here, the ability to accommodate surge, we will show DOD conducted no data calls, ran no scenarios to evaluate the total force requirements necessary to sustain that capability.

Moreover, DOD failed to recognize the potential advantages of joining maritime patrol forces under NORTHCOM for homeland defense with National Guard and reserve forces at a future Armed Forces Reserve Center at Brunswick for the purposes of bolstering Homeland Security.

With regard to Criterion 4, the cost of operations and manpower implications, we will demonstrate three primary deviations: First, DOD failed to account for the higher mission costs attributable to the additional distances aircraft

must fly to perform missions or transit which could be done more economically from Brunswick.

Second, DOD failed to consider the adverse personnel impact of this realignment on those performing detachments or surge operations from Brunswick. And third, DOD failed to consider naval reserve demographics which indicate that VP magnitude will be unable to achieve full manning at Jacksonville in the presence of other reserve patrol and reconnaissance squadrons. And on the related subject of Criterion 5, the extent and timing of cost savings, you will see at least three primary deviations.

First, you will see DOD simply ignored the impending introduction of the multi-mission aircraft. The DOD's recommendation to relocate Brunswick's aircraft and support personnel to Jacksonville completely overlooks the cost of transitioning from the P-3 to the MMA during the payback period.

As a result of these erroneous calculations, the Navy's net present savings claim of \$239 million is inflated, while the actual value is \$56 million. Likewise, the Navy wrongly asserts a payback period of four years when reality is

actually nine years.

Second, DOD seriously overestimated the number of maintenance personnel eliminated under realignment. In fact, about 40 percent of those positions are already slated for elimination by the MMA program, and therefore, cannot be counted as cost savings over the 20-year payback period.

And third, DOD failed to consider any scenario that would have assigned the MMA or other aviation assets to Brunswick. Such scenarios had the potential to eliminate the substantial military construction cost that will be required at Jacksonville if this recommendation for realignment is approved.

Finally, with regard to Criterion 6, economic impact. You will hear how the Navy inaccurately placed Brunswick in the Portland metropolitan statistical areas, verses an independent labor market of its own. As a result, the economic impact on Brunswick's realignment is actually eight times greater than claimed by the department for this rural region in the State of Maine, all the more stunning, given that the two Maine facilities on the recommendation list are only 80 miles apart.

I would now like to introduce you to Admiral Harry Rich, US Navy retired, former Commander of Fleet Atlantic and who will discuss in great detail the issue of military value.

ADMIRAL RICH: Mr. Chairman, commissioners, ladies and gentlemen. My role in today's hearing is to address the operational issues that are of concern if NAS Brunswick is realigned as proposed by DOD. I have selected four issues that will be of great concern to me if I were the operational commander. I will briefly discuss each of them.

I have assumed that the role of the Atlantic Fleet long range maritime patrol and reconnaissance force as part of DOD's homeland defense mission will be to defend our Atlantic coast, all 32,000 miles of it, in concert with the US Coast Guard, against terrorist attempts to deliver weapons of mass destruction into our highly vulnerable ports. That mission came into sharp focus, as we are all painfully aware, on 9/11. To execute that mission will require ocean surveillance around the clock up to 1,000 miles. It can be expected that the concentration of targets will be in the north Atlantic shipping

lanes.

In mission planning, en route time to the target area is a critical factor. En route time from Brunswick to the shipping lanes is less than 30 minutes. From Jacksonville, it's three hours. To me, as the operational commander, that would be unacceptable if there was a viable alternative. And of course, there is. I would immediately remove the planes back to Brunswick, which begs the question, why move them in the first place?

Operational commanders can be expected to require 24-hour manned aircraft coverage on targets of special interest. Using a mission profile of 12 hours, which is generally accepted as the maximum for the P-3, the crew could go out 1,000 miles in about three hours, stay on station for six hours, and return to base; total flight time, 12 hours.

From Jacksonville that profile fits, three hours to the shipping lanes, six hours on station, three hours back home. That requires four flights per day to provide 24-hour coverage. That's 48 flight hours at a cost of just under \$8,000 per flight hour. From Brunswick, that same coverage could be achieved in just over two sorties, about 25 flight hours, or roughly half the cost of

staging from Jacksonville.

Rapid response has been the hallmark of VP squadrons for 50 years. Urgent deployments to the Mediterranean or the Middle East are not uncommon, and it would take at least three hours longer from Jacksonville than from Brunswick. The added cost would be 25 to \$30,000 more per aircraft.

Mr. Chairman, it is somewhat ironic that during your recent trip to NAS Brunswick, there were two Jacksonville-based P-3s sitting on the ramp. They were en route home from Sigonella in the med and forced to stop in Brunswick for refueling. Having dual runways may seem like a minor factor. But let me assure you, it is not if you are forced to land on the taxiway because a crash in the active runway has occurred, or even repaving, as happened in Sigonella. NAS Brunswick has parallel 8,000-foot runways that have recently been resurfaced. If one becomes unusable for any reason, operations could continue uninterrupted.

Finally, I'd be very concerned about unnecessarily using up the precious service life remaining in our fleet of P-3s. As the CNO, Admiral Clark recently stated at a Senate Armed Services Committee hearing, "because of high demand

we're flying the wings off the P-3s."

Two years ago we had 220 P-3s in the Navy inventory. We've been forced to retire 70 in the last 18 months. They have reached the end of their service life and were no longer considered safe to fly. The 150 remaining must be made to last until the MMA, the follow-on aircraft, becomes operational in 2012 at the earliest.

Unless we restrict flying in nonwar time environments and eliminate every transit and en route hour possible, the P-3 may not make it to the transition window.

Because of increased flight hours inherent in DOD's plan for NAS Brunswick, the realignment will only exacerbate that problem.

Mr. Chairman, as you've heard me say before, a strategy to protect our extensive coastal borders is key to homeland defense. And as you know, that strategy is just evolving. If the role of the Atlantic Fleet Maritime Patrol Force is I have postulated, then a fully-capable operational air station, strategically located in the northeast, with permanently-assigned, long-range maritime patrol aircraft is absolutely critical to success. There's only one left, and the DOD

proposes to essentially put NAS Brunswick in mothballs and single site all six Atlantic Fleet P-3 squadrons 1,000 miles to the south. Mr. Chairman, members of the commission, it's probably a significant understatement, but I have great difficulty understanding the logic in that move. Thank you.

SENATOR COLLINS: Mr. Chairman, Commissioners. I'm still Susan Collins, and I'm still a senator from Maine, and I'm delighted to talk with you about the military value of Brunswick Naval Air Station.

The first four BRAC criteria all concerned military value. Let me begin then by quoting our nation's highest naval official. In the BRAC commission's first hearing with the Navy on May 18th, when questioned about the economics of realigning Brunswick, the Chief of Naval Operations responded by saying, and I quote, "This is a military value question more than anything else, and a naval base and an air base in the northeast we're keeping SERE training up there, but what we're really keeping is a strategic capability in the northeast. That's what it boils down to."

Commissioner, the military value of

Brunswick has not diminished since the Chief of Naval Operations testified before you. DOD's first BRAC criterion focuses on current and future mission capabilities and the impact on operational readiness of the total force.

This includes the impact on joint warfighting, training, and readiness. Brunswick is the only fully-capable operational DOD airfield remaining north of New Jersey. Previous BRAC rounds closed all other active duty air bases in the northeast, as this slide demonstrates.

As you can see, Brunswick is the only one left. It is strategically located adjacent to the great circle routes for ships and aircraft crossing the north Atlantic. This location makes Brunswick a vital link in our national defense posture and critical for surveillance of ships coming from Europe, the Mediterranean, and the Middle East. Indeed, its proximity to major population centers, combined with its ability to support every aircraft in the DOD inventory makes BNAS essential across the full range of homeland defense operations and contingencies.

Brunswick's unique location provides it with correspondingly unique capabilities for

current and future operations in the defense of our homeland.

Brunswick was the key base for homeland defense during the months following September 11th, providing P-3 surveillance missions under operation Vigilant Shield and land-based combat air patrol for Navy ships at sea. And Commissioners, only Brunswick can perform such missions efficiently in the future, as Admiral Rich's testimony demonstrated.

Maritime patrol assets from Brunswick will continue to be needed to locate and monitor ships in the north Atlantic, including those potentially carrying weapons of mass destruction, cruise missiles, or other threats to our shores.

Maritime domain awareness is a key component of homeland defense. Properly based maritime patrol and reconnaissance aircraft is essential to this increasingly important mission. As Rear Admiral Rich has pointed out, response time and endurance on station are critical to these operations, and the location of a marine patrol or aircraft base is essential to those capabilities.

The removal of full-time operationally ready maritime patrol assets from the northeast is

contrary to our maritime defense awareness strategy, and would leave our nation more vulnerable. Removal of these aircraft would degrade readiness by requiring detachments from Jacksonville to perform missions that can be performed much more efficiently and effectively from Brunswick. It is a move that would increase the risk of failure in the defense of our homeland, a mission in which even a single failure could be catastrophic.

A review of the Navy's analysis group minutes proves that the strategic location of Brunswick was confirmed, as Senator Snowe indicated, by warfighting commands no fewer than ten separate times during the deliberations. The commanders of fleet forces in northern command repeatedly voiced grave concerns to the Navy about the potential loss of Brunswick to their warfighting readiness. These commanders also said that closure of Brunswick would damage the Navy's ability to support northern command's homeland defense mission.

Removal of Brunswick's assets would have the same negative affect as would closure.

The minutes show that the military value

of individual facilities was determined early on at the BRAC review process. In August of 2004, the infrastructure team presented the Navy analysis group with a list of 33 airfields that should be assigned military value scores for their strategic location. Brunswick was on that list. Yet the Navy determined that only two airfields would receive scores for strategic location. The fact that Brunswick was not given any credit for its strategic location after the commanders weighed in repeatedly about its strategic value is inexplicable. The minutes of the Navy analysis group meeting in January show that discussions were held on whether a scenario to close Brunswick was desirable "in light of the fact that Brunswick is the last active duty DOD air base in New England and is relatively unencroached, the significant capital investment in facilities there, the requirement for a homeland defense capability in the region, and the loss of the east coast aviation capability, this scenario would represent." Those are DOD's words.

Despite these concerns and those of our operational commanders, the Navy still forwarded to the infrastructure executive council a

recommendation to close Brunswick.

As far as we can determine from a view of all the minutes, the overriding factor that led the Navy to ignore the many advantages of Brunswick was a goal of locating maritime patrol aircraft at a single site on the east coast. Yet the commander of fleet forces warned that closure of NAS Brunswick supports operational synergies associated with a single site P-3/MMA force at the unacceptable expense of closing a base offering numerous transformational and maritime homeland defense basing opportunities. Unacceptable they said.

The council subsequently rejected the recommendation to close Brunswick because "Department of the Navy leadership expressed concern that closure of Brunswick could have strategic implications regarding northern command's homeland defense strategy and would result in the loss of the only naval aviation footprint in New England."

Commissioners, this statement recognizes that Brunswick is not just a training site or a staging area. It is an operational airfield that is essential to our national defense and our

Homeland Security. The Navy's recommendation to close Brunswick was overturned by the council due to the base's overwhelming strategic military value. This determination should have triggered the reconsideration of the single siting maritime patrol forces on the east coast. Yet we can find no evidence that this occurred.

The first measure of military value -- the impact on mission capabilities and operational readiness, appears to have been ignored.

The seventh BRAC criterion measures military value by considering the availability and condition of a base's land, facilities, and associated air space. This is what the Navy's infrastructure analysis team stated on January 11th concerning the infrastructure at Brunswick. It is an excellent summary of Brunswick's strengths by the Navy team. "BNAS is the last active duty DOD airfield in New England, is available 24/7, 365 days per year, and offers unique joint and NATO strategic, physical, and training assets.

Brunswick is strategically located to base maritime homeland defense missions. Of note, Brunswick has no encroachment issues. Nearly a thousand acres available for expansion, 63,000 square miles of

unencumbered training air space and nearly 12,000 Navy-owned mountainous acres capable of accommodating joint exercises and meeting Navy and Marine Corps SERE training requirements at a single site. Armed aircraft can depart BNAS and enter offshore operating areas without overflowing populated areas."

Commissioners, Brunswick Naval Air Station is in first class condition and no wonder, because during the past five years, the military has spent \$120 million in recapitalization and military construction. As a result of this investment, DOD has in effect an all new airfield in Brunswick. With its side-by-side 8,000 foot runways, there are literally no aircraft in the department's current or future inventory that Brunswick cannot support.

Other recent investments include the new hangar, which we will discuss further, the runway recapitalization, ramp and taxiway repairs, a new aircraft control tower, which is just now being completed, family housing, transient quarters, a relocated base entrance, and several others that are listed on the chart.

NATO has recognized the importance of Brunswick to its operational capability and has

also made significant investments in the base's facilities. The station's NATO-built fuel farm regularly supports all types of foreign aircraft. Its state-of-the art tactical support center, also NATO funded, provides vital command and control for operational and exercise flights by US and NATO maritime patrol aircraft.

Of great significance is the fact that Brunswick has the only hangar capable of hosting the MMA aircraft, which is scheduled to replace the P-3 starting in 2012. This hangar was specifically designed to support the MMA and its related unmanned aerial vehicles. The recommendation to realign Brunswick significantly deviated from BRAC Criterion 2 by inadequately considering the value of this brand new infrastructure. Under realignment, additional MMA-capable hangars would need to be built in Jacksonville. Ironically, rather than reducing excess capacity, this realignment would increase it and require significant military construction costs. It simply makes no sense.

As home to four active duty squadrons, Brunswick provides basing and support essential to the entire maritime patrol aircraft force under the

Navy's new fleet response and flexible redeployment concept. This concept increases the proportion of the aircraft and crews at bases in the United States and requires them to maintain a high rate of readiness for immediate surge deployment overseas.

The station simulators capacity is essential to meeting the training needs of the fleet's P-3 crews. And I would note that the simulators in Jacksonville are already at maximum utilization now.

Brunswick's facilities, its unencumbered air space, its location at the nearest point in the United States to Europe and the Middle East provide the capabilities to support the fleet response concept. The conditions of Criterion 2 are fully met by Brunswick Naval Air Station, but were not properly recognized by this realignment proposal.

The third BRAC criterion is the ability to accommodate contingency mobilization and future force requirements. Brunswick's role during operation Iraqi freedom clearly demonstrates its ability to accommodate mobilization and surge requirements. Brunswick is the preferred refueling stop for tactical jet and turbo prop aircraft crossing the Atlantic Ocean.

The base provided logistic support for more than 120 aircraft returning from Middle East operations. Brunswick also provided berthing for more than 850 department personnel returning from Iraq to the United States through Brunswick. The base's ramp space is sufficient to park more than 250 maritime patrol or other large aircraft under maximum surge conditions.

Additionally, as the northeasternmost base in the United States, Brunswick supports mobilization efforts every day. Naval Air Station Brunswick is the closest American military airfield to the current theater of operations. Despite all the talk of transformation and jointness during this BRAC round, it is remarkable that the Navy did not ask in even one data call whether Brunswick could expand its current missions to more fully utilize the air station's capacity.

The only gaining scenarios run were for aviation assets from reserve air bases before Brunswick was considered for closure.

This option was not even revisited after the final decision was made to realign, rather than close Brunswick.

Commissioners, clearly the Navy and OSD

missed a tremendous opportunity to strengthen US military capabilities by not providing -- by not considering the placement of other operational forces at Brunswick. A realignment of Brunswick Naval Air Station to a naval air facility eviscerates the military value of maritime patrol and reconnaissance assets by removing them from a superb facility in a critical theater of operations.

It would require future detachments from one US base to another to meet mission requirements. The removal of Brunswick's aircraft would significantly and dangerously degrade operational readiness. It would reduce response time in emergencies. The proposed realignment would not meet the needs of Northern Command's homeland defense missions. It would result in a Navy and a Department of Defense that will operate less efficiently and effectively and with many hidden costs. Taken together, the first three criteria I've discussed are a measure of the most crucial elements of military value now and in the future. By any fair and complete assessment, Brunswick Naval Air Station more than measures up, and it should be retained as fully operational.

Thank you for your attention. Senator Snowe.

SENATOR SNOWE: Well, as I said earlier, the Navy's justification for the realignment of Brunswick is based solely on reducing operating costs, while single siting maritime patrol forces at Jacksonville. The Navy's proposal to accomplish these cost savings primarily by merging depot and intermediate maintenance activities, thus, in their words, "reducing the number of maintenance levels and streamlining the way maintenance is accomplished with associated significant cost reductions."

Today we intend to demonstrate that the cost savings put forward by the Navy are erroneous and built upon assumptions that cannot withstand even rudimentary scrutiny. We will highlight how the Navy's analysis process led to an overstated personnel savings, ignored mission costs, understated military construction costs, which led to a flawed conclusion that realignment of Brunswick was physically viable. While the Navy's recommendation postulates a one-time investment of \$147.6 million that will result in a 20-year savings of 239 million within an expected four-year payback, we will show a significantly different

outcome -- a nine-year payback and a 20-year savings of only \$56 million. Are we willing to sacrifice the unique strategic advantage that Brunswick provides in securing our homeland in order to save a theoretical 2.8 million annually? This is an extremely small margin to support a decision with such far-reaching national security implications as Senator Collins has indicated.

Our analysis is based on the work of Mr. Ed Anderson, who many of you met during your visit to Brunswick. He is a senior aviation economics consultant and former P-3 pilot who works for one of America's foremost aviation industrial analysis firms who has set up and run the COBRA model to measure the cost impact of identified errors in the data and methodology.

In deconstructing the COBRA scenario report and data calls, he identified areas that raised serious concerns about the validity of the DOD case for realigning Brunswick. The errors were primarily due to basing the cost analysis solely on the P-3, without accounting for planned reduction in support requirements due to the MMA program. Also, failure to account for increased mission costs and military construction cost avoidances at

Brunswick, as well as unrealistic assumptions concerning the timing and military construction at Jacksonville's inability to accommodate Brunswick's squadrons according to the proposed schedule.

First, the Navy's most significant error was to base their 20-year cost analysis solely on the P-3 aircraft, while ignoring the fact that the Navy plans to begin phasing out the P-3s in 2012, replacing them with a smaller fleet and contract to maintain multi-mission maritime aircraft or the MMA, a key element in the Navy's 20-year force structure plan.

This is precisely where the Navy's cost saving arguments begin to unravel, because the entire financial case for single-sited east coast P-3s rests on this recommendation. It's a hypothetical elimination of 403 personnel by 2011 and continuing through the remaining 20-year projection. This straight line projection of personnel savings is fundamentally flawed, because 157 of those personnel will be replaced by the Boeing Company as part of their contract for logistical support program or the CLS program. That was part of the justification for replacing the P-3 with the MMA. The CLS program will also

result in the reduction of facilities for which the Navy has claimed savings under BRAC. These errors alone result in an understatement of recurring costs by 14.2 million annually.

Second, the Navy's analysis completely ignores the substantial increase in mission costs that will result in basing maritime patrol aircraft at Jacksonville rather than Brunswick. Given that it's 1,200 miles from Jacksonville to Brunswick, and by extension, that much further to P-3 deployment sites, operational areas, and exercise areas, the increased flying time for every sortie is four to seven hours per roundtrip, at a cost of about 8,000 per flight hour.

For example, a single roundtrip to Sigonella in Italy or the Middle East will cost an additional 55,000 with P-3s and an estimated 37,000 for the MMA. This error alone results in an understated admission cost of \$2.5 million annually. Also closely tied to the increased mission cost of flying from Jacksonville rather than Brunswick are the simple fact of life costs of moving the squadrons to Jacksonville. As we conducted our analysis again, we found the Navy, while meticulous in some areas, missed the big

picture in others. For example, their analysis calculates the cost of moving people, vehicles, household goods, and so forth to Florida. However, it makes no allowance for the cost of relocating the aircraft, nor does it make any allowance for the numerous liaison flights that will take place between Brunswick and Jacksonville before and after the move.

Since it costs over 27,500 to fly each P-3 the 1,200 miles from Brunswick to Jacksonville, even if the squadrons move during deployment, they will still have to fly an additional three hours or so to reach Jacksonville. This oversight results in an understatement of one-time moving costs by \$2.6 million.

The third area in which we found the Navy's analysis faulty was in their overstatement of military construction cost avoidances at Brunswick. Navy analysts claim 6.7 million in savings due to the cancellation of Hangar 1 demolition efforts and the cancellation of the weapons magazine replacement project.

These credits are incorrectly applied to the realignment scenario, because should Brunswick be converted to an active naval air facility, it

would still be necessary to demolish Hangar 1, and it would still be necessary to complete the weapons magazine replacement in order to support future detachments of operational aircraft.

Under the realignment scenario, the Navy should not claim these savings, and therefore, understated the military construction costs by \$6.7 million.

Finally, the Navy also failed to properly consider the timing and the phasing of military construction projects at Jacksonville. We found a note in the Patrol Wing 5's realignment scenario data column that indicated the first Brunswick base squadron would relocate in 2009 upon completion of hangar military construction. But the same scenario shows that the military construction in Jacksonville could not possibly be completed by then, because the space for hangars and ramps would still be occupied by active duty S-3 squadrons. The Navy's analysis also wrongly assumes that Jacksonville would be able to accommodate 50 percent of the Brunswick squadrons when military construction is half complete. Well, it just doesn't work that way. You can't put aircraft and people into half finished hangars. No squadron

relocation can take place until all military construction is complete.

This argument is supported by Lange, submitted by Jacksonville in response to the realignment scenario data column, and I quote, "Jacksonville has no available hangar space suitable to house the type of aircraft that are relocating. Per latest naval facility's command planning criteria, each relocating squadron is entitled to one Type 2 hangar module. The S-3 squadrons are being decommissioned over the next five years, thus freeing up these hangars for demolition. Due to the size of the hangars, they're not suitable to accommodate any of the squadrons and aircraft proposed for relocation."

They went on to say, "Charles Street, a major traffic artery in Jacksonville, must be relocated. Unless Charles Street is relocated, there's insufficient area available to construct the required hangar and parking apron."

Given that the Navy proposes to spend \$119 million to build additional hangar modules for the Brunswick squadrons, the realignment of Brunswick actually increases naval aviation excess capacity.

Relocating Brunswick aircraft squadrons

and personnel requires military construction of hangars and ramp space to accommodate not only the near-term arrival of the MMA, but also to make sure it falls in hangar space from the additional Brunswick P-3 squadrons, thereby increasing the number of overall hangar modules. But the Navy also failed to account for the Type 3 MMA capable hangars in the Navy's capacity analysis.

Although the Navy recognized the MMA would enter the fleet during the 20-year BRAC implementation period, the evaluation process did not allow for, and I quote, "The introduction of aircraft types not currently on board in activity."

This restriction, therefore, prohibited the consideration of MMA's introduction, even though the Navy was well aware that it would occur one year later, in 2012.

Not considering the new MMA capable hangar already constructed at Brunswick, with an investment of \$34 million ignores this valuable infrastructure and illustrates that the Navy's methodology for calculating excess capacity is fundamentally flawed.

Even the Department of the Navy's analysis group realize that realignment is not the right

decision for them. A review of their meeting minutes for January 24th of this year reveals that the group -- and I quote, "determined the scenario to realign Brunswick did not provide a good return on investment, since it would still require significant military construction costs to relocate the aviation assets to Jacksonville and would provide reduced savings, since fewer billets would be eliminated."

Well, it is clear that the Navy failed to think through the cost of realignment. After the recommendation for closure was overturned because of its obvious strategic value, the Navy scrambled to develop a rationale in cost savings to justify realignment, but failed to conduct a rigorous analysis that would account for the future MMA role at Brunswick, the increased mission costs that it would require, and the hidden costs underlying the realignment decision. We can only conclude that the drive for false savings was overwhelming.

When the Navy's cost analysis is corrected to reflect the above additional considerations, the financial justification for realignment fails. The payback period becomes a more realistic nine years, rather than four, and the purported 20 years

present value savings of 238.8 million is closer to 56.5 million.

It is clear that the Navy's sole reason for recommending the realignment at Brunswick -- cost savings -- is not supportable by the facts. The Navy's analysis does not comply with the express requirements of military value Criteria No. 4 to consider the cost of operations and manpower implications, or selection Criteria No. 5, to consider the extent and the timing of cost savings, and, therefore, is a substantial deviation.

I now would like to introduce Congressman Tom Allen, who will address the issue of economic impact.

CONGRESSMAN ALLEN: Thank you very much. We -- there are those who accuse at least those of us who are elected officials of being able to talk all day, but it is not given to many people to be able to listen all day, and we just are very appreciative for your attention, and we've still got one facility to go. At the end of the Maine portion of the hearing, Governor Balducci will speak to the overall economic impact on Maine of the three recommendations that affect our state.

I am going to speak now to the Department

of Defense's economic analysis for Brunswick. By using the wrong labor market in its analysis, the department grossly underestimated the negative impact of the realignment recommendation. This constitutes a deviation from Criterion 6. The department calculated the impact of the NAS Brunswick realignment within the Portland/out Portland/Biddeford metropolitan statistical area. But Brunswick has its own distinct labor market area called the Bath/Brunswick labor market area.

You can see on Slide No. 1 these two different labor market areas. This is very much the same type of problem the Governor Lynch identified in connection with the Portsmouth issue.

According to the DOD figures, the realignment of Brunswick would result in the loss of 2,317 military jobs, 42 military contractor jobs, 61 direct civilian jobs, and then 1,846 indirect civilian jobs, for a grand total of 4,266 net jobs lost.

By incorrectly placing Brunswick in the Portland MSA, DOD claimed an adverse economic impact of only 1.3 percent. 1.3 percent. The reality is many orders of magnitude higher.

The Naval Air Station Brunswick accounts

for one-third of all the jobs in Brunswick.

One-third. Looking just at the net direct job loss, which is 2,420, the realignment would result in an adverse economic impact of 15.2 percent on Brunswick itself, just on the town. Spanning the scale a bit, NAS Brunswick accounts for 13 percent of all jobs in the Bath/Brunswick LMA. So, if you look at both the direct and indirect job loss, 4,266, the realignment would cause a loss of 10.4 percent in that labor market. That is the Bath/Brunswick LMA. That 10.4 percent is the figure that the department should have used in doing its calculation.

If you look at the second slide here, this bar chart, the negative impact on the local economy is eight times greater than what DOD claims. If you use a corrected economic impact figure of 10.4 percent, that would leave Brunswick with the third highest economic hit, on a percentage basis, of any community on DOD's list, after only Cannon Air Force base in New Mexico and the Crane Naval Support activity in Indiana. We also believe that the DOD projection for the number of civilians and civilian jobs lost is low. They project 61. The civilians are there to support the uniformed

personnel. Since a realignment removes all active duty presence at the base, it is reasonable to expect a high proportion of civilian jobs could vanish.

If the present ratio of military-to-civilian jobs remains after realignment, the number of civilian jobs lost could exceed 600 or ten times the DOD forecast. This prospect would increase the economic impact to 11.8 percent in the Bath/Brunswick labor market area, and obviously, if Brunswick were closed, the economic would be much higher.

Given the flawed analysis, we believe that the DOD has substantially deviated from Criterion 6, consideration of economic impact.

As those of you who came to visit the facility saw, Brunswick is a small town, with a population of just over 21,000. There are only 79,000 people in the LMA. According to an economic analysis by the state, the downsizing would cause a payroll reduction of 136 million, retail sales losses of 16 million, rental losses of 13 million, financial and insurance sector losses of 12 million, and construction industry losses of 10 million. All of those are annual figures, but the

impact on the construction industry and the housing industry should be apparent.

Just ten miles down the road from Brunswick is Bath Iron Works. With its 6,000 jobs, it is the largest single site employer in the State of Maine. Bath Iron Works is facing potentially dramatic reductions in its work force due to the widening production gap between the end of the DEG destroyer cycle and the onset of the DEX destroyer program.

We know there's private companies outside the purview of the commission, but downsizing of both the air station and the -- and BIW at the same time would deliver a double blow to the community. We appreciate that this commission is willing to consider additional information about economic impact. We urge you to consider the consequences of the potential evaporation of military-related jobs and industry in the state. Thank you, and Senator Snowe will now make closing comments.

SENATOR SNOWE: Thank you for your time and attention at this hour. I hope I'm not wearing out my welcome, but in the end, let me just say about Brunswick, because I think that it is critical to demonstrate the DOD's recommendation to

realign Brunswick is based on an overvaluation of cost savings and a gross undervaluation of strategic importance.

This equation adds up to a great risk for America's maritime security and homeland defense. It's a litany of failures in this recommendation that undermines the DOD's sole justification for realignment solely on the basis of cost savings, a failure to account for the cost savings from the airplanes of the future, a failure to account for the new \$34 million hangar that was recently constructed at Brunswick to house these new aircraft, a failure to consider increased mission costs, a failure to consider the full moving costs of transplanting these squadrons to Jacksonville. In other words, the Navy's claim of cost savings is a mirage. What is real, however, is the new post 9/11 threat environment in which we live and Brunswick's indispensable strategic value and location within that new environment.

The Secretary of the Navy, the Chief of Naval Operations, the Commandant of the Marine Corps, the Commander of the Fleet Forces Command of the Northern Command all stated and noted and recognized the strategic location of Brunswick

Naval Air Station. They said it repeatedly, stated it repeatedly in ten separate occasions. They wanted to protect and maintain the vital importance of Brunswick Naval Air Station, and that's why they rejected closure. So, it only leaves us with one question.

Why then has the Department of Defense abandoned the northeastern United States and leaving us devoid of any active military aviation assets? All the more critical to ask that question, given the fact that the Department of Defense does not even attempt to justify their realignment recommendation, which, as we know, is based solely on cost savings, which already has failed, but they have not justified this realignment that it will bolster Homeland Security, that it will enhance our readiness, or that it would increase or expand our mission capabilities. We have shown it doesn't work. Certainly, there's cost savings, but they never offered military justification as a reason for this realignment, and a closure was rejected outright by -- at the highest levels, and I think that that is a critical issue when it comes to considering Brunswick Naval Air Station, because of its overwhelming strategic

value in terms of its location. All the more so because it represents the only remaining active airfield in the northeast, home to the -- obviously the most devastating attack on September 11th -- home to 18 percent of the most populous region in the country.

So I happen to believe, we all happen to believe, we are here today because we believe that that should trump any decision to close or realign Brunswick Naval Air Station. But rather, it should remain open so that it is able to respond at a moment's notice with respect to Homeland Security questions or homeland defense issues; that it should remain as a fully-manned active fully-operational Brunswick Naval Air Station. We thank you for your consideration and your patience at this time.

PRESIDING COMMISSIONER NEWTON: As soon as I get a microphone. I think we have -- do we have any questions from the commission on this particular subject? Okay. We're ready to move to the next one.

SENATOR SNOWE: If you don't mind seeing me again.

PRESIDING COMMISSIONER NEWTON: Not at all.

SENATOR SNOWE: The Department of Defense gave us a lot of work. I said the Department of Defense is giving us a lot of work. They're keeping us busy these days. Thank you again. As we proceed in this hour to the case where the Defense Finance and Accounting Service, the Limestone Field site, and I want to thank you gentlemen for being able to visit DAFS Limestone last week. We were pleased that you were as impressed as we were with that facility, and we all realize you had quite a challenging travel schedule to fit in Buffalo, Atlanta, and Limestone in three days, which you managed to do it in only two, and we fully appreciate that.

The case we will present to you today will demonstrate that DAFS Limestone should be maintained because the Department of Defense substantially deviated from the BRAC criteria recommending its closure. I'll begin by providing a brief overview, then I'll discuss Limestone's distinct military value. But first allow me to tell you about one compelling aspect of this case. Unlike most other BRAC proposals, this recommendation to close Limestone represents a double closure. As a congressional representative

during the 1991 BRAC round that resulted in Loring Air Force base closing in September of 1994, I can tell you that closure had nothing short of a devastating impact on this very rural community. At the time of the closure announcement, the facility employed 4,500 military and 1,100 civilian personnel, and their layoffs increased that region's unemployment by more than one-third.

This is crucial to understand, because DFAS Limestone has been the cornerstone of economic recovery efforts. So, hitting this area twice within 15 years with additional job losses would be a cruel blow to the area that is only now beginning to see progress in recovering from its prior BRAC loss.

During our presentation today, we'll demonstrate that this recommendation to close one of the most effective facilities in DFAS system should be rejected for six essential reasons. First, the Limestone Field site is located in a secure, structurally sound facility that uses state-of-the-art technology. Second, it has highly trained and motivated employees who provide premier finance and accounting services for our warfighters and has a proven track record of efficiently

performing its missions at a cost substantially lower than the rate for the other DFAS sites.

Third, the data that the department used to determine the military value area ranking for DFAS facilities was based on a number of flawed assumptions that produced misleading and incorrect results, all in substantial deviation from Criteria 1 through 4, as well as Criterion 7.

Closing Limestone does not save the department money. In fact, it would cost \$7.8 million, and those costs are not recovered during the 20-year BRAC horizon. By contrast, expanding the number of personnel in Limestone's low-cost operation in a facility that can really absorb such expansion, without additional military construction, saves the department money. Limestone's operating costs are half those of DFAS facilities in Columbus and Indianapolis, and a third of those at Devens. It make sense to expand the operations at the lowest cost facility in order to save more money.

The department's own COBRA model demonstrates an expansion at Limestone would achieve that.

Fifth, DOD failed to consider the severity

of the economic impact of the closure decision on Aroostook County. DFAS Limestone is one of the area's largest employers; that the average wages are 50 percent higher than the rest of the county; and that the regional impact of this closure is greater than any other community in the nation. Although DOD's own data does not contest these facts, DOD did not apparently weigh them properly, and DOD's failure to do so was a substantial deviation from Criterion 6.

And finally, this recommendation should be rejected because the Limestone facility is ideally suited for expansion as a low-cost center of excellence within DFAS. My colleagues and I will speak to all of these issues, and I'll get us started by turning to show how DOD substantially deviated from the statute's military value criteria.

DOD's headquarters support activities group based their closure recommendation on a flawed model and inaccurate information that underrepresented Limestone's military value.

Specifically, the data that the DOD used to determine the military value ranking for DFAS facilities is based on at least four faulty

assumptions that produced misleading and incorrect results and thus led to a substantial deviation from Criteria 1 through 4.

First, DOD's model automatically rated as insecure any DFAS site not on an active military base. But this one part of the model, which accounted for a critical 15 percent of the overall military value score, failed to recognize the account of the stringent antiterrorism force protection measure already in place at a former Air Force base, such as an antivehicle fence, a large buffer zone, and a controlled access. While we certainly agree that security is a valid consideration, the facility's scores should have been based on its own specific merits and not given an arbitrary one-size-fits-all score of zero.

Even if full credit is arguably appropriate for facilities located on a military installation, that doesn't mean that a unique location such as Limestone lacks necessary security and must, therefore, categorically be denied any credit. In fact, the Army Corps of Engineers recently performed a security assessment of DFAS Limestone and concluded that it meets nearly all DOD force protection standards and is far more

secure than most other DFAS facilities.

Moreover, the assessment found that the standards Limestone does not currently meet can be corrected, both inexpensively, safely, and easily. Simple task, moving parking spaces back so that they're at least 33 feet distant from the building. Relocating the mail room to an exterior wall, and placing the wire mesh panel around an area where the roof overhangs the building. And finally, it should be noted that while DOD penalized Limestone for not having security clearance, new state-of-the-art digital cameras are in fact now up and running. For all of these reasons, we believe that DFAS Limestone rates a security score of .15.

Second, an additional 5 percent of DOD's military value score was based on the nature of the local work force pool. But DOD's model automatically gives a score of zero at these facilities because they do not adhere to the Department of Labor work force listing of primary Metropolitan statistical areas or MSAs over 100,000. Obviously, this metric arbitrarily penalizes a facility such as Limestone for being located in a rural setting. In actuality, Limestone's local work force pool has proven to be

extremely effective in meeting the needs of DFAS.

Each and every time an expansion has occurred at Limestone, there has been more than ample applicant pools from which to choose. In an area with 7.5 percent unemployment, I can assure you, there is many qualified applicants looking to compete for what are high-paying jobs for the area.

In previous expansions, Limestone accomplished new hires in 9.2 days, the lowest rate among all the 26 DFAS facilities.

We believe Limestone should have been afforded a score that recognizes this work force exists and is commensurate with other rural areas, such as Lawton, Oklahoma. Therefore, we believe a score of .002 is a fair score for DFAS Limestone.

The third area where DOD fundamentally erred in assessing the military value of Limestone was in scoring the condition of the facility. Had Limestone received a red score, meaning that DOD thought Limestone required major construction, maintenance, or repairs greater than \$250,000 over the next five years. In fact, though, Limestone should have received a higher score, a green score, because it actually has repairs amounting to less than \$100,000. So, no aspect of the Limestone

facility has failed or is failing. Rather, the budget data that DOD relied on here was not a required maintenance list, but an optional wish list that, ironically, DOD itself solicited from DFAS. The plain facts are that Limestone is in excellent condition. It just completed an \$8.6 million renovation project in 2001, and the facility should have received the highest ranking in this category. Therefore, we believe DFAS is actually a green facility and, therefore, rates a .14 scoring.

Finally, although Criterion 2 explicitly states that military value should be based on the availability and condition of land, the model DOD created to assess DFAS facilities did not even include a metric to capture that data. This clearly penalized Limestone, which sits on some 15 acres of land that could be available to DOD for possible expansion at little to no cost. DOD's failure to recognize this fact, again, deprived Limestone of a more comprehensive and accurate military value scoring. Given all of these and all related errors by DOD in assessing Limestone, DOD substantially deviated from Criteria 1 through 4. Had Limestone been given full credit for the secure

nature of its facility under Criteria 1, its work force pool, and its facility condition assessment rating had been changed from red to green, then its military value score would have been .840. It would be given the second highest military value score among all 26 DFAS facilities. Such a rating clearly would not have warranted the profoundly wrong closure recommendation we face here today.

I'd now like to turn to my colleague, Senator Collins, who will discuss the issue of cost savings with regard to DOD's flawed recommendation.

SENATOR COLLINS: Mr. Chairman, Commissioners. I am going to discuss Criterion 5, which deals with potential costs and savings. The Department of Defense assumes that the DFAS closures would start in 2006 and be completed in five years. The initial one-time cost for this plan is \$282 million. It would be paid back in the first year and the 20-year net present value of total savings would be \$1.3 million. Based on this analysis, it appears that the department would reap substantial savings from an overall consolidation. There is, however, a fatal flaw in this analysis. While the department did an overall analysis of the savings that would result from consolidation, it

did not examine the specific costs and savings related to the proposed closure of DFAS Limestone.

In fact, the department did not do COBRA runs for any scenarios that would involve keeping Limestone open. This is precisely the issue raised in Chairman Principi's letter to the Pentagon of July 1st.

This submission led to a flawed plan that would not be in the best economic interest of the Department of Defense, the State of Maine, or the American taxpayer.

By using the department's own certified data and its own COBRA model, we will demonstrate that the best option for the department is not to simply leave Limestone open, but actually to expand it. Our analysis shows that keeping DFAS Limestone open would maximize savings and reduce costs overall.

An expert hired by the State of Maine examined the department's COBRA run on the DFAS consolidation plan. He then ran the COBRA model to determine the effect on the bottom line costs and savings of three different alternatives to the department's recommendation. The first, assess the impact of keeping the status quo at DFAS Limestone.

The second, examine the impact of growing Limestone to 480 positions; and the third evaluated the impact of expanding Limestone to 600 positions.

I want to emphasize that the analyst made no other changes in the overall data, and that this -- these data are DOD certified data. He ran the COBRA model covering all 26 facilities. He then compared the scenarios where DFAS Limestone remained open or expanded with the department's overall COBRA analysis under which Limestone would be closed. As this chart shows, the results of this analysis are remarkable.

Using the department's own certified data, it is clear that closing DFAS Limestone would result in significant costs, not savings. In fact, the COBRA model demonstrates that the best way to maximize savings is for the Department of Defense to actually increase the work force at Limestone.

This chart shows the COBRA results of the four possible scenarios. On this chart, the horizontal line in the middle represents the status quo. That's keeping Limestone open with its currently-planned number of employees.

The line above the horizontal represents the cost to the department over time from closing

Limestone. The lines below the horizontal represent savings to the department from expanding Limestone. The department's own COBRA model demonstrates that when you evaluate the proposed closure of DFAS Limestone on its own merits, the closure does not contribute anything to the savings from the overall DFAS consolidation.

In fact, it's just the opposite. This chart demonstrates that the costliest option for the department, the top line of the chart, is to close Limestone. Retaining Limestone, by contrast, would save the department \$1.4 million in one-time military construction costs to renovate the Columbus site, as well as \$6.4 million in personnel and moving costs, for a total of \$7.8 million.

Those costs are the spike that you see on the top line at the chart in the year 2008. According to the COBRA run, there would be no savings over the 20-year BRAC period from closing Limestone. Even maintaining the status quo at DFAS Limestone is preferable to closure. If the status quo were maintained, that's the horizontal line on the chart, the department would avoid spending the \$7.8 million I just discussed.

As you can see, however, the greatest

benefit to the department is to increase the size of the work force at Limestone. The business case for increasing the work force there is compelling. DFAS Limestone could accommodate an additional 239 employees for a total of 480 with no military construction costs.

For the purposes of this model, it is assumed that these positions would be those that the department proposes to move from Norfolk to Columbus. By moving them instead to Limestone, it eliminates the need for military construction funding at Columbus. This also produces other savings, because overhead, as well as personnel costs, due to differences in locality pay, are demonstrably lower in Limestone than in Columbus. This alternative would save 2.9 million one-time costs and the 20-year net present value would be savings of \$10.8 million.

The savings for this scenario, in comparison to the plan put forth by the department, are even more startling. Compared to the department's proposal, an expansion of Limestone to 480 people would save 10.7 million in one-time costs, and the 20-year net present value of the savings from this alternative would be \$12.5

million.

Growing DFAS Limestone would provide even greater savings to the department over the long term. This is evident when you examine the scenario shown on the bottom line of this chart, whereby Limestone would receive an additional 359 positions, bringing its work force up to 600. This scenario would require military construction funding of \$1.23 million, which would allow for the renovation of 24,000 square feet at Limestone.

But this cost would be more than offset by the savings that result from reduced personnel and overhead costs.

Again, let's take a look at the substantial savings this option would provide in comparison to the department's plan. This proposal saves 11.9 million in one-time costs and results in a 20-year net present value savings of more than 15 million to the department and to the American taxpayer.

Commissioners, BRAC Criterion No. 6 states that the department needs to consider the economic impact on communities in the vicinity of military installations. The department -- while the department did analyze the economic impact of the

closure of Limestone, this analysis did not play a role in determining which sites were chosen for consolidation.

At the onset of the process what the department did is it ran what they call an optimization model to determine the shape of the DFAS consolidation. But that model did not take into account economic impact. Nevertheless, that was how the department determined to go forward with the three sites. We have specifically asked the department if the economic impact were included in the optimization model. The answer we received back, and I have the document on the chart before you now, was that the optimization model to determine the three gaining locations for DFAS did not include economic impact.

As the department's own analysis shows, the economic impact of the closure of DFAS Limestone on the surrounding communities in northern Maine is the most severe among all of the 26 affected DFAS sites.

In other words, Commissioners, the department calculated the economic impact, but it did not consider it in making its decision to choose Limestone as one of the sites to be closed.

Despite the clear mandate in the BRAC criteria, economic impact was not factored into the initial closure decision which became the final decision.

This disregard represents a substantial deviation from Criterion 6, and it is particularly important in this analysis, because this closure would be a double blow to northern Maine, given the previous closure of Loring Air Force base. I grew up just ten miles away from Limestone. Much of my family still lives in the area, so I know it well. DFAS Limestone has been the anchor for the redevelopment of the base, and closing this facility, based on faulty analysis, would be unfair and unwise. Thank you for your attention. Our next speaker is Congressman Michaud.

CONGRESSMAN MICHAUD: Thank you very much. A lot of -- I'm going to be speaking today, General Newton, commission members, based on the substantial deviation from the military value criteria outlined by Senator Snowe and the potential cost saving that was shown by Senator Collins. A more efficient option for DFAS consolidation that would enhance military value would be to actually grow Limestone. We understand that DFAS is using the BRAC process as a tool for

transformation. But they do not yet have a final vision of what they want it to look like. The deputy director of DFAS, General Eckle, has stated that DFAS is not sure what its organizational structure will look like in the future. They are looking to the private industry for models for a better organization.

And finally, they are waiting for the outcome of the BRAC process. Many options for the future of DFAS should be on the table. However, DOD created only one scenario for this future, and it does not take advantage of the transformational business practice available to DFAS.

It does not have -- it does not have to be that way. As a virtual network, DFAS operation can be performed at almost any facility with the proper technology and a motivated work force. Because DFAS is a working capital fund, any savings or improved efficiencies results in the direct benefit to the customers. And as we all know, DFAS customers are military personnel. So, DOD should follow the guidance of the private sector and put DFAS operation at the most cost effective and secure facility. Limestone is exactly that facility.

When we asked DFAS if the BRAC process commission decides to keep Limestone open, General Eckle responded that DFAS would determine an appropriate business line and would build a -- and I quote -- "center of excellence" in Limestone. As a center of excellence, Limestone could focus on and expand any of its current missions or perform a new business line, as identified by DFAS, following the BRAC process.

You might ask why should Limestone be a center of excellence? Limestone's track record demonstrates that it is already a center of excellence for DFAS, and we would have no difficulty in expanding its mission within a realigned DFAS. Limestone repeatedly and successfully gained work through DFASwide realignment because of its superior performance. And it has been -- never had any difficulty recruiting qualified and dedicated employees to fill those jobs.

Limestone is one of only two facilities serving the Air Force and now supporting 72 Air Force and Air National Guard customers handling \$7 billion in vendor pay and 14.5 billion dollars in accounting. It provides critical accounting

support for men and women serving in Operation Iraqi Freedom and Operation Enduring Freedom. And as we recently heard from the Secretary of Defense, we may be in Iraq for a significant amount of time, perhaps 12 years.

We should not undermine this critical support for our troops in the field. Limestone was recently selected to carry out the database consolidation of the US Air Force Europe, Air Force Special Operations Command, and Air Education and Training Command, and the process of defense traveling system payments and collections for the Department of Defense. Limestone is the only facility with the unique expertise, including language and cultural skills, needed to effectively handle the business operation of eight US Air Force and Europe main bases. Expertise that, according to the director of DFAS Limestone, would take more than a year for new employees at a facility to gain.

Limestone is also an award-winning leader in improving DFAS-wide operations and cost-saving efforts. Limestone led the way in developing a cost saving retrieval and the LOUIS software and now Limestone is leading DFAS into the future as a

field -- as a first field site to use ePortal. As a center of excellence, Limestone would continue leading DFAS at a substantially lower cost than the vast majority of the other sites, including the recommended receiver sites in Columbus, Denver, and Indianapolis.

Because of its location, Limestone costs are lower and its efficiency higher. Limestone is in its first year of a 50-year no-cost renewable lease. The Limestone facility is capable of adding substantially greater number of employees and could physically expand while still creating overall cost savings to the BRAC process.

Limestone can immediately expand operation by 36 percent from its current size of 353 employees to 480 by simply installing cubicles and work stations, or they could expand by 65 percent to 600 employees with minor renovations.

Limestone then could double its size by going to shift work. As Limestone serves clients in 11 different time zones, most notably United States Air Force Europe, this change would make a great deal of business sense. Unlike the proposed consolidation sites, Limestone is surrounded by 15 acres of free land that could be made available

through the Loring Development Authority. And it is likely that construction in northern Maine would be significantly less expensive than in other parts of the country.

The Limestone facility is also certified as compliant with all force protection requirements. Recent renovation of nearly \$8.6 million, which were performed by local contractor below estimated costs and ahead of schedule, makes Limestone one of the most state-of-the-art facilities in the DFAS system.

Limestone also has unique military value because it is located on its own local power grid with backup generators. Columbus and Indianapolis are located on the same power grid. Should this grid fail, two-thirds of the DFAS network under the DOD proposal could be shut down. Limestone uniquely fills the requirement for strategic redundancy for DFAS and in the case of an attack or natural disaster. In a virtual network, this type of security and strategic redundancy is critical to ensuring continuity of business operations.

The low cost of operation and the nature of the facility clearly demonstrates the military value of Limestone to the DFAS system. But it's

its employees that sets Limestone apart from the other DFAS sites.

DFAS is not just a job for the employees at Limestone. It's a career. They are truly dedicated, serving our men and women in uniform. In fact, approximately 17 percent of the employees at Limestone are veterans. These people love where they live, and they love their work. And it comes through in their supervisory work product. 85 percent of the employees have at least some college education. 50 percent have associate degrees or higher. Labor relations are excellent. There has not been a single formal grievance or EEO complaint filed in the entire existence of DFAS Limestone.

Job satisfaction is higher at Limestone than the other three recommended sites, according to the most recent organizational assessment survey. The pay, working environment, and mission makes DFAS an employer of choice in Aroostook County and much of the State of Maine.

Limestone has never had any difficulty recruiting qualified applicants for new positions. In fact, as you heard earlier, it has the shortest hiring time -- at 9 .2 days -- of any DFAS site. And Mainers are ready and capable of filling new

jobs at the facility. The population within a 30-mile radius of Limestone is 38,300, and the total population of Aroostook County is 73,390. According to the 2,000 census of population, Mainers are willing to travel great distances for good jobs. An employer of choice, DFAS is that job.

The University of Maine, the Northern Maine Community College and Husson College provide academic and professional courses. They will sustain a strong supply of workers.

Studies performed by the University of Southern Maine Center For Business and Economic Research and the Northern Maine Development Commission have shown that individuals who have left Aroostook County would return, and that the young people would stay if good-paying jobs were available. Again, DFAS offers that good job.

And finally, assuming that some sort of consolidation of the DFAS system will take place, the cost of living and the quality of life would attract many realigned employees to Limestone. DFAS has proven itself to be critical, both as part of DFAS community, but also as part of the local community. Its closure would be devastating to

both. Expanding Limestone is consistent with both the purpose of BRAC and the DFAS transformation strategy to focus work at a virtual center of excellence.

Limestone is capable of significant growth, and as Senator Collins showed, growing Limestone would increase the cost savings of the BRAC process.

Now it's my pleasure to introduce Carl Flora to discuss in greater detail the ability of the local population to supply the necessary work force.

MR. FLORA: Mr. Chairman, commission members, I am Carl Flora, President and CEO of the Loring Development Authority, the entity charged with redeveloping the former Loring Air Force base which closed in 1994. Loring Commerce Center is now a thriving business and aviation partner that is home to more than 20 diverse employers who have collectively created nearly 1,450 jobs. DFAS Limestone was the first large employer at Loring Commerce Center, having set up operations in 1995. It has served as a cornerstone for our economic rebuilding efforts. DFAS Limestone's current 353 employees represent almost a quarter of the jobs

that have been created at the former air base. We have been asked to consider several possible scenarios under which DFAS Limestone's mission would be expanded from its current level of 353 to 480, 600 or even a thousand or more employees. Given Loring's rural location and a relatively small local labor force, it is prudent to ask where the employees will come from to staff such a large expansion.

Where in my ten years at the LDA, many of the other employees who ultimately chose to locate at Loring asked us the same question. Following Loring's closure, there was a period of severe population loss, and while unemployment has subsided, what remains today is chronic underemployment. According to the Maine Department of Labor, the average wage in the area is 25,000, which is well under the national average. Again, according to the state, the average pay for the DFAS jobs is 39,000. Because the salary and benefits at DFAS are high by local standards, DFAS is a regional employer of choice. As such, DFAS has had no problems attracting qualified candidates to fill positions. It ranks best amongst all DFAS centers with its 9.2-day average hiring period.

Indeed, this is exactly what other Loring employers have found. Compensation that is perhaps only mediocre by national standards is extremely competitive in our region and will guarantee access to many workers with skills for which there is an over-supply or light demand in the region.

These workers do not show up in the unemployment statistics, because they are, in fact, employed, but not in the best or most suitable jobs. These circumstances clearly open the door to hundreds, even thousands of workers.

Another factor that can be assured of an abundant supply of workers is the out-migration mentioned before. Many Aroostook County residents have found it necessary to leave the area in pursuit of a career, especially following Loring's closure. However, many of these people will still have family connections and a desire to return to Aroostook County. These people constitute a shadow work force. Given the right economic opportunity, they will return to Aroostook County to live and work. DFAS Limestone is that opportunity.

I will direct your attention to a group of letters from other local employers testifying to the abundant supply of human resources and talent

within the region. I would also point out the letter from Joe Wishert who heads Maine & Company, a nonprofit organization which has been at the forefront of business recruitment efforts in the state for many years. Mr. Wishert reports a shift in the thinking amongst the private sector companies seeking to locate new operations and among site location consultants in the system, such that under-employment is now considered a major factor in the analysis of work force availability. He also notes the success of MBNA of Belfast, Maine, which, incidentally, is a smaller labor market than Presquile, where MBNA is a regional employer of choice for 2,000 MBNA employees.

In summary, the loss of 353 DFAS jobs will be devastating to an area that has only begun to recover from the loss of Loring Air Force. But the loss of DFAS cuts deeper than just lost jobs, lost payroll indirect impacts on the economy and further out-migration, it also represents the loss of a premier employer around which many people's hopes and aspirations are focused. Thank you very much. And I will now turn back to Senator Snowe.

SENATOR SNOWE: I want to thank you, General Newton, and Chairman Principi and members

of the commission again for your patience in this final hour, and I know it's been a very long day. In summation, with respect to DFAS Limestone, you have heard how DOD substantially deviated from the core BRAC selection criteria. The DOD based Limestone's military value solely on the fact that Limestone's not located on an active military base, so therefore, gave a rating of zero. And yet, if they had made a site visit, they would have discovered that DFAS Limestone was located on a former strategic bomber base, with an antivehicle defense, large buffer zone, and a controlled access perimeter. Those facts, combined with the excellent condition of the facilities, should have earned Limestone one of the highest military value scoring of any DFAS facility, not to mention above those three receiving sites.

Moreover, DOD's military value also did not account for the reality that Limestone is already filling job vacancies in the quickest hiring time of any DFAS facility. With regard to cost savings, as Senator Collins indicated, we have demonstrated that while DOD would incur costs by closing Limestone, they would actually save money by expanding the work force at Limestone, because

of its low-cost operation and its high efficiencies. And it would not require any additional construction for investments.

You also have seen how DOD further shortchanged Limestone by wrongly counting future purely optional projects against Limestone's facility ratings, and failed to give credit to the availability of 15 acres of land for potential expansion at no additional cost to DOD. If not for these oversights, Limestone would have received the highest score for conditions of land and facility.

Now, we have also shown how the department ignored that closing Limestone would increase unemployment in Aroostook County by more than a third, as Carl Flora indicated. And finally, with its reputation and numerous awards for excellence, for low-cost operations, for low expansion costs superior work force, state-of-the-art technology, high degree of security, and potential cost savings, we submit that DFAS Limestone should experience a growth in the work force as a DFAS center of excellence, because excellence is what Limestone is all about.

Mr. Chairman and members of the commission, I just want to express on behalf of the

Maine delegation our appreciation to you for according us, I think, a most responsive, courteous, and considerate approach in a very public-oriented process. And all of us representing Maine, as well as the New Hampshire people who were here previously, are happy -- on behalf of the workers, the families and supporters we thank you. We thank you from Brunswick and from Portsmouth and from Limestone, from the entire State of Maine and New Hampshire for helping us to make our presentations and our cases here today and for being willing to be so patient and responsive.

And finally, I'd like to introduce the Governor of Maine who will give a final statement on the statewide economic impact of all three recommendations made by the Department of Defense as it affects the State of Maine.

GOVERNOR BALDUCCI: Mr. Chairman, Chairman Newton, and members of the commission. I first want to thank the delegation for working as well as they have in working together, because it was of this very important matter, and I want to thank the citizens who have come here to Boston who have shown in their voices and their presence the importance of what 's happening to our state.

I remembered that my first conversation with Chairman Principi when I met him before the announcement came out he said to me -- we were talking about different criteria and mentioned about economics, and he said, Economics isn't one of the highest criteria, but if you've got a strong case, you should make it. And I think Maine has a very strong case.

Before I get into that particular case, one of the things I want to also reflect on is that is all the numbers and charts and graphs really don't reflect what -- really what is at issue here is the people. Whether it's in Portsmouth or DFAS, those are the people -- and Brunswick -- all over the State of Maine that are performing their work I believe not only on time, under budget, but at the highest quality that you're never going to find anywhere else in the world. But I do believe the economic issue to the state is significant. And the economic impact to Maine, I believe, is probably one of the largest impacts of any other state in the nation.

First, I want to thank all of you for your courteousness to all of us in your visits and your phone conversations and continued mailing back and

forth, because you've been accessible. You've been listening, and you've been sharing information back and forth, and I want to thank the staff for their work, because I know that each one of you have certainly exchanged back-and-forth conversations with all of our people.

This is very, very important to the country, and it's very, very important to the entire State of Maine. The citizens of Maine have a long and distinguished history of service to our nation in times of need. In 1863 the Battle of Gettysburg, the 20th Maine Regiment, led by General Joshua Chamberlain, turned the tide at Little Round Top, and in the view of many historians, literally saved the union.

Today, Maine has one of the highest rates among all states in the deployment of National Guard men and women. Maine's population accounts for less than one-half of one percent of the nation, yet the state has consistently sent two, three, or even five times its share of service men and women in times of war. We did so during the Civil War, both world wars, Korea, Vietnam, Desert Storm, Iraq, and Afghanistan. And in each, we suffered disproportionate casualties.

Today, speaking on behalf of all Maine people, let me say that we wish to continue to serve the nation as best we may, and we will.

If establishing economic impact is one of the criteria for the BRAC evaluation process, then Congress has created a dilemma for the commission. No base closure realignment will be without its economic impacts -- at times positive, at other times, quite negative. How then is a commission to make economic impact a meaningful consideration? Certainly, the most reasonable approach is to consider not the mere presence of economic impact, nor necessarily its absolute magnitude, but its relative size among affected areas.

No region should be asked to improve the nation's military efficiency by paying a disproportionate share of the economic cost. Yet this is exactly what the DOD plan proposes. Its recommendations and their consequences will amount to a federally-induced major economic recession in Maine, one deeper than the DOD figures would lead you to believe, and one from which the people of Maine will be years in recovery.

From the extreme northernmost point of Maine to the southernmost tip of Kittery, the

statewide impact of the DOD plan will be massive. The closure of any single installation would be painful. The closure of three together will be felt throughout the Maine economy for years to come.

Closing the DFAS center will hurt an already struggling northern region. Closing Portsmouth, realigning Brunswick will compromise all of southern Maine. In Maine's southernmost county of York, more than 4 percent of the workers will become unemployed as a result of the DOD plan. And since the shipyard's pay levels are nearly twice the average in the region, the percent of total wages being removed from the regional economy will be even greater, fully 12 percent of all wages paid in the 20-mile region, 11 percent of all wages in the 30-mile region. These are numbers one would expect to see only in times of a severe recession.

The thousands of workers who are going to lose their job at the shipyard have highly specialized skills that do not transfer readily to other industries. Many are advanced in their careers and have spent decades tailoring their skills to meet the Navy's needs. Their skills are today unmatched, yet there are not businesses or

industry in the region capable of absorbing thousands of newly-jobless shipyard workers.

Long-term projections suggest that traditional manufacturing jobs in southern Maine will continue a pattern of decline. Helping 5,000 shipyard workers adapt their skills to new industry while supporting their families will be an unprecedented undertaking on the part of the state.

The lack of immediate job opportunities in the area inevitably will force some workers and their families to leave Maine. We'd like to give you a similar assessment for the impact of Brunswick on the midcoast region of Maine, but we've been unable to obtain the information from the Navy. We have very little information on which positions will leave, which will stay, which buildings will be mothballed, and which will be available for reuse.

We know that the DOD estimates a loss of 4,655 jobs and \$135 million in wages and salaries in the region. This alone suggests the impact will be far-reaching. However, the impact of realignment will be magnified by the local economic conditions that DOD didn't even consider. The midcoast Maine economy today is struggling. As

Representative Allen discussed, major work force reductions at Bath Iron Works, the state's largest defense contractor, builder of Navy destroyers, next door to Brunswick. In 2004 and '5, BIW laid off 675 workers from jobs paying some of the highest in the region. Over 500 individuals are currently collecting unemployment insurance and face limited prospects for re-employment.

The skills and qualifications of BIW workers are very similar to those at Portsmouth. Flooding the regional labor market with thousands of workers with similar skills will further handicap the re-employment prospects in Maine and New Hampshire. The DFAS Limestone center is located in Aroostook County, one of the most economically-challenged regions in the nation. The unemployment rate in Aroostook is currently 7 and a half percent, and out-migration is a chronic problem, due largely to its remote location and the decline of traditional agriculture and forestry. DFAS is among the area's largest employers, and the average wages are 50 percent higher than the rest of the county.

The DOD decision to close DFAS Limestone, in fact, represents, as Senator Collins and Senator

Snowe have said, a double closure. The 1994 closure of Loring Air Force base had a devastating impact on the local economy. At that time, the facility employed 4,500 military and 1,100 civilian, and while the region has not fully recovered from this painful blow, DFAS Limestone has become the cornerstone of that effort and has provided area residents with well-paying jobs and benefits. The DFAS job losses will increase the number of unemployed in the region by more than one-third. When indirect jobs are included, our economists calculate close to 600 total positions will be eliminated, increasing the number of unemployed Aroostook residents by more than one-half.

There also will be a severe depopulation effect in the county with a long history of out-migration. The loss of 360 well-paying DFAS jobs will deepen this problem. Workers who relocate to find work will take family members with them. In sum, the total direct and indirect effect on wages in Maine from the loss of these facilities will be the equivalent of losing the state's entire farming, fishing, forestry, and logging industries. In terms of employment, it will be the equivalent

of losing either the state's paper manufacturing industry or the hotel/motel sector of Maine's tourism economy. It will be nothing short of a catastrophe.

Under the DOD plan, the nation as a whole is asked to sacrifice some 26,000 direct jobs in order to improve overall military efficiency. Among the 50 states, there are 22 net gainers of direct jobs, and 28 net losers. The job losses will be difficult in each state, but some states will feel the loss more deeply than others. Of the 28 net losers, only three states will lose more than 4,000 direct jobs: Connecticut, Maine, and Alaska. Maine will lose 6,938 jobs directly, second only to Connecticut. In terms of the number of civilian job losses, Maine is only second to Virginia. And if you add the indirect job losses calculated by DOD, Maine's loss will total 13,418, which is 2.1 percent of the state's total employment in 2002 -- second only to Alaska, at 2.4 percent, and far greater than any other state in the nation. These dire numbers do not, however, paint a complete picture of the DOD plan's impact across our state.

Job losses will be difficult for every

state, but the size of many other state's economies will help them soften the blow. Maine has a small population and a small work force compared to other states. Of the three states losing more than 4,000 direct jobs, Connecticut will lose civilian jobs equivalent to .5 percent of its total employment. Alaska will lose 1.1 percent. But Maine will lose 1.7 percent. By far the highest percentage of any state in the nation.

Further, the substate area impacted by the DOD plan in Maine is far larger than that of any other area in the country. Other high impact areas tend to be small, both in terms of their absolute size of the labor market and relative to the state's total employment. The economic area absorbing the bulk of Maine's impact represent over half of the state's total employment. By any measure, Maine is being asked to carry a grossly-disproportionate burden of the reductions. For our state, the DOD plan will be nothing less than a federally-induced major recession. Total estimates of civilian job losses are the equivalent of 1.5 percentage point increases in Maine's unemployment rate.

Our best estimate of the percentage of

total wage and salary earnings that will be lost is even higher at 3.5 percent. Indeed, 13,418 direct and indirect jobs -- that's the total that DOD predicts Maine will lose -- will be eight times greater than the job losses of the 2001 recession, and even larger than the devastating recessions of 1990 and '91.

All this, as I say, is based on DOD's own analysis. And it's especially distressing to me to report, however, that that analysis appears seriously flawed and not a reliable basis for the commission's decisions in these most serious matters. Let me point out briefly just two significant problems we've encountered in trying to figure out for ourselves what the full economic impacts of the DOD plan will be.

The first is incomplete information. We lack, for example, the critical information about the proposed realignment of the Brunswick Naval Air Station. The DOD analysis removed 2,420 military jobs from authorized manpower levels of 3,275, which is a reduction of 74 percent. However, our information is that the current military personnel assigned to Brunswick total 4,410. So, if the same proportion is to be reduced on the higher figure,

the direct loss will be 3,260 jobs, equivalent to a complete closure and shutdown of the base using DOD figures.

Nor is it clear just what military personnel will be left at Brunswick -- neither how many or what their roles will be. This is crucial to understanding the economic impact of the plan. The DOD analysis leaves 825 military employees at the base. But they may have little or no positive role in the local economy. If the only military left there are reservists doing training, there is almost no economic benefit to the community, as reservists and guard personnel are counted in the employment of their home regions, not where they're stationed.

Second, the economic impacts estimated by DOD are only a partial picture of what will actually happen. Critically, the DOD analysis for bases like Brunswick ignores the related affects on population migration. In their analysis, it says, If military personnel were to leave but their families were to stay behind. This is a particularly acute issue in the case of Brunswick where up to 5,700 dependents of military personnel will leave the area under the proposed realignment.

Taking those losses into account, the impact of Brunswick's realignment could range from 5,800 to 7,500 job losses, in comparison with DOD's estimate of 4,300 -- as much as a 74 percent increase.

These figures also ignore the potential loss of some portion of the nearly 6,000 military retirees who live around Brunswick Naval Air Station. A similar problem exists on the analysis for Portsmouth, which has been referred to a couple of times in the testimony. So, taking into account the analysis of both Maine and New Hampshire's economies, the effect could be 15 percent higher than DOD estimates when population migration is taken into account.

In summary then we find that the DOD plan is founded upon flawed economic and financial data; if implemented, will have the effect of a federally-induced major economic recession throughout the entire State of Maine, and I ask you, is this the act of a grateful nation to a state that has, throughout its history, given so much to the national's highest purposes? Again, on behalf of the people of Maine, I'd like to thank you for your time, attention, and consideration. Thank you very much.

PRESIDING COMMISSIONER NEWTON: Thank you very much. Thank you. I have one request. I'd like to have probably for your detailed analysis of an increase up to 600, as well as up to 1,000. I'd like you to present that for the record for me, please. Do you have any other questions? Probably not.

Once again, I want to thank the Maine delegation for your presentation this afternoon. And this concludes our Boston regional hearing, and I want to thank all of the elected officials and the community members who have assisted us during our base visits, as well as our preparation for this hearing.

Finally, I want to thank all the citizens of the communities represented here today that have supported the members of our armed forces and our armed services during so many years, making them feel welcome and valued in your towns. It is that spirit that truly makes America great. Thank you, and this concludes this hearing.

(Whereupon the hearing adjourned at

5:58 p.m.)