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89-F-1275

# OFFICIAL TRANSCRIPT PROCEEDINGS BEFORE

DEFENSE SECRETARY'S COMMISSION ON  
BASE REALIGNMENT AND CLOSURE

BUSINESS MEETING

NATIONAL SECURITY INFORMATION  
Unauthorized Disclosure  
Subject to Criminal Sanctions

Washington, D. C.

November 28, 1988

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BUSINESS MEETING

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DEFENSE SECRETARY'S COMMISSION

ON

BASE REALIGNMENT AND CLOSURE

9:00 a.m.

Monday, November 28, 1988

1825 K Str., N.W., Suite 310

Washington, D.C.

MEMBERS PRESENT:

HON. JACK EDWARDS, Co-Chairman

HON. ABRAHAM A. RIBICOFF, Co-Chairman

HON. W. GRAHAM CLAYTOR, JR.

DONALD F. CRAIB, JR.

HON. MARTIN R. HOFFMAN

GENERAL BRYCE POE, II, USAF (Ret.)

GENERAL DONN A. STARRY, USA (Ret.)

HON. THOMAS EAGLETON

LOUIS CABOT

JAMES SMITH

HON. RUSSELL TRAIN

ALSO PRESENT:

HAYDEN BRYAN, Executive Director

DOUGLAS HANSEN, Research Director

RUSSEL MILNES, Counsel

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CHAIRMAN RIBICOFF: As we begin our second series of meetings to decide on base closures, I want to remind everyone that we are making a transcript and the classification of our discussion is Secret.

Inasmuch as our data verification is still going forward by the members and by the staff, we should recognize that the decisions made today are tentative. We should be able to finalize them on December 13th.

Chairman Edwards, do you have any comment?

CHAIRMAN EDWARDS: Thank you, Mr. Chairman.

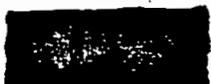
We got a letter from Admiral Rowden saying that he couldn't be here today, but expressing some views. And did that letter get around to everybody?

MR. BRYAN: I am passing it out.

CHAIRMAN EDWARDS: I think, Mr. Chairman, the letter ought to be made part of the record.

CHAIRMAN RIBICOFF: So ordered.

(The material referred to follows:)



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DEFENSE SECRETARY'S COMMISSION ON  
BASE REALIGNMENT AND CLOSURE

1825 K Street, NW, Suite 310  
Washington, D.C., 20006

21 November 1988

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MEMORANDUM FOR CO-CHAIRMEN RIBICOFF AND EDWARDS

SUBJECT: Commission Business Meeting--28 and 29 November 1988

I will be in London at the next business meeting of the Commission on 28 and 29 November. While I can return for the meeting it may not be efficient to do so. Therefore, I am writing this letter to provide a short precis of my meeting with Secretary Ball and my views on several issues before the Commission.

As you had asked, I called on the Secretary of the Navy on 16 November. I reported to him that the cooperation between the Navy and the Commission Staff had improved over time and was now viewed as satisfactory. At the same time there was a general feeling by many on the Commission that the Navy had not been as forthcoming as possible in terms of base closures necessary to meet the constraints of a reducing budget. The Secretary opined that his intent was, and in his view the actions of the Navy staff had fully complied, to provide all honest and complete data on facilities requested by the Commission Staff. He noted that effort on the part of the Services to provide a suggested list of base closings had been forbidden. Therefore, he felt that the Navy had behaved properly and responsibly in the matter. I noted that while all this might be the case the view of the commissioners might be that more cooperation in slimming down the Navy to meet future budget crunches is necessary and in the absence of suggestions otherwise the Commission might make recommendations for such a slim down. Should this be the case, the Secretary might wish to exert some influence on choices for closure or realignment. The Secretary agreed and indicated he would have a relook.

We discussed several specific issues:

- a) The apparent proliferation of Naval Air Stations particularly at Norfolk and Jacksonville.
- b) The future utility of Moffet Field.
- c) The need for three Navy Recruit Training Centers - San Diego, Great Lakes and Orlando.
- d) The need for all Navy Laboratories with some special consideration for the Naval Air Development Center, Warminster, PA.
- e) The issue of strategic homeporting and the utility of Staten Island, Everett, San Francisco and Gulf Coast bases.
- f) Additional bases or facilities that might be wise candidates for closure should the economic payback so indicate (example: The Ordnance Station, Louisville, KY).

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g) The utility of the U.S. Marine Corps Recruit Training Center at San Diego, CA.

h) Alternatives to the encroachment and air traffic problems at the U.S. Marine Corps Air Station, El Toro, CA.

The Secretary was generally non-committal on offering up facilities in the groups mentioned above. He did agree that he would look at the issues in these cases. His actions will be surfaced through the Navy and Commission Staff.

I would offer my personal views on several issues before the Commission should I not be here for the business meeting on 28 and 29 November.

a) I fully support actions the Commission has taken so far specifically including: closing Naval Station, Brooklyn, NY; partial closure with relocation on Naval Station, San Point, WA; and closure of Naval Hospital, Philadelphia, PA.

b) I do not agree with action to close any of the eight Naval Shipyards.

c) Action with respect to closing or realigning Naval Air Stations must await the economic analysis. There has been no excess capacity noted, therefore, changing the naval air station structure will require expansion should a base closing be indicated.

d) Likewise, changes at the Recruit Training Commands will require new construction elsewhere. In the case of Great Lakes a number of facilities that are difficult and expensive to move (i.e. ship main propulsion hot plants) will likely remain.

e) I favor the strategic homeport program because of dispersal and better deployment toward the threat. The issue of the likelihood of the 600-ship navy can be key to the extent strategic homeporting should be pursued. I see nothing in the charter of the Commission that calls for speculation on the 600-ship navy. Rather, I see the 600-ship navy as a force level reality. Consequently, I see little maneuver room on the subject of strategic homeporting.

f) I believe there may be a few smaller naval installations that could be candidates for closure or realignment. I think some of these will be forthcoming. I will need to look at these carefully but I would probably concur in the recommended actions.

I will contact the staff on Friday or Saturday (25 or 26 November) to ascertain if you believe my presence would be worthwhile on the 28th and 29th.

Most sincerely,



William H. Rowden  
Vice Admiral, USN (Ret)

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CHAIRMAN EDWARDS: You can all now have a copy of it and see the views of Admiral Rowden.

We want to welcome Russ Train back. He has been busy, although he hasn't necessarily been in our presence. Russ, you've been looking through the environmental files. I wonder if you might make a comment in that regard.

MR. TRAIN: Thank you very much, Mr. Chairman. Within the past week, I have had the opportunity to examine the environmental files on all the sites under active consideration for closure and realignment. When I say "all the files, that's quite a lot. I think there were about four cases came to my office, about twelve large volumes three to four inches thick each, compiled by all of the services.

Based upon this examination, it is my conclusion that in all cases the services have done a conscientious and thorough job in following the Commission's guidelines governing the consideration of environmental factors. They have in fact examined each base with respect to the specific criteria which we have set out, such as the presence of endangered species, hazardous waste sites, wetlands, historic structures, and and water pollution, and so forth.

In the case of hazardous waste sites, they have made at least a preliminary best estimate of the cost of



1 cleaning up the sites. Overall, I was impressed and  
2 gratified by the thoroughness of the environmental  
3 consideration given by all the services.

4 It is certainly clear to me that in no case does  
5 the presence of environmental factors constitute a reason for  
6 not closing or realigning the base in question. In accordance  
7 with the base closure statute, the Secretary of Defense will  
8 have an obligation under a modified NEPA process to fully  
9 involve the public in the consideration of mitigation  
10 measures where these are appropriate.

11 I would be glad to answer any questions that anybody  
12 might have on this examination.

13 CHAIRMAN EDWARDS: Are there any questions?

14 (No response)

15 CHAIRMAN EDWARDS: Mr. Chairman, I would like to  
16 remind the Commissioners -- and thank you, Russell. I would  
17 like to remind the Commissioners that paragraphs and sections  
18 are now being mailed out by the staff for our review. And  
19 under the agreement that we reached at the last meeting, all  
20 of us should review what we get, and then General Poe and  
21 Mr. Smith and I have been designated as the kind of a final  
22 review to put the thing in final form, final draft.

23 I would reiterate, so that as these sections come  
24 to you, for goodness sakes, if you care to comment on them,  
25 then get the work done. If you don't, that's fine. If you're

1 happy with them, that's fine. But we need to get your comments  
2 in so we can start to put it in final form.

3 Mr. Chairman, at the last meeting the Commission  
4 wanted to take a look at one complete process for a base, and  
5 I think that the staff is prepared to do that. Is that what  
6 you fellows wanted to do?

7 MR. HANSEN: Yes, sir.

8 CHAIRMAN EDWARDS: Well, let me just ask, are there  
9 any other comments?

10 CHAIRMAN RIBICOFF: Before Mr. Hansen begins, I want  
11 to make a point that, in the event there will become under  
12 discussion anything concerning the El Toro Marine Air Station,  
13 I want to be notified and I want to recuse myself. And I will  
14 indicate why.

15 On May 2nd, 1968, I had delivered by hand the  
16 following to the Honorable Frank C. Carlucci:

17 "Dear Frank: Our law firm has recently merged with  
18 the Los Angeles firm of O'Donnell and Gordon and the office  
19 of Kaye, Scholer, Fierman, Hays, and Handler in Los Angeles,  
20 California. Prior to this merger, O'Donnell and Gordon  
21 represented the City of Newport Beach in various legal matters.  
22 O'Donnell and Gordon had been retained prior to the naming  
23 of our Base Commission to represent the City of Newport  
24 Beach, California, in connection with determining the  
25 possibility and advisability of joint military and civilian

1 use of El Toro Marine Air Station in Orange County to expand  
2 commercial airline capacity of southern California.

3 "I do not know whether the El Toro Marine Air  
4 Station is within the purview of our work in connection with  
5 the elimination of military bases or whether this objective  
6 by the City of Newport Beach is even in contemplation.

7 Naturally, I would take all steps not to be involved directly  
8 or indirectly in any consideration or decision in connection  
9 with the El Toro Marine Air Station.

10 "Further, for your information, I am not a partner  
11 in Kaye, Sch-ler, Fierman, Hays and Handler and do not share  
12 in its partnership or fees, but as special counsel am retained  
13 on a salary basis.

14 "I await your advice as to how we should proceed on  
15 this matter.

16 On June 6th, 1988, I received this letter from  
17 Kathleen A. Buck, the General Counsel, Department of Defense:

18 "Dear Senator Ribicoff: This is in reply to your  
19 letter of May 2, 1988, to the Secretary of Defense. In it  
20 you described the recent merger of your law firm and possible  
21 complications that this may present for your work as the  
22 Chairman of the Secretary's Commission on Base Realignment  
23 and Closure.

24 "Because of the standards of conduct implications  
25 this raised, I was asked to reply to your inquiry in my

1 capacity as both the General Counsel of the Department and  
2 the designated agency ethics official for the Office of the  
3 Secretary of Defense.

4 "The information you presented has been reviewed  
5 in light of the duties encompassed by your role as Chairman  
6 of the Commission. I conclude that the nature of your  
7 affiliation with the firm of Kaye, Scholer, Fierman, Hays  
8 and Handler and its merger partner, the firm of O'Donnell  
9 and Gordon, does not present a standard of conduct problem.  
10 As a member of the Commission, you are considered a 'special  
11 government employee' and may not advise on matters in which  
12 you have a personal financial interest.

13 "However, it is my opinion that you do not have  
14 a financial interest in your firm's representation of the  
15 City of Newport Beach, California. Accordingly, the recent  
16 merger does not limit your services on the Commission.

17 "Although not required by the standards of conduct  
18 laws to refrain from participating in Commission  
19 deliberations involving the El Toro Marine Air Station, your  
20 offer to do so is a wise precaution. This avoids the  
21 remote possibility of an 'appearance of impropriety.' In  
22 addition, you have already taken the more important  
23 precaution of placing this issue on the table for review  
24 and approval by my office.

25 "I trust this opinion resolves the concerns



1 addressed in your letter. I welcome any additional questions  
2 that may arise in connection with your service to this  
3 Department."

4 And I think that under the circumstances, if you  
5 have any comment or any consideration of El Toro Marine Air  
6 Base, I want to be notified and I will leave the room until  
7 that is all completed, and I will not vote or take any action  
8 on that particular project.

9 If there are any questions from the members of the  
10 Commission, I would be glad to respond.

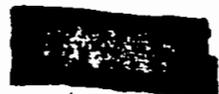
11 MR. HANSEN: For your information, sir, we will  
12 have discussions, and we will let you know.

13 CHAIRMAN RIBICOFF: Will you please notify me in  
14 advance.

15 MR. EAGLETON: Mr. Chairman, along the same lines,  
16 may I state verbally -- it did not dawn upon me until you  
17 read the letter. I think you've done the right thing. I  
18 wish to recuse myself on any matter pertaining to the Scott  
19 Air Force Base in or near Belleville, Illinois.

20 Our law firm of which I am a salaried functionary  
21 represents a big bank, and I'm bragging, in Belleville,  
22 Illinois, that lends money to people in and around that base.  
23 And although it doesn't represent any city there, nonetheless  
24 it is a big bank that would like to see that base open.

25 Ergo, if there is any discussion of Scott Air



1 Force Base in Illinois, I will do the same thing as Abe: I  
2 will leave the room.

3 MR. HANSEN: Sir, for your information, at least  
4 on the planned agenda, Scott Air Force Base is not on the  
5 list. However, if it does come up I will let you know.

6 MR. EAGLETON: And may I have leave to put a letter  
7 in the record at this point on this subject?

8 CHAIRMAN EDWARDS: Without objection.

9 (The material referred to follows:)

10 (COMMISSION INSERT:)

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THOMAS F. EAGLETON

December 8, 1988

Honorable Jack Edwards  
Honorable Abraham Ribicoff  
Co-Chairmen  
Defense Secretary's Commission on  
Base Realignment and Closure  
1825 K Street, N.W.  
Suite 310  
Washington, D.C. 20006

Dear Jack and Abe:

This is to confirm my previously announced recusal from participation in any discussions or deliberations of the Committee relative to the closing of facilities or discontinuance of operations at either Scott Air Force Base in Belleville, Illinois or the Army Ordinance Depot at Granite City, Illinois. Such recusal is necessitated by my membership in the law firm of Thompson & Mitchell of St. Louis, Missouri which has an office in Belleville and serves numerous clients in the St. Clair and Madison County, Illinois areas.

Scott Air Force Base has a population of more than 18,000 people and employs approximately 11,000 military and civilian personnel which is more than any other employer in St. Clair County, Illinois. It is estimated that the Base has an economic impact on the local community in the excess of \$1,000,000,000 per year. Representative clients of our firm are Union Electric Company, Illinois-American Water Company, Illinois Bell Telephone Company, Magna Bank, Memorial Hospital, Norfolk and Western Railway Company, and Illinois Central Gulf Railroad Company, all of whom would be adversely affected by a reduction in personnel or discontinuance of any operations at Scott A.F.B.

Many of the above listed utility and transportation clients would suffer similar hardships from a reduction in operations at the Army's Ordinance Depot located in Granite City, Illinois which employs over 3,000 military and civilian personnel.

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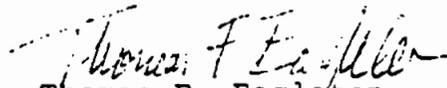
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Hon. Jack Edwards  
Hon. Abraham Ribicoff  
December 8, 1988  
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Because of potential conflicts with the economic interests of our clients, I feel that it would be inappropriate for me to participate in any discussions relating to those military installations. Thus, I recuse myself from any deliberation on the aforementioned installations.

I ask that this letter be made part of the hearing record and relate back in time to the meetings of November 28 and 29, 1988.

Yours very truly,

  
Thomas F. Eagleton

TFE:pm

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CHAIRMAN EDWARDS: I think both of you kind of set the tone, and if others of us conclude as we deliberate that something comes up that we have totally forgotten, and it is entirely possible, that we certainly will entertain any concerns of that nature.

Anything else before we move on?

(No response)

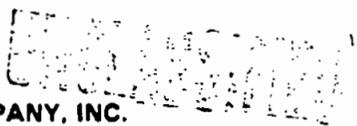
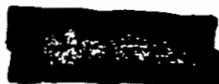
CHAIRMAN RIBICOFF: Mr. Hansen, you may proceed, sir.

MR. HANSEN: Thank you, sir.

As Chairman Edwards said, one of the things the staff took away from our last business meeting was the sense that the Commission had not fully realized the extent of the staff research, and that that had led to some uncomfortableness with some of the conclusions the staff had come to.

That is understandable. We had, in the interest of time, in order to be able to go through 4,000 bases, if you will, we had boiled literally thirties and forties and tens and twenties of pages down to one or two pages, and in fact therefore may have led to some uncomfortableness.

What I would like to take about a half an hour, hopefully, to do this morning is to take you through one Air Force base. This happens to be Pease Air Force Base, which is one of the ones we have tentatively recommended



1 for closure.

2 And when I say take you through it, show you from  
3 the beginning how we started off dealing with the general  
4 subject and then how it applied to Pease Air Force Base as  
5 far as inputs from the service on that; and hopefully then  
6 give you the extent of the whole process.

7 So we began with what we eventually came to call  
8 phase one.

9 (Viewgraph)

10 MR. HANSEN: Phase one. The first step we did was  
11 twofold, other than a hearing. We called the hearing and  
12 asked the service secretaries to testify. At the same time,  
13 we tasked the services to develop categories of bases, to  
14 suggest criteria, most of which the service secretaries  
15 addressed in their testimony to the Commission, and to submit  
16 an inventory of bases.

17 (Viewgraph)

18 MR. HANSEN: While they were working on that, we  
19 took the testimony of the services and developed phase one  
20 criteria for evaluation and briefed that to the Commission  
21 at business meetings.

22 Phase one, if you recall, required two things: that  
23 they submit a capacity analysis, and this is the form and the  
24 questions we asked them, basically to describe what excess  
25 capacity would be and what it could be used for. And

1 secondly --

2 (Viewgraph)

3 MR. HANSEN: -- we developed a utility array that  
4 required each category, with the exception of Task Force 6,  
5 "all other," to report in the same format using the same 21  
6 criteria and the five factors, and required them to give us  
7 the [REDACTED] <sup>BS</sup> et cetera.

8 And that was developed in conjunction with and  
9 approved by the Commission. It was developed by this  
10 Commission.

11 And each service then had to report in on that. So  
12 the next set of information we got then was the beginning of  
13 the inputs from the services.

14 (Viewgraph)

15 MR. HANSEN: First we had asked them for categories  
16 of bases. The Air Force told us, these are their categories  
17 of bases, and for Peace Air Force Base that fell into the  
18 offensive strategic category, and the subcategory of bombers  
19 and tankers.

20 We next asked -- we had asked them for an  
21 inventory of bases.

22 (Viewgraph)

23 MR. HANSEN: And in the strategic offense  
24 category, they told us there was a Pease Air Force Base.  
25 The next submission to us then were, based upon our

1 evaluation criteria, we said, what is important about  
2 Pease, fill out the arrays.

3 (Viewgraph)

4 MR. HANSEN: Well, the first thing they told us  
5 about Pease, if you recall this one, this is the most  
6 important measurement criteria for that type of air base.  
7 So they gave us this chart.

8 (Viewgraph)

9 MR. HANSEN: They also gave us the utility array  
10 and some background information on Pease Air Force Base.  
11 This information is Secret.

12 They said it was in a certain category, told us  
13 what the mission was, told us the basic criteria and the  
14 force structure assigned. And in this case, we have force  
15 structure moving out, and so forth and so on. They then  
16 filled out the utility array.

17 (Viewgraph)

18 MR. HANSEN: In the category Mission Suitability,  
19 which was the first of the five categories, they chose  
20 weather, survivability, maneuver space, meaning ranges,  
21 training, and low level routes availability, bombing ranges,  
22 and air refueling routes as the measurements for mission  
23 suitability of Pease Air Force Base; [REDACTED]

24 [REDACTED]

25 [REDACTED]

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In this case, Pease was [REDACTED]

MR. BRYAN: Let me just interrupt to make one point, that the weights are consistent within the category. They were not allowed to adopt a weight for Pease Air Force Base.

MR. HANSEN: Exactly. This is a category-wide weight, category-wide measures, category-wide scoring systems, so we could check for consistency.

(Viewgraph)

MR. HANSEN: To show you when we get into the facilities area what they chose, they chose -- we had selected four types of facilities. They weighted them, came up with the units of measure, showed what they needed, showed what they had, and showed what that scored.

Now, there were four or five other pages of this we will skip over, and three other pages for the category, okay. But the bottom line is that is how they came in, based upon our requirements to report information. And of course, this allows us to do the data checking, because when those Commissioners who have gone to the field are checking this availability and the requirement at the installation level, if we went to Pease these would be the numbers you would see.

Moving on then, --

GENERAL POE: Excuse me. You also have a contractor checking.

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1 MR. HANSEN: Yes.

2 GENERAL POE: I think that's important for the  
3 credibility, not just for the Commissioners, but a specific  
4 program to check those figures by an outside source.

5 MR. HANSEN: An outside source on contract.

6 CHAIRMAN RIBICOFF: When you say a contractor, what  
7 is the function of that contractor? What is his  
8 expertness?

9 MR. HANSEN: His expertness, the contractor is the  
10 Logistics Management Institute, which is -- it's actually a  
11 federally funded research center, but their main purpose is  
12 logistics and installations business. So they are used to  
13 seeing -- they are engineers.

14 CHAIRMAN RIBICOFF: But they are a governmental  
15 agency or an outside agency with a government contract?

16 MR. HANSEN: It's non-profit research. It's like  
17 the Rand Corporation, sir. It's similar to the Rand  
18 Corporation.

19 GENERAL POE: I think it's very important, because  
20 there will be critics who say that you are the tool of the  
21 military and you just took what they gave you, and this  
22 means we did not take what they gave us, we went out and  
23 looked and these people went out and looked.

24 MR. HANSEN: If you had been able to attend the  
25 staff meetings with the services when we told them that we



1 were going to do it this way and saw their reaction, you  
2 would definitely know that they were not happy with this  
3 process.

4 The main reason they weren't happy is because they  
5 didn't know what it was going to produce, I think. That's my  
6 own opinion, but they weren't sure what it was going to  
7 produce.

8 MR. SMITH: [REDACTED]  
9 [REDACTED]

10 MR. HANSEN: By the services, and we will talk later  
11 about that.

12 MR. SMITH: You did not change the [REDACTED]

13 MR. HANSEN: We caused them to be changed in some  
14 cases. In this case we did not.

15 MR. SMITH: [REDACTED]

16 MR. HANSEN: [REDACTED] We  
17 [REDACTED] The net  
18 [REDACTED]

19 MR. SMITH: I guess I'm confused. Put the last  
20 one you had up. [REDACTED]

21 (Viewgraph)

22 MR. HANSEN: Yes.

23 MR. SMITH: [REDACTED]

24 MR. BRYAN: It was the same number of points within  
25 a category, which is the way we evaluated it.

1 MR. HANSEN: I think the total [redacted] It  
2 could vary by category. It could vary by service.

3 What we were looking at is not raw scores. We did  
4 not look to compare cross-category, cross-service. We were  
5 only looking at relativeness to a like category.

6 MR. SMITH: [redacted]  
7 [redacted]

8 MR. HANSEN: We can address that later. You can  
9 change things slightly, but you can't make major changes.

10 MR. SMITH: [redacted]  
11 [redacted]  
12 [redacted]  
13 [redacted]

14 MR. BRYAN: Let me just point out, the advantage of  
15 this system is that, yes, you're exactly right, we can change  
16 the weights, but we can change the weights -- we are not  
17 accepting a list, and in that sense we have the alternative  
18 and in fact in some cases we ran our own weights for  
19 comparative purposes.

20 MR. HANSEN: If you recall previous conversations,  
21 we relied on the services for two things. [redacted]  
22 [redacted]  
23 [redacted]  
24 [redacted]

25 And we did not -- and we checked it and we did not

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1 have any reasonable approach to say that's wrong.

2 MR. SMITH: [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 MR. HANSEN: But we had a way to check them, and

6 I will get into that paper.

7 MR. EAGLETON: I think this is crucial, the point

8 raised by General Poe, and I'm as satisfied as he is. You're

9 not telling us that there is no element of subjectivity that

10 came into the Pentagon's input into these categories?

11 MR. HANSEN: Oh, no.

12 MR. EAGLETON: You're not telling us that there is

13 no element of subjectivity in the [REDACTED] that

14 this Commission staff applied to these judgments. You're

15 not telling us that this is like, we will use the insurance

16 vernacular, where if someone is 62 years of age, male or

17 female, black or white, certain unarguable indicia,

18 insurance policies may or may not be issued based upon

19 precise objective figures and objective conditions.

20 You're not telling us that what you have done and

21 what the Pentagon has done is similar to what an insurance

22 company does when it comes up with its actuarial projections

23 as to precise categories of individuals in the United States,

24 by way of analogy, are you?

25 MR. HANSEN: No. But there are some analogies,

1 sir. We have lots of objective data. We have shown you  
2 some of it. We also have expert advice.

3 MR. EAGLETON: Is that expert advice in the  
4 nature of being subjective?

5 MR. HANSEN: Yes, it often is. I would opine that  
6 in the insurance industry the assumptions behind the  
7 actuarial tables are based on expert advice and are  
8 subjective. They are not always right, either.

9 MR. EAGLETON: Are you familiar with the formula  
10 that is used by the Army Corps of Engineers called the  
11 cost-benefit ratio?

12 MR. HANSEN: Yes, I've heard of cost-benefit  
13 ratios. There are lots of cost-benefit ratios.

14 MR. EAGLETON: It's a formula to which they are  
15 wedded and offer to the Congress as being a paragon of  
16 objectivity. Yet it is immersed totally in both Army  
17 Corps and senatorial and Congressional subjectivity. But  
18 it is offered up as the formula to end all formulas, and  
19 it is pure.

20 MR. HANSEN: This is not a totally objective  
21 process.

22 GENERAL POE: Well, Senator, I think one  
23 important point is you get a subjective level of  
24 importance of survivability. But once you accept that,  
25 now you are objective. You know how long it takes those

1 missiles to get to that particular base and how long it takes  
2 each type of aircraft to clear the ground after warning and  
3 get off.

4 And so you move more rapidly, probably, than in  
5 most systems into the objective.

6 MR. EAGLETON: I think Mr. Smith hit it on the  
7 head. You can make it say what you want it to say.

8 MR. SMITH: [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]

19 And it's a result of the [REDACTED] that  
20 were assigned in some cases.

21 MR. HANSEN: It's more, I think, a result of -- if  
22 you would put the original array back up. It's more a  
23 result of the comprehensiveness of our measurements.

24 (Viewgraph)

25 MR. HANSEN: If we had only stuck with the mission

1 suitability, then you would never find some of those bases  
2 coming low.

3 What we did is we used a number of measures, some  
4 of which did not get weighted as high as others, but  
5 nevertheless a number of measures. [REDACTED]

6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]

13 But it's poor on facilities. That is what drags  
14 you down.

15 And so it was the fact that we had a comprehensive  
16 system to measure. And the other point I've got to make on  
17 phase one is it wasn't designed to be the answer. It was  
18 never designed to be the answer.

19 It was designed to cut down on the number of  
20 bases we looked at in phase two, because phase two was the  
21 hard part, finding locations and doing cost models of all  
22 of the activities. We couldn't afford to do 4,000 cost  
23 models or 4,000 relocation models.

24 (Viewgraph)

25 MR. HANSEN: Jumping ahead, then, the next step

[REDACTED]

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1 in the process, or jumping back to where we were, the next  
 2 step in the process was the staff's analysis of what we got.  
 3 And this is what we called our phase one books and briefed to  
 4 the Commission and sent out the day after.

5 The second part of that was, of course, our dot  
 6 diagram which we just discussed about, and so forth and so  
 7 on.

8 (Viewgraph)

9 MR. HANSEN: While we were doing that analysis, we  
 10 were also working on developing decision rules for the next  
 11 step in the process.

12 (Viewgraph)

13 MR. HANSEN: And if you recall, we sent these  
 14 phase two process rules out to you at roughly the same time  
 15 they were being drafted.

16 (Viewgraph)

17 MR. HANSEN: As part of the phase one books that  
 18 we briefed, you will recall we said this category had excess  
 19 capacity and this did not. This in fact is page one of the  
 20 seven-page decision rules we developed and sent to you.

21 The first two elements of this were to determine  
 22 whether a base, a category, had excess capacity. And we  
 23 briefed and sent to you those which did and those which did  
 24 not.

25 And to determine, if the category did have excess



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[REDACTED]

1 capacity, to determine a target number of bases to review in  
2 phase two; and we briefed that also to you. Sometimes it was  
3 one, sometimes five, et cetera.

4 The Commission again decided that, and so based  
5 on the information we received, we made a determination  
6 there was no excess capacity or there was, and if there was  
7 we told the services how many bases to review in that  
8 category during phase two.

9 So we then began that part of phase two.

10 (Viewgraph)

11 MR. HANSEN: Where the services were then tasked  
12 to follow the rules that we had set up, the seven pages with  
13 the rules, beginning after we had told them which ones to do,  
14 and to come back to us and tell us which activities there  
15 were at these bases we told them to look at, what activities  
16 had to be relocated, identify potential receiving bases and  
17 their mission enhancement scores, select the best options,  
18 and do payback analyses, et cetera, or a rough payback  
19 analysis, and to track what we call the capacity reserves,  
20 which is as you went through the category you started off  
21 with a sort of pot of excess capacity, maybe located in  
22 different places.

23 As you made movements, you had to keep track of  
24 what was going on. It was sort of like a balance, a ledger  
25 sheet. It used to have some and now it doesn't, but it's

[REDACTED]

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1 been moved over here, and so forth and so on.

2 (Viewgraph)

3 MR. HANSEN: So therefore, the next thing we  
4 received was input from the services. Following the decision  
5 rules, we also gave them blank forms to fill out, and this  
6 is the filled-in blank forms. It started with an  
7 installation summary.

8 This one again is Pease Air Force Base. It said  
9 that the main activities that had to be moved were the 509th  
10 Air strategic category squadron and the refueling squadrons.  
11 And there were a few smaller activities which we said we  
12 would leave for the Secretary of Defense to implement, but  
13 we found out what they were, too, and their size.

14 (Viewgraph)

15 MR. HANSEN: The input then was, where am I going  
16 to put this stuff? Pease Air Force Base again, this is an  
17 activity summary. This is, where could I put the 509th  
18 Air Refueling Squadron and be good about it, okay. And  
19 these are the options.

20 There were ten options, ten places that the Air  
21 Force said are possible locations for this air refueling  
22 squadron. And these are the seven possible ways you could  
23 improve the mission effectiveness of that squadron if you  
24 put it there.

25 And in essence, what you had was you had two kinds

1 of options with this. There were tankers. Tankers have a  
2 role of fueling bombers. You could keep the squadron together  
3 in one place, which would require a lot of construction and  
4 be costly, or you could place the tankers nearer their or with  
5 their bombers and incur very little cost and actually improve  
6 the mission effectiveness of the tankers.

7 So the option that the service selected was to split  
8 them up.

9 (Viewgraph)

10 MR. HANSEN: They also came back with a migration  
11 diagram, which we designed. That is why you notice the  
12 similarity in migration diagrams two weeks ago. This is the  
13 migration diagram for Pease. It shows two tankers, roughly,  
14 except for Fairchild getting six, moving around to keep the  
15 cost of operations down and get those tankers nearer where  
16 their bombers are or with them. That is the best option  
17 drill.

18 (Viewgraph)

19 MR. HANSEN: Finally, they came back and told us,  
20 after the before and after, capacity-wise for that category  
21 of where things are. And you'll notice Pease mostly down  
22 near the bottom used to have some excess capacity and now  
23 it's closed.

24 If it's closed or recommended for closure, that  
25 means it's empty. Therefore, you could in fact fill it back

1 up with something else if we wanted to by doing a cross-  
2 service drill. And that is part of our process, too.

3 MR. SMITH: Let me ask one question on that step,  
4 because I think we may get challenged on that step. And that  
5 is, the option selected, were they service-provided options  
6 or did we generate, the staff generate, some of its own  
7 options?

8 MR. HANSEN: It's a combination. First off, the  
9 decision rule said the services in phase one came and told  
10 us where their excess capacity was. What our decision rule  
11 said is that in general you should try to move into your  
12 excess capacity.

13 Now, in this case they tried that. They also  
14 chose other options, all right. So we have a way to look at  
15 whether they looked at all of the excess capacity options.  
16 But in this case, where they went to the other options, we  
17 did not have a check. So it is a mixed result.

18 GENERAL POE: We did comment to the services, for  
19 example the Air Force, look and see whether or not the  
20 basic test equipment could accept more aircraft, which, you  
21 know, there's an understandable reluctance to break up a  
22 unit. It's less of a problem in SAC. It's a very serious  
23 problem in some other organizations.

24 So whether -- I think they probably looked at that  
25 anyway, but that suggestion was made.

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1 MR. SMITH: The one thing that caused me some  
2 concern when we looked at this last time after the session  
3 was over was that we're closing three bases in California,  
4 and when you looked at options for any one of those bases,  
5 you did not look at the option of putting it in one of the  
6 bases you were closing in California.

7 And I can't remember the specifics, but we looked  
8 at George and there were seven options for what you do with  
9 the airplanes coming out of George. Not a single option  
10 looked at putting them at another base that we were closing  
11 in California.

12 MR. HANSEN: But in the Norton case we did. You  
13 see, Norton went to March.

14 MR. SMITH: It's obvious to me that if we come  
15 up with a list that we're going to close three bases in  
16 California and we're going to spread those, take those  
17 assets and move them out of the state, why didn't we look  
18 at closing two bases and consolidating the resources from  
19 three bases onto one base and stay in California, just so  
20 that we're making some kind of a claim that we did look at  
21 all the potential options.

22 GENERAL POE: One of the problems is California  
23 has the same survival problem that Pease does.

24 MR. SMITH: Well, some of it was survivability  
25 and some of it wasn't.

1 MR. HANSEN: Sir, we looked at about -- affected  
2 seven air bases in California, and we shifted. In all cases,  
3 we shifted around within California. So I think we've done  
4 what you said.

5 In other words, it wasn't George into March. It  
6 was Norton into March, it was Mather into [REDACTED] into  
7 Beale. All of those are California air bases. So I think  
8 we did exactly what you said. We shifted around our assets  
9 within California within the Air Force bases.

10 MR. SMITH: Well, as I recall, we made the decision  
11 of a recommendation to close George, and we did not look at  
12 an option of basing the assets at George at another California  
13 base.

14 MR. HANSEN: Primarily because Norton had already  
15 filled it up. I mean, it depends upon which one you did first,  
16 is really what happens.

17 MR. SMITH: Well then, we looked at it and excluded  
18 it as an option. I think what we need to say is that we  
19 looked at the option of putting it in another California base  
20 and that was not a viable candidate, for these reasons,  
21 because I can tell you right now, if you're going to close  
22 three bases that close together and move assets outside the  
23 state, you need to say why you didn't shuffle those assets  
24 around.

25 MR. HANSEN: Very few of the assets moved outside

1 the state.

2 MR. SMITH: But some did.

3 CHAIRMAN EDWARDS: I think what Jim is saying is  
4 extremely important. Politically, we're going to run into  
5 certain hornet's nests, and this is an Achilles heel. And I  
6 think that you need to have, for any of us who have to deal  
7 with this, clearly set out why you did what you did. I think  
8 he's on target.

9 MR. SMITH: I think you can fix what you did very  
10 easily by saying, we looked at option ten, which was to put  
11 the George assets at X California base and the cost to do  
12 that was prohibitive or you couldn't do it with what you've  
13 got.

14 Just so long as your list of potential bases for  
15 stationing is encompassing enough to forestall these kinds  
16 of political arguments.

17 MR. HANSEN: I think what we can do is perhaps  
18 when we write the recommendations up we can deal with the  
19 California Air Force bases as a regional thing and talk about  
20 how all the shuffles were done, and then go down into the  
21 detailed recommendations.

22 CHAIRMAN EDWARDS: And then if it's true, to be  
23 able to say that we made a conscious effort to leave in  
24 state those discombobulated divisions or sections.

25 MR. HANSEN: I'm not sure how conscious it was.

1 We would have to check it.

2 MR. CRAIB: Well, we were looking at the possibility  
3 of moving some Marine Corps units into some of these closed  
4 Air Force bases.

5 MR. HANSEN: Marine Corps units to be unnamed?

6 MR. CRAIB: At the present time.

7 GENERAL POE: There's another point here, too,  
8 and that is California bases more than most other areas had  
9 excess. So what you did when you moved people into places  
10 like March was you protected that base. And they must  
11 understand that as well. You made the base less vulnerable  
12 where you had more vulnerable bases out there. So that's  
13 another point you need to make. All that's very important.

14 CHAIRMAN EDWARDS: Yes, that question is surely  
15 coming, and that's when I'm going to go to the rest room  
16 and Abe's going to have to answer it.

17 (Laughter)

18 CHAIRMAN RIBICOFF: You're younger, you don't have  
19 to go as often.

20 CHAIRMAN EDWARDS: I just want to be sure that he  
21 has in front of him the California case, if you will.

22 MR. HANSEN: Yes, sir, we will have it.

23 The next step then was staff analysis again.

24 (Viewgraph)

25 MR. HANSEN: This is what we showed you for

1 Pease Air Force Base and this is what you have actually voted,  
2 why you voted to close Pease. And we won't show you the  
3 rest of the detailed charts we made up for that, because you've  
4 already seen it.

5 (Viewgraph)

6 MR. HANSEN: The next step before we could actually  
7 produce the chart that we showed you on Pease, we had to run  
8 this option, all this package of options, if you will, for  
9 Pease and all other bases, through the cost model. Now, the  
10 cost model calculates all of the savings, all the cost  
11 increases at the gaining bases, all the cost increases and  
12 decreases at losing bases.

13 It arrays them in a one-time cost, steady-state  
14 savings, and payback. It incorporates discount factors,  
15 which is the time value of money or the value of money over  
16 time, and inflation estimates. And it includes, the model  
17 includes, approximately 90 cost factor elements.

18 Now, these cost factor elements are the same for  
19 all bases in a service and often the same for the whole  
20 Department. They come from areas such as the Department of  
21 Defense publishes annually and sends to Congress and the  
22 world a thing called the Cost Factors Manual, and it basically  
23 says, on average it costs us X number of dollars a square  
24 foot to build a gymnasium, X number of dollars to build  
25 administrative space, and so on.

1           Those were the figures that we used. We have  
2 standard figures for movement of personnel. We have standard  
3 figures for movement of things, transportation of things,  
4 and those were the kind of estimating factors that we used.

5           Our goal was not so much accuracy, budget level  
6 accuracy, as it was consistency, so that we made consistent  
7 recommendations. If we were off by ten percent high or low,  
8 that should move everybody up by ten percent high or low and  
9 therefore the decision is still a valid decision. And so  
10 consistency was more the goal than accuracy.

11           And doing any estimating at this stage with the  
12 information we had, we're talking about doing construction  
13 estimates without ever doing site surveys, no design, so forth  
14 and so on. We clearly could not come up with a budget level  
15 estimate.

16           CHAIRMAN RIBICOFF: How many cost factor elements  
17 are there?

18           MR. HANSEN: About 90.

19           CHAIRMAN RIBICOFF: So every one of the factors  
20 are involved with this one?

21           MR. HANSEN: Not always.

22           CHAIRMAN RIBICOFF: But this one here you said  
23 includes approximately 90 cost factor elements?

24           MR. HANSEN: I'm sorry, sir. The whole model  
25 includes 90. Not every option would trigger all factors.



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CHAIRMAN RIBICOFF: I know, but how many factors are there generally, if every one was going to be triggered?

MR. HANSEN: 90. This is not just Pease, sir. This is the whole model. I don't know how many Pease triggered, but it would be less than 90 probably.

(Viewgraph)

MR. HANSEN: This is the model's answer sheet. This is again page 1 of a seven-page answer sheet, but it gives all the information, some of which we summarized: payback years, land value, net present value, one-time savings, et cetera.

And that is the numbers that we had for Pease, and so it's a very extensive cost modeling also.

(Viewgraph)

MR. HANSEN: The last step in our process was one that wasn't the last step, in essence. It was ongoing all the time, called the validation. Validation by the staff was iterative, and let me tell you. We treated the services' input with a large degree of skepticism, and we have challenged them, got revised input.

You asked if we had ever challenged the weightings and got revised input. The answer is yes. We challenged measures and got revised input. We challenged rating systems and got revised input. We sometimes challenged the



1 revised input and got revised revised inputs.

2 And again, if you could listen, be the fly on the  
3 wall, in some of the more senior people's offices in the  
4 Pentagon, I'm sure we are not very well loved over here. We  
5 are dragging them back constantly, because we are treating  
6 everything with skepticism.

7 We also brought together what we ended up calling  
8 outside validation teams, teams of experts or teams of  
9 people who understood the Department, but who had not been  
10 part of developing the process, who came to us late, who are  
11 not beholden to the Department for any job, like myself, and  
12 said: Here, look at it, tell us what you think, and asked  
13 them to check it for -- be an auditor, check it for  
14 consistency, be a reasonable man, say, would a reasonable  
15 man accept this.

16 And many of the challenges came from that process,  
17 but not all. In the case of the Air Force, Jeff, working  
18 with me and others on the staff, are challenging on our own  
19 rights.

20 MR. EAGLETON: Who were these reasonable men?

21 MR. HANSEN: The reasonable men were outside  
22 validators.

23 MR. EAGLETON: Not the names, but where do you  
24 find these guys?

25 MR. HANSEN: Well, they came to us by a variety of

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1 means. To be honest, most are retired military. But they are  
2 not currently -- they were not currently under the employ of  
3 the Department in most cases, retired admirals, retired  
4 generals, retired captains, colonels, et cetera, for the most  
5 part retired civilians.

6 CHAIRMAN RIBICOFF: What does "LMI" stand for?

7 MR. HANSEN: That's the Logistics Management  
8 Institute we spoke of earlier. We used the Logistics  
9 Management Institute. We talked about weights, how we checked  
10 weights or how we applied a reasonable man approach to  
11 weights.

12 We asked LMI to bring together another set of  
13 outside experts, different from the ones we eventually brought  
14 together, and they sat down and they said -- they took our  
15 value array, 21 categories, and said for each type of base --  
16 maneuver, ground bases, air bases, depots, so forth and so  
17 on -- what would you do as weights, sort of a collective  
18 exercise.

19 And they gave them to us, and the outside validators  
20 were handed those outside developed weights and said, why  
21 don't you apply those weights to the scores and the values you  
22 got from the service and see what you get. And for the most  
23 part, we've got pretty good matches.

24 Now, I will not tell you that no base ever moved.  
25 That's not true. But what we did find in general was that



1 the movement occurred in blocks: You had sort of bands. You  
2 had the two band of bases, the middle band of bases, which  
3 is usually there, and then the bottom band of bases. You can  
4 by changing weights like that, you can make movements like  
5 that.

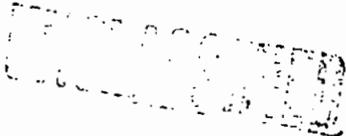
6 But you could not take the top base and make it the  
7 bottom and make the bottom base the top without totally  
8 changing the raw data or something like that. So I think in  
9 general we got a good feeling for it.

10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]

16 Well, it really wasn't [REDACTED]

17 [REDACTED] It was we had a gentlemen's disagreement over the  
18 [REDACTED] and where we couldn't resolve that in a  
19 reasonable man approach we came to you and said, there's a  
20 problem here.

21 And so I think I've really concluded, other than  
22 the fact that we are, as General Poe points out, the  
23 Commissioners and this outside contractor are going out and  
24 have gone out and checked data and will continue to go out  
25 and check data until we're finished.



I think what I was trying to do with this was to get you comfortable that our process works.

[REDACTED]

[REDACTED]

[REDACTED]

And that's exactly what we did, and we will brief you on that today.

But where the process did work, we have gone only into single examples. And so I think we have a defensible, logical process. It is not the only process we could have developed, but I think clearly we could say it's a good process, that it is not based on political bias, it is based upon objective factors with subjective uses of expertise.

And to the best of our ability, we've been checking it hard for inconsistencies, for reasonableness, and for the raw data.

GENERAL POE: May I make one comment on the validation, Mr. Chairman. I notice the effect the validation had just between my first visit and my second visit. It was very interesting.

On the first visit, there was an indication that in a very short time a lot of things had been done at the higher headquarters, without reference to the field. On the second visit, we had members of the higher headquarters there. That's the interest level that had been raised

[REDACTED]

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1 greatly.

2 And I think there's a folklore abroad that says  
3 that commanders of wings and divisions and people like that  
4 are always running around trying to please higher  
5 headquarters. I think Donn might agree with me, there's  
6 nothing that could be further from the truth. They are very  
7 independent, hard-nosed guys, and they're looking out for  
8 that division and so forth.

9 They aren't worried about base closures. They're  
10 worried about the proper facilities and the ability to do  
11 their mission.

12 And so I believe that the validation process had  
13 improved the minds of so many at headquarters in several  
14 services, where they said that information has really got to  
15 come from the roots, the grassroots.

16 And in both of my second, the Air Force and Army  
17 base, on my second visit I noticed an improvement, just  
18 because the validation process had triggered that and made  
19 them go down at least one more step to get information. I  
20 don't think any of the information I saw changed position.  
21 As you say, it probably left them.

22 But it sure made me feel better, because these quiet  
23 people were sitting in the back of the room hoping they  
24 weren't going to be embarrassed any more than they had  
25 already, from either headquarters SAC or wherever.

1 CHAIRMAN EDWARDS: Is it your belief, then, that  
2 we have had all the data that we needed?

3 MR. HANSEN: We probably had more data than we  
4 needed.

5 CHAIRMAN EDWARDS: Without regard to whether we  
6 agree that one or the other service was totally responsive,  
7 have you nevertheless gotten from the services all the  
8 information you sought?

9 MR. HANSEN: Yes, we have, in all cases.

10 CHAIRMAN EDWARDS: Are you saying to us that,  
11 having gotten all of that raw data, that you then had two or  
12 more occasions to look over the shoulder of the services, to  
13 validate what you finally have come to us with?

14 MR. HANSEN: In some cases. I mean, we have not  
15 challenged everything absolutely. We challenged what didn't  
16 look right to us. And often we would challenge something,  
17 then come back, and we would go, we're still not satisfied,  
18 do this, do that.

19 And we got a lot of help from the Commissioners on  
20 that. In essence, it becomes a drill in knowing how to ask  
21 the right questions, and the Commission has been very  
22 helpful in that regard.

23 CHAIRMAN EDWARDS: Something that made it through  
24 to phase two and has come to this table has been validated  
25 two or more times?

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1 MR. HANSEN: Easily.

2 CHAIRMAN EDWARDS: Do you have a feeling -- and I  
3 know we're going to discuss this later, or I assume we will --  
4 that anything was held back that would affect an ultimate  
5 closure decision?

6 MR. HANSEN: I'm not so sure about an alternate.

7 CHAIRMAN EDWARDS: No, I said "ultimate."

8 MR. HANSEN: Perhaps. That gets down, I think, from  
9 if I understand your question correctly, that gets down to did  
10 we get absolutely everything there was to get. I don't think  
11 I could say that.

12 Is what we got defensible, logical? Yes, I think  
13 I can say that.

14 CHAIRMAN EDWARDS: We're going to Congress, the  
15 Secretary and presumably then to Congress, with a result.  
16 And we will go with the justification of that result in our  
17 report, the appendix, as I understand your plan.

18 MR. HANSEN: That's correct.

19 CHAIRMAN EDWARDS: There is a need, I think -- and  
20 this touches on Mr. Smith's concern -- that goes beyond  
21 justification. We will just talk about the California  
22 situation for a minute.

23 In addition to the normal justification that you  
24 would put together for a base or a series of bases that are  
25 involved in movement, that we be able to go beyond, behind

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1 that justification, into some of the raw data or some of  
2 the other material that would allow us to further justify,  
3 if you will, some of these decisions.

4 MR. HANSEN: Are you speaking of after the actual  
5 final report or of putting it into the final report?

6 CHAIRMAN EDWARDS: I'm speaking of defense of the  
7 report, defense of the ultimate product of this Commission,  
8 in a way that we have at our fingertips or nearby the ability  
9 to answer any of those kinds of questions.

10 MR. HANSEN: We will create a file on every base  
11 which will have in it every piece of paper we ever received  
12 about that base, expunged of any information about the base  
13 that we did not deliberate on, so that the information we  
14 have is about the installation we affected and no more, no  
15 less.

16 But clearly, every piece of paper we have,  
17 including the staff's analysis, outside validated comments on,  
18 -- complete files, yes, sir. And I think that once the  
19 staff finishes the effort of drafting the final report, we  
20 can then turn the staff on to defense of that report and not  
21 only create the files, but create the papers that will help  
22 you.

23 MR. CABOT: Mr. Chairman, it seems to me that  
24 when we're thinking about this report and defending it, we've  
25 got two things. One is the process that we have been talking



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1 about, but secondly we need to have what I will describe as  
2 sort of like a little brief which defends each specific base,  
3 the recommendation for it.

4 And we're smart enough to figure out what the  
5 arguments are going to be in each case, like the one we just  
6 described in California, and try to deal with those arguments.  
7 And each case is going to be different.

8 But we need to have a report which will stand base  
9 by base against the criticisms that are going to come up base  
10 by base. That would be the way I would visualize it.

11 CHAIRMAN EDWARDS: And that is what I assume the  
12 justification will in fact encompass.

13 MR. HANSEN: The justification in the final report  
14 will hopefully address most issues. However, I would, subject  
15 to your concurrence, I would think we would want to leave out  
16 some of the more obvious political ones, because I think to  
17 put them in our report would be to give it a political cast  
18 that may not be advisable.

19 And I think --

20 MR. CABOT: But where we're charged to consider  
21 regional considerations, that's political. But we are charged  
22 to consider it, so we better talk about it.

23 MR. HANSEN: Yes, we can talk about it in general.

24 The process that we developed did not have a  
25 geographical cast to it. It was based on military mission

1 and not geographics. However, as you've seen, what we have  
2 done so far, maybe through some sort of luck, I don't know,  
3 has come out fairly regionally balanced.

4 MR. EAGLETON: Doug, you said, I think about five  
5 minutes ago, that as a result of the formula and its  
6 promulgation and its development and its implementation and  
7 its execution, what has been done is, to use your words,  
8 defensible and logical.

9 Yet, we know, based on the last meeting, that the  
10 recommended discussion of the dot charts -- there were  
11 instances where good bases got bad dots and were recommended  
12 for closure and where stinky bases got good dots and were  
13 recommended for salvation.

14 And we had some discussion about this amongst  
15 ourselves. So the formula isn't always defensible and  
16 logical. It is sometimes defensible and sometimes logical.

17 MR. HANSEN: I think, sir, to counter it if I could,  
18 and I don't want to argue with you, but the focus of many of  
19 the Commission's discussions on a certain base tended to  
20 focus on one element of it: How could [REDACTED] be bad  
21 when it's the best training area? Well, training area was  
22 only one of the 21 elements.

23 What I'm saying is, on the balance, right, it  
24 scored lower because it isn't good in the other elements.  
25 It's the best in that one element.

1 Now, we did not focus on those best bases, and I  
2 think in general, and it will be part of our analysis in  
3 general, I think we closed bases for mission reasons and not  
4 for building reasons. Building reasons can be fixed with  
5 money. You cannot buy better weather, you cannot buy more  
6 land basically, the way things are nowadays. You cannot  
7 buy survivability from the Russian subs.

8 You can build more buildings with money. So our  
9 focus in closure was more in the mission area, and we did  
10 not -- I do not believe we closed anything that had good  
11 mission scores.

12 MR. HOFFMANN: It seems to me the formula itself  
13 can take you only so far, and what the formula actually did  
14 do was, as the last meetings indicate, was give us a basis  
15 on which we could evaluate and compare bases. It gave us  
16 a methodology of learning about that base.

17 And then we, through a number of factors and  
18 thoughts and considerations, kind of shook that whole cookie  
19 can full of stuff and said, you know, we understood why  
20 [REDACTED] was halfway up the list and you're not going to close  
21 that and some of these other bases. And it kind of bumps  
22 around.

23 Now, it seems to me that we're going to set a  
24 trap for ourselves if we sit back and try to overly  
25 rationalize the results based upon some mechanistic

1 formula. The whole genius of the Commission was you get some  
2 fairly smart people together with a decent staff and shake  
3 this around. You're not looking for the absolutely best  
4 decisions, and if we try to justify these as the absolutely  
5 best decisions, you know, I think we're leading with our chin.

6 We're going to come up with a good, rational  
7 approach to doing this, having compared bases in categories.  
8 And I think an attack where the Californians would say, gee,  
9 you're picking on us and we're taking the brunt of this thing,  
10 et cetera, that's going to come. The hell with that. We took  
11 a very good look at it and made the comparisons between bases,  
12 and this is how it fell out, period.

13 But I think if we try to come out with this  
14 elaborate mechanistic business that this is how we did it,  
15 we've got to show we analyzed, we compared, we looked at  
16 blocks of things as a whole within functional mission areas  
17 and said, on the basis of logic, common sense, and the way  
18 the world operates, this is it, and that's what they asked us  
19 to do.

20 CHAIRMAN EDWARDS: But that is also part of the  
21 formula. I mean, if you look at a scientific formula maybe  
22 it's not. But part of the formula is to get yourself down to  
23 a point where you have some rational views on facilities and  
24 make some conclusions.

25 I just think that's part of the formula, that we are

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1 part of the formula. We didn't throw it all into a computer  
2 and have it spit out what we're going to close.

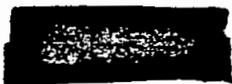
3 MR. HANSEN: It goes back to what I said about  
4 phase one wasn't meant to be the answer; it was meant to be a  
5 starting place.

6 MR. MILNES: Mr. Chairman, maybe I can also add a  
7 point to that, and that is that we tend to look at those  
8 arrays, I mean when we're talking about it, as if the bases  
9 on the bottom of the array were bases that were potential  
10 candidates for closure.

11 Really, what that first phase did was told us what  
12 area we should look at further to make all sorts of rational  
13 decisions. It could mean that a base was overcrowded and  
14 therefore we should unload some of that base so that it would  
15 be more functional.

16 So that the array in that phase one was designed  
17 to, as you point out, allow us to narrow it down into an area  
18 we ought to focus on. Not all those bases are going to be  
19 candidates for closure. They're going to be candidates for  
20 all sorts of rational actions.

21 The other thing I think that's important to make  
22 a point about is that we should contrast what we were doing  
23 with what the classic Congressional model is. Normally, the  
24 Department of Defense, if this was a classic Congressional  
25 committee versus Department action, the Department would



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have gone through their own analysis without any intervention whatsoever from us.

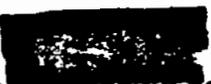
They would have gone through the whole thing. It would have been behind closed doors. We would have had no access to that whatever. And at the final analysis, we would have gotten a pile of papers that would have stood four or five feet high, and then we would have had to react to that.

The main difference here, and a very unique opportunity that this Commission had, was to define the process that the Department went through and work with the Department step by step as they went through this back and forth.

And this iterative aspect of this is really our main strength, that allowed, as Mr. Hoffmann has pointed out, the opportunity for the Commission to add its judgment to what was going on. And that is an advantage that the Congress never really gets in other exercises like this.

GENERAL POE: May I comment on that, too? There's another difference there, Russ, and that is that for the first time when the Department of Defense built that stack, we had a hard time convincing them and some of us had to talk to them, because we came from the services, they did not have to take into account the Congressional pressures.

And I may have told some of you, I had a chief



1 of staff tell me one time when I was a colonel, he didn't  
2 care if that thing was under water as long as Mr. Russell was  
3 the Chairman. Now, that presumably meant that that stack  
4 that came forward from the services was better, too, than it  
5 had ever been before.

6 MR. SMITH: Well, another point to add to that is  
7 that, instead of getting three stacks, an Army way, an Air  
8 Force way, and a Navy way, we're going to have a nice big  
9 stack that has reasonably consistent bases, because we have  
10 directed how the data needs to go together.

11 And so I think that really we will have the  
12 foundation, if we can put it together right, to be sure that  
13 we've considered all the alternatives and to be sure that we  
14 have done the environmental things right and the economic  
15 things right that would make this defensible.

16 CHAIRMAN RIBICOFF: I'm just curious. When do you  
17 expect to give us the list of bases rationalized with  
18 explanations for each base? When do we see that?

19 MR. HANSEN: I think that the 9th or the 10th.

20 MR. BRYAN: About a week before the 13th, we hope  
21 to have it so that you can take a look at it.

22 CHAIRMAN RIBICOFF: A week before the 13th?

23 MR. BRYAN: Roughly.

24 MR. CABOT: That's only a week from now.

25 MR. BRYAN: Yes. Some of it's being written

1 already.

2 MR. EAGLETON: Base by base?

3 MR. BRYAN: Yes, sir.

4 CHAIRMAN EDWARDS: Let me just interject here on a  
5 lighter note that General Poe is the President of the Air  
6 Force Historical Association, and they have been publishing  
7 a history of the Air Force. Master of Air Power General  
8 Carl A. Spatz is one part of it. And in here it refers to  
9 the First Pursuit Group, which was as I recall maybe the  
10 first fighter group --

11 GENERAL POE: The only one we had at the time.

12 CHAIRMAN EDWARDS: -- was proposed to be moved from  
13 Houston to Michigan. And a lot of folderol took place, and  
14 it says here in the history: "Even at that early date, the  
15 move was slightly complicated by what was to become a  
16 perennial problem. The Texas Congressional delegation  
17 inquired as to the necessity of the move away from  
18 Ellington."

19 (Laughter)

20 GENERAL POE: That was 1922.

21 CHAIRMAN EDWARDS: So it is not irrational that we  
22 think in those terms as we try to put this thing together.

23 MR. CRAIB: And that's why we have a squadron of  
24 Spads still in Houston.

25 (Laughter)

1 MR. HANSEN: Mr. Chairman, if we could, I would  
2 like to proceed on with the agenda and turn it over briefly  
3 to Russ Milnes to talk about what we have been able to  
4 determine about property disposal in the implementation  
5 phase and what that might mean to us in terms of land  
6 proceeds or what that might mean to the Department in terms  
7 of land proceeds.

8 MR. MILNES: Thank you, Mr. Chairman.

9 The reason I want to raise this point at this  
10 time is that it's an area that will tend to -- it's an area  
11 that is one where we can have a lot of confusion about  
12 property and how does that fit in, especially when we talk  
13 about such things as high value property.

14 There is a fundamental difference between the way  
15 we can operate here as a Commission and the way a  
16 Congressional committee can operate, one that recommends  
17 laws to be written.

18 I think the first key is that under the statute  
19 we are dealing with, the Commission is dealing with basically  
20 two fundamental recommendations, and they are closures and  
21 realignments. That is going to become the binding part of  
22 our work.

23 Part of the implementation of that will be  
24 disposal of property in some cases. But I think it is  
25 important to recognize at the outset that disposing of

1 property is not synonymous with closing bases, disposing of  
2 property is not synonymous with realignment of bases, and  
3 that what we're really talking about in closures and  
4 realignments is the movement of units from one place to  
5 another or off a particular piece of property, and so that the  
6 availability of that property for disposal is really one that  
7 will be determined later, and in fact the one that the  
8 Commission has virtually no control over.

9 We have talked a lot about realizing property from  
10 the sale of a base and then using those proceeds later, and  
11 certainly the statute provides for that option to the  
12 Secretary. What it doesn't do, however, is it does not waive  
13 the Federal Property Act.

14 And because of that, there is no way for the  
15 Commission in its recommendations to lock in a disposal  
16 result. In other words, if we were to see an opportunity to  
17 sell property off to make those proceeds available to the  
18 Secretary, if the Congress saw such an opportunity they  
19 could lock that into legislation. They would draft special  
20 legislation that would say that a parcel -- and this was the  
21 case in Fort Jackson, and there are many other examples  
22 every year in the annual military construction authorization  
23 bill.

24 There are at least a dozen or half a dozen examples  
25 of land transfers where a parcel of property is designated

1 as surplus and that that is designated for sale or designated  
2 to be transferred to a particular group, and the whole deal  
3 is locked into legislation.

4 What we are faced with is the Federal Property  
5 Act, and this is what it looks like for the Secretary.

6 (Viewgraph)

7 MR. MILNES: This is a chart which generally  
8 describes the process that the Secretary will have to go  
9 through in disposing of the property. It starts at the top  
10 with the property being determined to be underutilized. That  
11 really is something that happens after we make our  
12 recommendations for closure.

13 He will look at a particular property, the  
14 Secretary will, and determine that it is available, that it's  
15 going to -- that it may become excess. Now, the first thing  
16 that he has an opportunity to do under the statute is to  
17 check with other military departments to see if there is a  
18 need still within the DOD.

19 And some of the things that we've talked about  
20 relative to guard and reserve or guard versus active units,  
21 some of those things can be written into our recommendations  
22 where federal property, where DOD property is involved. And  
23 the Secretary will have the opportunity to implement that,  
24 because that happens before anything else happens. He has  
25 a chance to check with other military departments.

1 But once that check has gone on, that's where the  
2 Secretary begins to lose control over the final outcome.

3 The next thing that we looked at is the McKinney  
4 Act, and that's the availability of that property for use by  
5 the homeless. And this is something that goes -- within the  
6 federal government, it is a question that is asked to HUD and  
7 then they have a chance to respond to that.

8 And if they determine that there is a need for the  
9 homeless or a parcel is needed, that is pretty much an  
10 absolute requirement. They get to take that particular piece  
11 of the base.

12 The next thing that will come up is the Department  
13 is able to declare the property excess to the Defense  
14 Department's needs. In other words, he has looked at the  
15 Department and decided there's no further need in the  
16 Department, but still that property is unavailable for sale.

17 The next thing that will happen will be a screening,  
18 a federal screening under the Federal Property Act. And that  
19 means all the other federal agencies have an opportunity to  
20 take a look at that particular land for their use.

21 Now, current OMB policy has been that those kinds  
22 of land transfers will be done at fair market value, although  
23 that is still no certainty and some departments will argue in  
24 favor of something less than fair market value. But there will  
25 be a federal screening.

1           The next thing, once the federal screening has  
2 occurred and presuming that no federal agency takes the  
3 property, you're able then to say that the property is  
4 surplus. And now you're getting closer to being able to make  
5 it available for sale, but still not yet.

6           The next step will be the public benefit screening,  
7 and what we're talking about there is use by the municipalities  
8 and state governments and local governments for parks and  
9 airports and for educational benefits. And there's a whole  
10 list of activities.

11           Let me name a couple of others. some of which,  
12 incidentally, can be transferred at fair market value, but  
13 most of them will be at no cost and some of them will be at  
14 less than fair market value.

15           In any case, the disposal, it is not guaranteed  
16 when you get into that public benefit screening that you will  
17 get fair market value, and in most cases you will not. It  
18 is once you pass the public benefit screening that you're at  
19 a point where you're up to sell the land. That is where you  
20 can sell it.

21           And that is where our statute, the Base Closure  
22 Statute, talks about the fact that the proceeds from that  
23 sale will be returned to the base closure account and can  
24 be used for a variety of purposes within the base closure  
25 realm, which would include relocation of activities, but it

1 also includes assistance to communities and planning  
2 assistance to communities as well.

3 So the net result of going through this kind of  
4 process is that it is very difficult for us at this point to  
5 do two things. First of all, we certainly can't prescribe  
6 in our report what's going to happen to the property,  
7 because we have no control over it. No matter what we do in  
8 terms of our recommendations, we cannot bind anybody because  
9 the Federal Property Act kicks in and takes over on this  
10 particular issue.

11 CHAIRMAN RIBICOFF: I would say when you get the  
12 report don't take that for granted, that everyone is going  
13 to know it. I think you have to repeat what you just said  
14 in the report to make it clear, so that we may not generate  
15 those funds.

16 MR. MILNES: And the second point is that even  
17 those that are disposed of, it will take some time for that  
18 to occur and that may -- and the proceeds may finally be  
19 made available one way or another after 1995. Now, that in  
20 no way prohibits closure, but that is just a point of fact,  
21 that much of the proceeds may not be available until after  
22 the base closure, until after the prescribed statutory  
23 period of five years that we are talking about.

24 Now, there will be obviously incentive for the  
25 Department to move out smartly in this area and to work

1 these problems. And in fact, one of the aspects that we will  
2 be talking about in the report will deal with the way in which  
3 the Department resolves the land use issue, and essentially  
4 it needs to work from a community-centered, balanced  
5 approach.

6 In other words, they're going to be working with  
7 officials and communities to work out the best land use plan  
8 for the transfer of those bases because, as we heard in  
9 testimony, it's important that these bases be transferred  
10 smoothly and quickly and that they don't just lay fallow.  
11 And so there will be definite incentive to do that.

12 But the key point again to be made here is that  
13 their closure and realignment is not synonymous with disposal  
14 of property. That's a separate issue, one over which the  
15 Commission has very little control.

16 MR. CABOT: I wish you would clarify something on  
17 that, because we don't have the authority to decide about  
18 what happens, but we sure as hell are going to be  
19 cross-examined about what we think will happen. And so we  
20 can't ignore that.

21 We've got to make some guesses or some plans or  
22 suggest some plans or something.

23 MR. MILNES: Yes, sir. And we intend to do that.

24 MR. CABOT: I don't think you can get off the hook  
25 by saying it's not our responsibility. We're going to have

1 to defend that side of it as best we can.

2 MR. MILNES: Absolutely, sir. And I think that my  
3 point in bringing this up was not so much that we would not  
4 say something about this, because clearly we need to, but  
5 rather that when we start thinking about other alternatives  
6 and possibilities that really require them to be locked in --  
7 for example, we talked about taking parcels of land and  
8 making them available for relocation of things and this  
9 nature.

10 We don't have the power, just because we're an  
11 advisory committee, to make that happen. The Congress does,  
12 and it may be that we would recommend to the Secretary that  
13 he pursue special legislation in certain instances. But it  
14 is a difficult area for us to get into in terms of making  
15 things happen.

16 I agree with you, Mr. Cabot, that we definitely  
17 should address it and give our best estimate of what we  
18 think is going to happen with the bases that we are  
19 recommending.

20 GENERAL STARRY: Mr. Chairman, in that regard,  
21 would you mind explaining therefore again the relationship  
22 between what you just said and the numbers that we show in  
23 the cost-benefit analyses base by base as potential revenue  
24 for realizing on the sale of the property?

25 MR. MILNES: Yes, sir. In fact, that's going to

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1 be the subject of the next presentation.

2 GENERAL STARRY: I have another problem with that  
3 model, which is we are showing some numbers and the numbers  
4 are -- they are really estimates about what could happen  
5 if we got down to the place where it's sold in the private  
6 sector, which is a tortuous process as he has just  
7 described.

8 The other thing -- and you will deal with that in  
9 a moment, you say. But the other thing that bothers me  
10 about the cost analysis is in many cases we have shown as  
11 savings, I think we have shown as savings, and that is why  
12 I am raising the question, amounts that are cost avoidance  
13 figures and not savings.

14 In other words, if you're proposing to close a  
15 base which houses a function, which function needs to be  
16 performed in any event, then the function has a cost  
17 associated with it and you're not going to save that cost  
18 or you're not going to eliminate that cost by simply moving  
19 the function somewhere else.

20 MR. HANSEN: Sir, we have not counted that  
21 savings. The cost avoidance, the main cost avoidance we've  
22 counted is planned MILCON at the base we would close.

23 GENERAL STARRY: But there's another line in  
24 there which--in addition to the MCA, there's another line  
25 in there which, in some cases and not in every case, but

1 in some cases which shows some savings. And I'm worried --

2 MR. HANSEN: I'm sorry, sir, to interrupt, but --

3 GENERAL STARRY: In looking through this pile or  
4 this stack of enlightening information I've been confronted  
5 with over the holidays, I am confused now as to whether or  
6 not we are counting what is really cost avoidance as a  
7 savings.

8 MR. HANSEN: The main savings that you have when you  
9 consolidate is economies of scale in your support structure.  
10 The operation of the wing if we moved it is the same or  
11 assumed to be the same, unless we know something different.

12 GENERAL STARRY: I would suggest we need to say that  
13 in the report, because as you read through several of these  
14 you begin to get it confused. At least I did.

15 MR. HOFFMANN: You see, this is one of the things  
16 I think we have to come down on in the next presentation. A  
17 lot of what we're doing is highly artificial when it comes  
18 to the numbers.

19 And you have to go back to kind of a simplistic  
20 notion of how this thing operates. Number one, we're trying  
21 to save money out of the defense budget. That's why we're  
22 excluding the adjustment assistance and all of that stuff,  
23 you see, because we're saving money out of the defense  
24 budget.

25 Number two, we make all these assumptions based

1 upon real property values and stuff. This is why I came  
2 down on this at the last meeting, okay. We're going to assume  
3 that if you declare that excess vis a vis the mission we do,  
4 that it's going to percolate down.

5 But it's going to get off the Defense Department  
6 rolls. It may go to a community. Money may not change  
7 hands. But this thing -- and you've got to make your six  
8 years, particularly because some of these mines have been  
9 heavily salted, you see, in the intervening years as the  
10 Congress rushed to shore up a vulnerable base.

11 In many cases, we're going to have to use those  
12 cost avoidance figures in order to move ourselves within the  
13 six months. But I am just saying, if you try to find  
14 rationality there right down to the nines, you won't find  
15 it.

16 It's got to be a concept that we're saying, hey,  
17 we're trying to save the defense budget money, it may cost  
18 some money in somebody else's budget to do that. But we have  
19 a process and we're going to make a certain number of  
20 assumptions for the purpose of doing this formula.

21 But in general, what you've got when you come  
22 right down to it is this is a political decision to turn  
23 this process over to a bunch of guys that are sitting around  
24 this table and say, friends, do something that is generally  
25 defensible and rational, and don't be political, and



1 eliminate some bases.

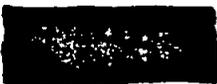
2 That's why I'm saying that I think we've got to  
3 be terribly careful that we don't try to get too damn  
4 precise and lose the lyric quality of Frank Carlucci as he  
5 set this thing up and the equally Congressional, you know,  
6 thought process that went in that bill in which they have  
7 done this to us, that chart, okay.

8 They're saying we're still subject to -- they  
9 have switched over and said, the Defense Department can run  
10 it, but you're still subject to the surplus property law.  
11 And that is just bound to keep it confused. I think we  
12 have to just say: Hey, here's how we're looking at this  
13 thing; it's a rational man standard, and here it goes.

14 MR. EAGLETON: Will the gentleman yield?

15 Doug, a macro-estimate figure, the chart that you  
16 put up on the wall, the one that we're only permitted to  
17 see every third hour, and those were bases that we  
18 presumptively closed last time, or whatever word you want  
19 to use.

20 If you throw out the dollar figures for the  
21 property, give all of the property to the homeless under  
22 the McKinney Act or divert it for all the other purposes  
23 that come prior to public sale, how many of those  
24 presumptive bases fall out of or drop out of the six-year  
25 magic number?



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1 MR. HANSEN: Let me think. I've got a table in  
2 front of me.

3 MR. TRAIN: Do any of them fall out?

4 MR. HANSEN: Four or five.

5 CHAIRMAN EDWARDS: But that's a rhetorical question,  
6 because we're not charged with making that judgment, are we?

7 MR. HANSEN: Making the judgment of? I'm not sure  
8 which judgment you're referring to, sir.

9 CHAIRMAN EDWARDS: Well, as to whether we ought to  
10 close a base or not, depending upon whether it goes to the  
11 homeless or to a bottom line sale to a community or to a  
12 developer. We're charged with weighing the appraised value  
13 of the property, aren't we?

14 MR. HANSEN: Well, we charged ourselves with that.

15 MR. HOFFMANN: You see, we're given a formula. It  
16 has to meet that spec, that the closure pays for itself in  
17 six years.

18 MR. EAGLETON: That's our formula?

19 MR. HOFFMANN: No, that's the formula we're given.  
20 But we're not told what the values are. They don't say, now  
21 use the following elements. We invent that.

22 MR. EAGLETON: We invented the property value.

23 MR. HANSEN: Perhaps if I could go to the next  
24 two charts I had, it might at least focus the debate a little  
25 bit on the same subject. The main purpose of the debate was



1 to focus on this very issue.

2 MR. EAGLETON: But don't forget that one.

3 (Viewgraph)

4 MR. HANSEN: This is a chart, "Notional Impact of  
5 TOA." This happens to be Army, and it's definitely notional.

6 MR. CABOT: Definitely what?

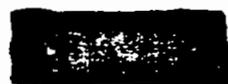
7 MR. HANSEN: Notional. It means we're not trying  
8 to ascribe anything to it. This is a hypothetical case.  
9 That's pretty accurate. What this shows over time is  
10 the effect on the Army's budget of doing what we might have  
11 already decided to do presumptively.

12 The first thing that has to happen is you have to  
13 design construction projects and you have to spend money on  
14 construction and you have to spend money to move activities.  
15 And here, coming along in FY '94 on a very conservative best  
16 guess is some land proceeds coming in. Then you start to  
17 save the operating cost.

18 Now, if we get delayed in this process or if we  
19 don't realize the proceeds, then the land proceeds aren't  
20 available to us. Now, I can tell you that the land proceeds  
21 that this chart shows reflect what the Army's best guess of  
22 what they will really get out of this, and that becomes the  
23 focus of my second chart.

24 (Viewgraph)

25 MR. HANSEN: I would like to pass around copies of



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1 this and caution you again that this is the list that we get  
2 to see once every three hours, and consequently this needs  
3 to be guarded, et cetera, et cetera.

4 Now, what I've done here and what I've referred to  
5 as the theoretical analysis -- that is, the Commission has --  
6 this is the way the Commission has determined to do it: to  
7 take the full fair market value for the highest and best  
8 use of property, regardless of whether we know it's going  
9 to revert to a park, et cetera.

10 And that is, if you will, the macroeconomic view  
11 and I personally think the correct macroeconomic view of how  
12 the Commission should look at this.

13 The other part of the column says, how would DOD  
14 look at this. Well, let's take the very first one on the  
15 list. It's on the top for a reason. DOD knows it's not  
16 going to get \$555 million for the Presidio. It's going to  
17 revert to a park.

18 DOD knows at best they're going to get \$36 million  
19 and in fact that's optimistic, to be honest with you. So  
20 the net one-time savings in the theoretical analysis is a  
21 big plus, \$489, almost \$500 million right up front, because  
22 of this valuable property.

23 But in the real world, it's a bill to the  
24 Department of \$28 million. Now, that's a good bill because  
25 they're going to spend \$28 million in order to save \$74

1 million a year. So it's worth doing. So the payback changes.

2 Now, in answer to Senator Eagleton's question, if  
3 the land proceeds come in, not all at zero, but at some value  
4 -- and I've tried to roughly calculate the years; I have not  
5 used the models on these -- only in two cases, very small  
6 ones, does the payback get bigger than our six years when it  
7 wasn't already known to be bigger already, like Cameron  
8 Station where we had known it to be seven.

9 Now, if you zeroed all of the land proceeds out,  
10 then some would grow on that list. Now, let me tell you why,  
11 one other thing in here, one other thing is going on. There  
12 are six bases under land proceeds in the DOD real world  
13 analysis where you can see -- let's take the very first one,  
14 Pueblo, fourth one down.

15 Pueblo on the real scale, 2.3; theoretical scale,  
16 I've shown it as zero. There is no reversion clause for  
17 Pueblo. The problem with Pueblo is a \$50 million  
18 environmental cleanup bill, and my assumption was when the  
19 environmental cleanup bill exceeded the land value that  
20 essentially made the land value zero, because nobody in their  
21 right mind is going to spend \$50 million to gain \$2.3  
22 million, right?

23 And in fact, Pueblo is even further complicated by  
24 the fact that the real problem there is chemical  
25 demilitarization, which we will talk to later.

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1 MR. TRAIN: Now, wait a minute. If DOD is obligated  
2 to at some point clean up your \$50 million hazardous waste  
3 sites, it's going to have to clean it up anyway.

4 MR. HANSEN: Yes, sir.

5 MR. TRAIN: Why do you show, then, that particular  
6 calculation you just described, show that as a net cost?

7 MR. MILNES: Sir, let me add something to that to  
8 answer the question. The idea is that DOD definitely has  
9 liability to follow through on cleanup, and the point here  
10 is that the proceeds likely would not be made available in  
11 any reasonable time and the sale of the land -- it will take  
12 some time before we go out to the point of selling the land.

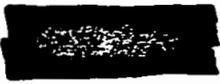
13 In the case of Pueblo, as an example, that  
14 demilitarization will -- the incineration of chemical  
15 weapons will go well over the 1995 time frame, at least as  
16 we understand it now.

17 So this is not to imply that the Department of  
18 Defense will not follow through on their liabilities and  
19 their responsibility, but rather in terms of when will DOD  
20 have to pay for different things.

21 MR. TRAIN: Okay, this is the real world analysis.

22 MR. HANSEN: Sir, the application was would you  
23 spend base closure account money to clean up? For instance,  
24 Presidio has an estimated \$2 million cleanup. Would you  
25 spend base closure money to clean up the Presidio in order

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to gain \$36 million in value? Yes. So the base closure account is going to pay for that.

Would you spend base closure account money, \$50 million, in order to gain \$2.3 million? No. We leave that for the Department's environmental cleanup program to do. Consequently, the actual disposal of the property will occur outside of the '95 window, and therefore will not go into the account and any proceeds we would get eventually for that property would go to the Treasury.

That's the purpose of the way I've calculated it.

MR. MILNES: Actually, the idea behind the DOD real world analysis is to get a sense of what the Department is going to have to pay to make these recommendations happen.

MR. HANSEN: And that's what the last column shows you, that the bill, as best we can determine, to the Department before we start today's deliberations is roughly \$700 million in order to gain \$606 million in steady state savings -- a good deal.

And therefore, that's why these are all still solid recommendations for the most part.

GENERAL POE: The most important thing to me and some of us who have been involved in this, it takes three or four years to get eight acres for a school off the site of a base. The most important thing is the message





1 to OSD and to the Congress saying, you're going to have to put  
2 some money in this thing or it's not going to work. None of  
3 those units are going to move unless you put some money in  
4 there.

(Viewgraph)

5  
6 MR. HANSEN: That goes back to this, General Poe,  
7 if I could. This is a cash flow problem as long as it's a  
8 good deal, spend 700 to get 600 a year. That's a good deal.  
9 But it's a cash flow problem for the Department. They've got  
10 to spend up front in order to get it later.

11 MR. CABOT: It seems you've ignored Mr. Train's  
12 point. Take Pueblo. You're charging the base closure  
13 account for the \$42 million of cleanup.

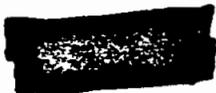
14 MR. HANSEN: No, sir, that's not cleanup. That's  
15 the cost of moving the activities out of Pueblo. Cleanup is  
16 not on here.

17 MR. CABOT: It's not on here ever?

18 MR. HANSEN: No. We haven't charged the account  
19 for that. What we have said is the fact that it greatly  
20 exceeds the value of the land says that it's unlikely that  
21 the base closure account would be used to clean up the  
22 property.

23 We would go ahead and stick with the normal  
24 Department's cleanup procedures. It will eventually be  
25 cleaned up, but eventually for the base closure account is





1 too late for us. It has to be cleaned up for '95. In fact,  
2 it has to be cleaned up in the first year or two because it  
3 takes at least three years to sell a piece of property. So if  
4 we don't get it cleaned up in the first year or two, then it's  
5 not going to be in our account. And that was a different  
6 consideration.

7 That concludes the briefings that we had to sort  
8 of set the stage for today.

9 MR. SMITH: Mr. Chairman, if I could comment on  
10 this issue, because I think this is an issue that could well  
11 bollix up the whole implementation and make it very, very  
12 difficult for the services to do this if they are going to  
13 be forced to take this money out of their hide.

14 I think -- and maybe, Russ, you can comment on  
15 this. I think that the authors of this bill really had in  
16 mind that Defense would have the ability to sell this excess  
17 real estate and get their hands on the proceeds quickly. I  
18 know that the one thing they did do overtly was to put DOD  
19 in charge of it, instead of the GSA, and that DOD will have  
20 somebody from GSA sitting with them, I guess, to sort of  
21 bless the process; and that clearly the ground rules in the  
22 recent past by OMB have been that other federal agencies  
23 aren't going to pick up this land unless they pay fair  
24 market value.

25 So is there any reason to expect, Russ, that this





1 process can't go fairly rapidly, that if Defense is in  
 2 charge and if it's clearly the intent of everybody to get  
 3 this excess property out on the private sector rolls as  
 4 quickly as possible, is there any reason to think that this  
 5 is going to get bollyxed up or slowed way down?

6 MR. MILNES: I think that -- well, if I can just  
 7 comment on the whole idea. Certainly the authors of the  
 8 bill had in mind making -- moving the property fairly  
 9 rapidly. That is why it was the recommendation to waive  
 10 the Federal Property Act, to avoid all these loopholes.  
 11 "Loopholes" isn't the right word, but impediments to moving  
 12 the property quickly.

13 But unfortunately, through the legislative history  
 14 the appropriate committees weighed in on that particular  
 15 issue and required that the Department still follow the  
 16 Federal Property Act, recognizing that it was going to  
 17 create some additional impediments.

18 The Department has already been meeting with GSA  
 19 and we have had a chance to also meet with GSA to talk about  
 20 how can we make this happen as expeditiously as possible.  
 21 And the theme that's emerging from that is the importance  
 22 of this land use plan that's developed with the community.  
 23 If you can get all the competing interests in the room or  
 24 all the interests in the room who want to work that  
 25 particular land use plan and work for a balanced approach,



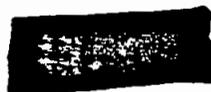
1 then when you implement the Federal Property Act it can go  
2 very quickly because all the parties have agreed in advance  
3 how this is going to work out, and then it's just a matter of  
4 going through step by step.

5 Now, that's the ideal, and the Department of  
6 Defense has great incentive to work that particular action.  
7 The fact that they are in charge will be of some, obviously,  
8 some benefit, that DOD is in charge. It will give them much  
9 more ability to be in control.

10 But when you look at the rules that they have to  
11 work under and the laws that they have to work under, their  
12 discretion is somewhat limited. So that they can't just turn  
13 this property disposal action around just because they happen  
14 to be running it.

15 They're going to be charged with implementing the  
16 same laws and regulations that GSA has and following the  
17 same pattern, and so I think there will be great incentive  
18 to move it. I think as a result of that property probably  
19 will be disposed of more quickly.

20 But certainly, the idea that the authors of the bill  
21 had in mind, which is that we could glean a lot of funds from  
22 the sale of property and make it available to the base  
23 closure account, I think that was largely thwarted when they  
24 were forced to leave in or forced to remove the waiver of  
25 the Federal Property Act. They lost a lot of ground on that.



1 MR. SMITH: I think, Mr. Chairman, we could do some  
2 productive things in the report in this area. Number one,  
3 I would like to see somebody do an analysis of what it would  
4 take with DOD running this thing to actually get a piece of  
5 property on the market, how long that process would take,  
6 look at the regs, look at what you could bypass, shortstop.  
7 The regs always have ways to get around the normal procedure.

8 But if Defense is running this thing, how long is  
9 it going to take. Do that on a time scale, and if it in fact  
10 is going to take two years or three years or four years with  
11 all the shortstops, then it's well within our purview to  
12 recommend that there be a legislative fix for this.

13 And I think that the majority of the original  
14 authors of this bill fully expect to be able to see this  
15 extra land put on the market within the first years and those  
16 proceeds go into the fund, and the fund then be used to  
17 solve that hump that you saw in the spending chart, so that  
18 the departments aren't forced not only to eat this, but to  
19 eat it out of their hide.

20 Instead of a significant reduction in the next  
21 few years, you're talking about major increases in the  
22 defense bill just to be able to accommodate this. And I  
23 think we have some flexibility in this area to try and, in  
24 the report, to put across the notion that we certainly feel  
25 like the excess property ought to get on the market as



1 quickly as possible and the proceeds ought to get into the  
2 kitty as quickly as possible, because otherwise it's going  
3 to be very, very difficult.

4 MR. MILNES: Mr. Chairman, we've already done  
5 that and the optimistic view of moving property onto the  
6 market is 26 months. So I think we're in a position to make  
7 those kinds of recommendations.

8 MR. SMITH: I suggest you go back and look at that  
9 again, and all the shortstops that are in the regs and talk  
10 to OMB, and OMB can put out a blanket: Nobody else in the  
11 federal government gets it unless it's paid fair market  
12 value.

13 And then you solve that whole screen. OMB I'm  
14 sure is ready to do that. And I think that there are things  
15 that can be done to shortstop that schedule and get it to the  
16 point where you can get that money in the coffers much,  
17 much quicker than we're talking about.

18 CHAIRMAN EDWARDS: If that doesn't happen, then  
19 the loophole that Chairman Aspin mentioned is clearly out  
20 there to deal with, because if we can't, if the military  
21 can't find a way to inject these funds in a hurry, getting  
22 the MILCON committees to come up with \$700 million in the  
23 near term is going to be very difficult.

24 They will cut that back and cut it back and cut  
25 it back, and then you've got your built-in Aspin loophole.

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1 MR. HANSEN: Sir, I think where we stand today they  
2 probably can do that. They can meet those cash flow problems  
3 where we stand today.

4 MR. SMITH: Do you mean with the number of bases  
5 that we've recommended?

6 MR. HANSEN: At this point.

7 MR. SMITH: But they're going to go up by a factor  
8 of three or four, are they, by the time we're through?

9 MR. HANSEN: I'm not sure.

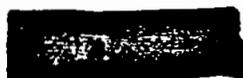
10 GENERAL POE: There is a great incentive. The  
11 people that are going to be voting, that will not be hurt by  
12 this and will not have to come up with additional money, are  
13 way in the majority. The handful of people that want to block  
14 it will be in a minority.

15 MR. SMITH: I'm not sure. I think when the  
16 handwriting is on the wall, if I am the Congressman with that  
17 base in my district, I want to get that thing on the public  
18 rolls as quickly as possible.

19 GENERAL POE: Then that makes it even better. My  
20 point is, even if he is fighting it, the other people are on  
21 the side of the angels. They don't want to provide more money  
22 up front, and they're in a position to say: I'm sorry, old  
23 friend, but.

24 CHAIRMAN EDWARDS: I guess I have to disagree with  
25 Jim's assessment there, having been in that predicament.

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1 MR. SMITH: Well, you fight it until it's  
2 inevitable.

3 CHAIRMAN EDWARDS: The tendency is to fight it too  
4 long.

5 MR. HOFFMANN: Well, it's easier to fight it.

6 CHAIRMAN EDWARDS: The pressure from back home is  
7 on you and you've got to carry the flag. In my own case, I  
8 recall that I finally had to go to the community and say:  
9 Look, we've been carrying on this charade too long; now let's  
10 get on with trying to do something with this facility.

11 But there is tremendous pressure there.

12 CHAIRMAN RIBICOFF: Gentlemen, I think we have  
13 earned a five minute break, have we not?

14 (Recess)

15 CHAIRMAN RIBICOFF: Okay, Doug.

16 MR. HANSEN: All right, sir. To vary things  
17 slightly, we decided to do the Navy first, as opposed to some  
18 other service. And what we would like to do is to go through,  
19 and the purpose of the rest of, basically the rest of today  
20 and tomorrow, is to brief you on the collection of studies  
21 and analyses, questions, et cetera, that the Commission asked  
22 us to pursue.

23 And we have broken them down into, in general,  
24 service specific, when it was an admin base or an operational  
25 associated with that service, and some of them, such as a



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1 regional air base study, a national capital region leased  
2 space study, we will do at the end.

3 So to start with the Navy, starting with the  
4 operational air training bases of the Navy.

5 (Viewgraph)

6 MR. HANSEN: This is the maps of the bases in that  
7 category. And the first base we were asked to analyze was  
8 Naval Air Station Meridian.

9 (Viewgraph)

10 MR. HANSEN: What we were doing was looking at  
11 consolidating, whether we could consolidate Meridian within  
12 some of the other training bases in the Navy. And the  
13 others that we looked at putting Meridian's mission into  
14 were Pensacola, Corpus Christi, Kingsfield, Chase Field, and  
15 Whiting Field.

16 In other words, we looked at all options. Now,  
17 Meridian is an advanced jet training base. Not all of the  
18 others are in fact advanced jet training bases. So one of  
19 the considerations that you have is that it is incompatible  
20 areas. Propeller airplanes and jets are incompatible on the  
21 same set of runways, and the reason is one flies much faster  
22 than the other and it causes a lot of dispersion problems.

23 But the primary operational drawback of closing,  
24 of trying to close Meridian, was air space crowding. And  
25 we have some charts that we would like to show you on

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1 air space crowding.

2 (Viewgraph)

3 MR. HANSEN: First, Meridian itself isn't that  
4 good. This is Meridian's air space. Meridian is located  
5 right in the middle of the dots, and it has the two green  
6 areas are the area that Meridian has to train in. Everybody  
7 else -- there is another training area there for I'm not sure  
8 who.

9 All of the rest of these are corridors for  
10 airplanes to get in and out of the area. So it is quite  
11 crowded.

12 However, we looked at moving -- which is one reason  
13 you might want to move out of Meridian, for that matter. We  
14 looked at putting it at Chase --

15 (Viewgraph)

16 MR. HANSEN: -- and Kingsville and Corpus Christi,  
17 happened to be very, very close to each other. And to point  
18 out, this is Chase operational area -- I'm sorry, Kingsville.  
19 This is Chase. This is also Chase.

20 And down here, which is ocean, and extending out  
21 to your right is Corpus Christi. They train over the water.  
22 And again, we also have a town with an international, at  
23 least an airport and routes in and out. And studies show  
24 that the air space there is saturated. We have a study that  
25 shows that the air space is saturated.

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1                   COMMANDER SZUTENBACH: The military operational  
2 areas are at maximum capacity now in each case.

3                   (Viewgraph)

4                   MR. HANSEN: The last air space would be the  
5 Pensacola-Whiting Field air space, and again we find them  
6 heavily saturated in the air. Consequently, we did not run  
7 a payback on closing Meridian because operationally we  
8 couldn't fit it, primarily based on air space or incompatibilit

9                   (Viewgraph)

10                  MR. HANSEN: You could not put Meridian into any  
11 single base. If you took the part of Meridian that would  
12 fit into Corpus and then did a payback on it as the best  
13 case, cheapest, it was the cheapest, least amount of  
14 construction required and all of that, it did not pay back,  
15 and therefore we did not run the other four options.

16                  MR. CRAIB: Could it be switched or that function  
17 switched to Miramar Naval Air Station in California?

18                  MR. HANSEN: In another study, we will show you  
19 Miramar's air space is also severely congested. Air space  
20 is -- well, I shouldn't say air space is, but operating  
21 space is the problem we have run into most, whether you're  
22 talking about the Army not having enough land to train on  
23 or the Air Force or the Navy not having enough air to fly  
24 in.

25                  That is, with encroachment around where these

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1 places are and the vast increase in the civilian air traffic,  
2 one of the issues that you get. Also, we didn't run any  
3 detailed analysis of it, but in a broad context we're having  
4 trouble retaining pilots.

5 And where are we losing them to? We're losing  
6 them to civilian air? That's because there's a lot more  
7 civilian airplanes flying up there. Having trouble  
8 retaining pilots means you have to train more pilots. If  
9 you have to train more pilots, they've got to go to these  
10 training places.

11 Therefore, the air is even more crowded. And it  
12 is just -- you know, communities are growing in around  
13 these places, and it is just a real problem trying to put  
14 this together.

15 MR. HOFFMANN: Well, are there other places in  
16 the country? Could you back off another step and say,  
17 look, these are the regions where things aren't cluttered,  
18 and look at Air Force bases that we could either tip over  
19 or combine with where they have more?

20 MR. HANSEN: No, sir, we did not do that kind of  
21 analysis, although in each category's analysis the air  
22 space was becoming a problem at every base, not to this  
23 same extent, of course.

24 MR. CLAYTOR: For the Air Force as well?

25 MR. HANSEN: Yes, sir, for many of their bases.

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1           COMMANDER SZUTENBACH: We find the FAA is looking  
2 for more spaces for commercial. The military is looking for  
3 air space. General aviation is looking for more air space.  
4 And that comes out in the studies, that generally the air  
5 space in this country is becoming more saturated. We're just  
6 a microcosm of that overall problem.

7           MR. HANSEN: This is just one microcosm of that same  
8 problem.

9           Moving any activity to another activity that is  
10 already being fully utilized or close to fully utilized and  
11 just basically taking advantage of perhaps excess land is an  
12 extremely costly measure. And in general, it will not pay  
13 back.

14           To pick up something as complicated as a Meridian  
15 and having to build it again someplace else just would not  
16 work.

17           Now, in the future, if in fact some future  
18 Commission -- we clearly don't have the time -- could figure  
19 out a way to buy southern Nevada, we might be able to do  
20 something there.

21           MR. SMITH: Well, the option is to train out over  
22 the Gulf. What is the pilot throughput at Meridian and the  
23 other bases, too?

24           What are there, three training squadrons at  
25 Meridian, three squadrons?

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1 flight in fuel, they were perfectly willing to shove us on  
2 the ground and let those guys go overhead. And the time has  
3 come where it's just too dangerous. You need to let them fly  
4 around the area and let us continue to fly these kinds.

5           Somebody is going to slip out of one of these  
6 envelopes in a mach 2 turn and get over in that area if we  
7 constrain them too much.

8           MR. HANSEN: It is happening. I heard an anecdotal  
9 story of an exchange between a Marine Corps general who was  
10 fighting to keep a piece of range called Chocolate Mountain  
11 in Congress, over whether or not they should set aside a  
12 piece of that Chocolate Mountain range as an environmental  
13 protection.

14           And the Congressman was saying: You don't need  
15 175,000 acres to do that, and so forth; the thing is three  
16 miles wide and 40 miles long; how much do you need to fly in?  
17 And the answer the Marine general came back with was: To a  
18 pilot flying at operational speeds, that range is two minutes  
19 wide and four minutes long. He had better not sneeze while  
20 he is over it.

21           And that is what is happening. The frustration  
22 that I know you feel and we feel too is that in the time we've  
23 had we just couldn't get our arms around it, because it  
24 requires so much and it requires a will to do something, too.  
25 Now, we have the will, but we don't have the power and the

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1 authority.

2 We cannot order the FAA to give us more air space.

3 We have to cajole them and work on it.

4 343 is at Columbus.

5 CHAIRMAN EDWARDS: That's at Columbus?

6 MR. HANSEN: 140 for Chase, 343 for Columbus at the  
7 Air Force base.

8 MR. SMITH: And Kingsville?

9 COMMANDER SZUTENBACH: Kingsville, the same.

10 MR. HANSEN: Kingsville is 140. So the Navy is  
11 pushing through their jet bases about 140 or 150 pilots.

12 MR. SMITH: And the Air Force is pushing through  
13 350?

14 MR. HANSEN: At one place, anyway.

15 MR. SMITH: If you can get the capacity of the Navy  
16 two jet bases at Corpus and Kingsville, if you get them up  
17 to 200, that would pick up Meridian.

18 MR. HANSEN: You can't get them up to 200 because  
19 of the air space. Perhaps the Air Force has more range to  
20 operate in.

21 CHAIRMAN EDWARDS: Do you have a hard copy of that  
22 slide?

23 MR. HANSEN: Yes, sir. Right now?

24 CHAIRMAN EDWARDS: Yes, and the Pensacola slide.  
25 Could I see that?

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1 MR. HANSEN: This is actually the Corpus Christi  
2 slide.

3 CHAIRMAN EDWARDS: I want to see that and the  
4 Pensacola slide hard copy.

5 MR. HANSEN: Is that for everybody or just  
6 yourself?

7 CHAIRMAN EDWARDS: I would just like to see it.  
8 Are there any other comments or questions on this?  
9 (No response)

10 CHAIRMAN EDWARDS: Doug, go ahead to the next one.

11 MR. HANSEN. The next air base we were asked to  
12 look at is Naval Air Station [REDACTED] [REDACTED] was in  
13 the category --

14 (Viewgraph)

15 MR. CLAYTOR: This is a P-3 base.

16 MR. HANSEN: [REDACTED] is in Maine, very near  
17 Loring. We were asked to look at whether we could combine  
18 [REDACTED]. [REDACTED] did have some space for  
19 aircraft. In fact, they have space to put in about twelve  
20 more aircraft.

21 (Viewgraph)

22 MR. HANSEN: However, the Naval Air Station  
23 [REDACTED] has 50 aircraft that need to go in there. But  
24 that really wasn't the big reason. The fit was more on  
25 operational areas and, even though both [REDACTED] and

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1 [redacted] are -- well, I guess [redacted] is New Hampshire, or  
2 is it Maine?

3 Even though they're both in the same state, they're  
4 quite a bit of difference away from where the operational  
5 pattern is. Now, a P-3 patrols the ocean looking for  
6 Russian subs, and they have a radius, an arc of patrol, if  
7 you will.

8 And what this shows is that the outer arc is the  
9 arc that they can patrol now from [redacted] The inner arc  
10 is the arc that they would be able to patrol from [redacted]  
11 Now, what you would lose is the red. You would lose the  
12 ability to train in that arc.

13 Now, you would pick up some ability to cover  
14 Newfoundland and Canada, but we don't need to because the  
15 green is what the Canadians cover. So they're already  
16 covering that area anyway. So we lose something, but don't  
17 gain anything.

18 The other issue at [redacted] is that, being on the  
19 coastline, it doesn't get snowed in. Therefore the planes  
20 get up and out and train on a regular basis, whereas in [redacted]  
21 it's tough up there, and the Air Force has some difficulties  
22 getting out. And it has a large amount of equipment up  
23 there for [redacted]

24 We also briefly looked at the other way, could we  
25 put [redacted] And because of the size of these

1 [REDACTED] they take up so much space, [REDACTED] being  
2 compacted down and all that, it was just impossible.

3 CHAIRMAN RIBICOFF: Any questions?

4 GENERAL POE: What's the problem of incompatibility?

5 MR. HANSEN: They're not incompatible on the  
6 airfield. [REDACTED] is considerably --

7 GENERAL POE: No, the last line there: "Integration  
8 of [REDACTED] operations."

9 MR. HANSEN: They fly at different speeds when they  
10 land and take off. What do we say, 100 to 200 knots or  
11 something, roughly. P-3's land at around 100, and I'm not  
12 exactly sure of the figures, and B-52's land at about 200.

13 What it does is it causes degrees of spacing  
14 required in order to get the planes back on the ground, and  
15 it becomes a lot more difficult.

16 GENERAL POE: When you say that about helicopters  
17 and fixed wing, or props and jets, I believe it. But having  
18 commanded 56,000 landings and takeoffs a month, I am always  
19 a little bit -- with C-130's among them -- I am always a  
20 little bit tongue in cheek.

21 MR. HANSEN: But that's a wartime environment,  
22 wasn't it, sir? We don't keep the same spacing in peacetime.

23 GENERAL POE: You would be very fortunate to get  
24 530 or 560 --

25 MR. SMITH: Washington National manages with both

1 props. and jets.

2 GENERAL POE: Of course that's terrible.

3 MR. HANSEN: They also don't do touch and go's.  
4 Military aircraft are often doing touch and go's.

5 COMMANDER SZUTENBACH: Essentially, [REDACTED] -- and  
6 correct me if I'm wrong -- is essentially saturated or fully  
7 utilized today. It would be difficult to superimpose the  
8 P-3 operations also on [REDACTED] not just the operations but  
9 training flights.

10 And there is a relative difference in the takeoff  
11 and landing speed of the B-52 relative to the P-3. I think  
12 that is about 50 knots on the B-52 versus the P-3, and so  
13 the queuing would be a problem.

14 Is it totally incompatible? Could you not use the  
15 runway, the same runway? You could, but then you have an  
16 effect on the scheduling and the usability and the  
17 effectiveness of the training.

18 GENERAL POE: It's more persuasive to me when  
19 you can't take 50 airplanes, you can only take twelve.  
20 That is persuasive. But every time I see this incompatibility  
21 that sort of strikes a burr under my saddle.

22 MR. HANSEN: Well, the real message here is that  
23 we lose some capability to catch the Russians out there.

24 CHAIRMAN EDWARDS: How big is that red area?

25 MR. HANSEN: Do we have any idea how big that

1 arc is at the max?

2 MR. HOFFMANN: What is the effect of that?

3 MR. CABOT: They're about 75 miles apart, [REDACTED]  
4 and [REDACTED] The whole state is only about 100 miles long.

5 MR. HANSEN: But the question is, how big is that  
6 arc out there.

7 MR. CABOT: Why would the arc be different than  
8 the distances?

9 COMMANDER SZUTENBACH: We're measuring the  
10 distance.

11 MR. HOFFMANN: I think it's terrific to have a big  
12 red arc up there, but I don't know if that's really a bad  
13 number or not.

14 MR. HANSEN: Well, we were advised it was.

15 MR. CABOT: I bet there are some other considerations  
16 one of which is [REDACTED] is a nifty place. It would be a  
17 great place to have a naval station. If I was in the Navy,  
18 I would sure as hell hate it if I had to go from [REDACTED]  
19 up to [REDACTED]  
20 [REDACTED] is in the boonies if anything ever was.  
21 This issue about weather, I doubt if that is quite true,  
22 either, because they get a hell of a lot of fog in [REDACTED]  
23 that they don't get in Loring.

24 COMMANDER SZUTENBACH: They said about 300 miles  
25 between this point and that point.

1 MR. CABOT: Well, there must be something phoney.

2 MR. CLAYTOR: Who covers the rest of the area down  
3 there below the red?

4 MR. HANSEN: Jacksonville, sir.

5 COMMANDER SZUTENBACH: Here's the arc for  
6 Jacksonville.

7 MR. BRYAN: And Bermuda also covers it.

8 MR. CLAYTOR: I'm sure we have something in  
9 Bermuda.

10 COMMANDER SZUTENBACH: I don't think we're flying  
11 any P-3 operations out of Bermuda.

12 MR. HOFFMANN: We are out there a good way.

13 COMMANDER SZUTENBACH: It's not a continuous  
14 mission in Bermuda. We sometimes go to Bermuda.

15 MR. HOFFMANN: The telling argument to me is you  
16 don't really have the space to commingle these two things on  
17 one air base, okay, now. But remember what the exercise is.  
18 If you have your family and you are living in a twelve-  
19 bedroom house with a pool and a four-car garage and you  
20 undertake to cut back to half that size, you are going to  
21 feel discomfort in your living space, but you're going to  
22 pay less for that facility and you're going to have more  
23 money to devote to going to the vacationing or doing  
24 whatever the hell you're doing.

25 And what we're talking about here is inducing an

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1 additional hardship or a less easy situation or a bunch of  
2 people. And, very cynically stated, the services have had  
3 since about 1977-'78 to sit back and carefully defend by  
4 emplacing new military construction on places that otherwise  
5 would have made good closures.

6 So nobody is saying anybody is going to get well by  
7 doing this exercise, nor in my judgment was where we started  
8 to say, well gosh, we're not going to ruffle anybody's  
9 feathers.

10 The fact is some of these things ought to hurt.  
11 And you know, we can talk about congestion and all this other  
12 stuff, but the fact is if you leave everything where it is  
13 it's going to be congested in ten years. And we're trying  
14 to anticipate that and save money in the defense budget. That  
15 is what the drill is about.

16 So I am persuaded by the fact that you're running  
17 out of space here and you're running out of this and that. I  
18 mean, my instinct is to go back and take another hard look  
19 at Loring and see what in the world we can do about that  
20 situation, because if you're going to induce some hardship  
21 it seems to me that one of the least long-lived missions you've  
22 got is iron bombs in B-52's, particularly kind of brooding  
23 along under the shadow of Stealth.

24 MR. HANSEN: Actually, I think if we're talking  
25 about the mission of Loring, my understanding is that they

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1 are dropping stuff into the sea to get at ships, and so forth,  
2 mining.

3 GENERAL POE: That has always been a SAC mission.

4 MR. HANSEN: Can we move on?

5 MR. SMITH: What would be the cost of building the  
6 facilities you need at [REDACTED] to be able to handle the  
7 mission?

8 MR. HANSEN: We didn't calculate that.

9 MR. CABOT: What would be the annual savings,  
10 approximately, of closing [REDACTED]

11 MR. HANSEN: You would get economies of scale. The  
12 full mission would have to move, no matter where you put it.  
13 So what you gain is economy of scale on the operations. Now,  
14 Loring is a costly operation, but they do take extraordinary  
15 measures to keep the runways open in winter.

16 However, having done that, if you could fit the  
17 airplanes in, they've done it, I guess. So it probably  
18 wouldn't increase that. So I'm not sure how much you would  
19 get, maybe 20, 30 percent of the base operating support  
20 costs.

21 COMMANDER SZUTENBACH: We're checking to see. I  
22 think we had some rough figures.

23 GENERAL POE: You're talking about operating 90  
24 airplanes off of a major base.

25 MR. HANSEN: 90 big airplanes, very big airplanes.

1 GENERAL POE: What, P-3's?

2 MR. HANSEN: Well, commingled with the biggest  
3 there is, B-52's.

4 GENERAL POE: You have 26 C-135's.

5 MR. HANSEN: Those are also very large airplanes.  
6 They take up a lot of space. I mean, that's the largest  
7 airplane the Navy flies, probably, and the two largest  
8 airplanes the Air Force flies except for the C-5.

9 GENERAL POE: Are you talking about ramp space?  
10 I think we need to find out what it would cost.

11 COMMANDER SZUTENBACH: I think we have some  
12 information on that, and we will doublecheck it.

13 MR. HANSEN: If we could, while we're doublechecking  
14 that, go on to the next base, because it is a very similar  
15 situation.

16 (Viewgraph)

17 MR. HANSEN: We were asked to look at doing  
18 something with [REDACTED]. Now, we did make a mistake at  
19 the time. We said there were only 19 airplanes at [REDACTED]

20 [REDACTED] It turns out there was 94 and they're all P-3's.  
21 It's the same kind of base.

22 But anyway, we have gone ahead and analyzed the  
23 moving of [REDACTED] and we looked at, basically looked at two  
24 choices. The first choice was to move it to Mather. Now,  
25 the Mather option wouldn't have made any operational

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1 difference, roughly. However, it wouldn't have made any  
2 difference, either, and the value of both properties was the  
3 same.

4 So it would just be a move for a move's sake. It  
5 didn't make any sense.

6 GENERAL POE: Mather also has some air space  
7 problem with two other air bases.

8 MR. HANSEN: [REDACTED] does, too.

9 GENERAL POE: Which you try to get rid of. So  
10 then if you put 90 airplanes in there, you make it worse  
11 than it is today.

12 MR. HANSEN: But [REDACTED] also has some air space  
13 problems, not as many because they go straight out to sea.  
14 So what we did is we looked at moving to our other open  
15 base in California, George Air Force Base. And we came up  
16 with the same kind of operational problem as we had at  
17 [REDACTED] the same types of arcs.

18 (Viewgraph)

19 MR. HANSEN: This time the arc here is -- those  
20 are the same scale maps, so again we're talking about  
21 the widest point.

22 GENERAL POE: How many P-3's are involved?

23 MR. CABOT: Were there 90 P-3's at [REDACTED]  
24 too?

25 MR. CLAYTOR: 50, I thought somebody said.

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1           COMMANDER SZUTENBACH: It was about 50 aircraft.  
2 It will vary day to day.

3           MR. HANSEN: 50 was [REDACTED]

4           GENERAL POE: But they're not all P-3's?

5           MR. HANSEN: The 50 are all P-3's.

6           COMMANDER SZUTENBACH: It is a mix. It's not just  
7 P-3's.

8           MR. HANSEN: At [REDACTED] the chart says 50 P-3's.

9           COMMANDER SZUTENBACH: I'm sorry.

10          [REDACTED] has 94 P-3's assigned. They're not there at  
11 all times. 18 of those would be gone at any one time. And  
12 they have some C-130's, a couple of C-130's, some HC-130's,  
13 and HH-3's.

14          GENERAL POE: You're talking about over 70 P-3's  
15 most of the time?

16          COMMANDER SZUTENBACH: Yes, sir, roughly 75, 76  
17 P-3's full-time.

18          MR. HANSEN: Do you know what that represents at  
19 the widest arc, and that stays that wide pretty good? That  
20 represents 25 percent of that patrol area. So you lose 25  
21 percent of its capable patrol area.

22          MR. HOFFMANN: Tell us what you're trying to tell  
23 us there? Does that mean-- it certainly doesn't mean you  
24 cannot get coverage in that red area. It means that it  
25 doesn't meet the present standards for coverage or whatever,

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1 that when you get a plane out there it's got to be able to  
2 stay X number of hours or whatever.

3 You don't mean to tell me you can't fly from  
4 George to the far side of that arc with a P-3?

5 COMMANDER SZUTENBACH: Yes, sir, you could fly.  
6 But nominally, their mode of operation would have them fly --

7 MR. HANSEN: It would be more cost and more time.

8 MR. HOFFMANN: It's not impossible. You don't lose  
9 it. It's more cost and more time. So what you're talking  
10 about is some economic tradeoffs and a cost.

11 MR. CLAYTOR: You can't physically do the job.  
12 When you get there, you don't just fly over it once, you  
13 don't just go out and get there and come home.

14 MR. HOFFMANN: No, you go out and perform a  
15 certain mission.

16 MR. CLAYTOR: You do back and forth, back and  
17 forth, back and forth, and you can't do it at that distance  
18 because of the range of the airplane.

19 MR. HANSEN: You only have so much time on station  
20 before you have to get back and refuel.

21 MR. HOFFMANN: I understand all of that. But  
22 what I'm saying is you can still do it, but it is not as  
23 cost effective or operationally adroit to do it that way.  
24 You're spending more time transiting than you're spending  
25 patrolling.

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1 MR. CLAYTOR: I don't think that's right.

2 MR. HANSEN: I would say you would have to have  
3 more P-3's to cover that area. You would have to have more  
4 airplanes and perhaps some mid-air refueling.

5 COMMANDER SZUTENBACH: The bottom line here is  
6 that you're out there in order to detect and/or interdict  
7 submarines.

8 MR. HOFFMANN: And how often are you out there?

9 COMMANDER SZUTENBACH: They're out there  
10 continuously.

11 MR. HANSEN: Not every airplane all the time.

12 MR. CLAYTOR: One airplane is out there all the  
13 time.

14 COMMANDER SZUTENBACH: Already they've got what  
15 you would call a black hole here. We do have Russian  
16 submarines that are operating in this area and certainly  
17 coming down into this area along the West Coast. So the  
18 intent is to operate out here to detect as well as to  
19 interdict if possible.

20 Their time on station is reduced dramatically  
21 if they have to fly out of George, and the probability  
22 therefore of picking up a submarine. They fly back and  
23 forth. You could fly out to that point, look around and  
24 fly back, but you would not have effective patrol.

25 MR. HOFFMANN: I understand.

1 MR. HANSEN: It's hard to read, sir, but if you  
2 look at the top part of that arc that you're losing, that  
3 means that they can't cover the approaches to Seattle, a  
4 major port.

5 CHAIRMAN EDWARDS: Aren't we talking about closing  
6 George?

7 MR. HANSEN: Yes, sir, that is why we thought of  
8 a least cost option to move it into it.

9 MR. CABOT: What does that do? You close Moffet  
10 instead of George?

11 MR. HANSEN: [REDACTED] is worth \$46 million, George  
12 is worth 2.

13 MR. CABOT: Do you mean the hand value?

14 MR. HANSEN: Yes. So it was the least cost  
15 option, plus it was a good deal.

16 Now, to move it any other place in the regional  
17 study --

18 MR. CABOT: The annual savings is about the same,  
19 one as the other?

20 MR. HANSEN: Maybe. George is not in too good a  
21 condition. We might have to spend money to spruce it up.

22 There is a regional study that we will brief up  
23 later that looks at whether we could have put [REDACTED] in the  
24 region. Now, we already looked at one of the bases in the  
25 region, which is Mather, and again it was empty, so you don't

1 even have squishing problems. But it just didn't pay back,  
2 so it didn't make any sense to move it.

3 CHAIRMAN EDWARDS: May I suggest to you fellows --

4 MR. CRAIB: Have you looked at Oregon or Washington?

5 MR. HANSEN: That's a possibility. I'm not sure,  
6 again. We've got some Canadian coverage on this coast, too,  
7 obviously, north of Seattle, not as much.

8 COMMANDER SZUTENBACH: You start moving up the  
9 coast and you run into the same problem. You're losing some  
10 other operational area.

11 MR. HANSEN: If you moved up to [REDACTED] you would  
12 have to have two bases. You would have to have [REDACTED]

13 [REDACTED] You're just splitting up functions, as opposed to  
14 consolidating.

15 COMMANDER SZUTENBACH: [REDACTED] is in probably the  
16 optimal location for P-3 operations on the [REDACTED] Coast.

17 CHAIRMAN EDWARDS: I don't want to cut anybody off,  
18 but we've got an awful lot of facilities to look at.

19 MR. HANSEN: Next we have a real interesting one if  
20 you like. It's strategic home porting. There is \$280 million  
21 in construction at [REDACTED]

22 MR. CABOT: What was that again?

23 MR. HANSEN: \$280 million in construction at [REDACTED]

24 MR. CLAYTOR: To move [REDACTED]

25 MR. HANSEN: Right.

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1 Now, that, we would have to run the whole payback  
2 to see whether the whole -- that doesn't count the moving  
3 cost. It also doesn't count the land value at [REDACTED] and  
4 so forth and so on.

5 (Pause)

6 MR. HANSEN: Do you want us to pursue [REDACTED]  
7 [REDACTED]

8 CHAIRMAN EDWARDS: You know, we're trying to do  
9 something everybody for years thought ought to be done, but  
10 it looks like events have overtaken us.

11 MR. SMITH: Mr. Chairman, I'm disappointed we  
12 haven't at least looked at the numbers to know what the order  
13 of magnitude of the numbers are. I thought that was the  
14 purpose of this exercise, of going back and taking a look at  
15 these bases, was to at least look at the numbers and look at  
16 the options, to see whether that made any sense or not.

17 Here we didn't even bother to look at the numbers.

18 MR. HANSEN: We have -- in all cases, we have not  
19 had an opportunity to develop all of the options and run  
20 them through the cost model. What we have is back of the  
21 envelope calculations.

22 Where the operation seems to drive the equation,  
23 then we simply did not display them. Obviously, we collected  
24 some information on the cost of construction.

25 MR. CABOT: Relocating -- has relocating [REDACTED]

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1 every come up before on prior lists?

2           COMMANDER SZUTENBACH: Not to my knowledge. We  
3 could check.

4           MR. EAGLETON: Might I suggest to Jack that, if  
5 they're going to prepare packets on the bases that we're  
6 ultimately going to close, should they not prepare packets on  
7 those hot targets that everybody knew we were going to close,  
8 but we ended up not doing so?

9           Going into this thing, everybody knew certain  
10 bases were down the tube.

11           MR. HANSEN: Yes, sir, we can do that as part of  
12 the defense. I don't think we should put that in our final  
13 report.

14           MR. EAGLETON: No, sir, but they ought to have it.  
15 Somebody is going to say, how did so and so save his base?

16           MR. BRYAN: Yes, sir, we're going to do that.

17           (Viewgraph)

18           MR. HANSEN: What we have done is we have taken a  
19 look at the whole strategic home porting program and tried  
20 to analyze it. And what we would like to do is start by  
21 putting the Navy in perspective with regard to ports. In  
22 1977, the Navy had in essence cut themselves back in ports  
23 quite dramatically as a result of reductions in ships. But  
24 the Navy tells us they cut too far.

25           They ended up with overcrowded ports. They also

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1 are working on a trend where the ships were getting bigger  
2 and more complex, and they also were short of ships. And  
3 the Reagan buildup, of course, has added to the ships.

4 (Viewgraph)

5 MR. HANSEN: Next we would like to show you what  
6 has happened to ships over time with the Navy. Back in  
7 '68 they basically had 1,000 or 976 ships. It dropped to  
8 476 ships.

9 When Carter came on board, by changing the way  
10 you count ships, they managed to make it look like 555.  
11 He counted ships that don't deploy and therefore weren't of  
12 too much use to the Navy as far as a fighting force.

13 Under the Reagan Administration, we went back to  
14 more -- if you will, different counting systems, and  
15 basically are growing from a level in '80 of 479 ships to  
16 585, almost an increase of 100 ships, if you look at it,  
17 or more than 100 ships.

18 If you look at it as the goal is 600 still, there  
19 is more work to do. So the strategic home porting really  
20 came into being about in the 1980's as an impact of, wow,  
21 we're going to go to 600 ships; where are we going to put  
22 them?

23 The first answer was, the first thought was,  
24 well, we will put them where we got them, and that was  
25 where you have heard previous testimony we would have ended

1 up with 50 percent of the 600 ships, either in Norfolk or in  
2 San Diego, very, very prime targets.

3 The strategic home porting force structure then  
4 planned on spreading these assets around, and these are the  
5 ports that they were in, although it's probably too small to  
6 read, that they would be moved to.

7 (Viewgraph)

8 MR. HANSEN: This is the status of the program.  
9 In essence, the strategic home porting was looking to bed  
10 down 51 ships, and that isn't four ports. Obviously, the Gulf  
11 encompasses a multitude of ports down there.

12 The cost of doing that was going to be \$839 million  
13 from the Navy. That is \$799 million in a capped amount for  
14 the actual ports themselves and an additional \$40 million  
15 for family housing at Staten Island, because of the high  
16 cost of Staten Island port.

17 Local contributions were going to be \$148 million,  
18 and the vast majority of that coming from the Gulf ports,  
19 as Chairman Edwards has pointed out, for a total cost or  
20 total expenditures, if you will, \$987 million.

21 (Viewgraph)

22 MR. HANSEN: Here is the status of the program.  
23 Of the \$987 million, roughly just short of half of it has  
24 been obligated already, and with the bulk of it obligated at  
25 all the Gulf ports, New York, and a fair amount at Everett.

1 And what we noted was San Francisco has had nothing  
2 obligated.

3 So the conclusion we basically drew from this was,  
4 first off, we had the one option to look at it, per your  
5 instructions, of do away with the whole home port system or  
6 the strategic home port system and go back to the old way of  
7 doing it.

8 And then the other was, what could we do with any  
9 of the existing at a smaller level.

10 (Viewgraph)

11 MR. HANSEN: So the first alternative then was  
12 cancel the entire strategic home port program and concentrate  
13 the forces in the existing home ports, like San Diego and  
14 Norfolk. We have already spent \$87 million in infrastructure  
15 at these ports, which is, if you will, kind of a sunk cost.

16 Our estimate of the remaining contracts that have  
17 been let, the termination cost of those, we used half of the  
18 value of that as a termination cost. The alternate program  
19 was to cost \$629 million. We have already received some  
20 local commitments which we would have to return, but we  
21 would realize some proceeds from the sale of land, for a net  
22 cost of \$904 million or roughly \$100 million more than the  
23 current cost of continuing without doing anything.

24 And so the whole program continuing is cheaper than  
25 not continuing. In addition, because family housing isn't

1 counted against this, we estimate about \$25 million in  
2 family housing would have to be spent at places like San  
3 Diego in order to find homes for the new ships or homes for  
4 the people on these new ships.

5 So the difference is almost \$150 million.

6 MR. SMITH: That's the one-time cost, operating  
7 cost? Did we do that steady-state?

8 MR. HANSEN: You're right, this is the  
9 construction cost.

10 MR. SMITH: Do you have operating costs to keep  
11 all these bases open forever after you get them put in place,  
12 versus the operating cost of piggybacking them on existing  
13 ports?

14 MR. HANSEN: We looked at the operating cost, at  
15 particularly, at San Francisco, Hunter's Point, because we  
16 felt there was some ability for us to do something there,  
17 because nothing had been obligated yet. Where significant  
18 amounts of money had been obligated, we did not collect  
19 that information.

20 MR. SMITH: Well, that's just the front-end cost,  
21 the one-time cost. The real cost is running these bases  
22 for the rest of time. I mean, it's going to cost you \$100  
23 million a year to run them, conservatively.

24 MR. HANSEN: Well, what we have found -- and maybe  
25 we can return to that subject when we get to Hunter's

1 Point -- we found that there is an alternative that would  
2 reduce the net operating cost, because you don't have to  
3 operate Hunter's Point. You can operate someplace else. And  
4 the savings wasn't certainly, not \$100 million.

5 MR. SMITH: I'm saying, just picking a figure out  
6 of the air to run these eight bases, whatever it is, from here  
7 on in, you're going to have annual operating costs.

8 MR. HANSEN: But you're also going to have annual  
9 operating costs at other sites, and so the differences are  
10 economies of scale.

11 MR. SMITH: But the difference is substantial.  
12 That's the point.

13 MR. HOFFMANN: Are you going to show us the Gulf  
14 Coast situation broken out?

15 MR. HANSEN: Yes, that's the next chart.

16 MR. CLAYTOR: One thing you've got to watch, the  
17 statement has been made several times, everybody is  
18 concentrated in Norfolk and San Diego. Now, that's an  
19 overstatement. -- We have got Philadelphia Navy Yard,  
20 Charleston. Carrier groups are based right now in Mayport  
21 and I assume they would continue to be.

22 You've got Bramerton, Long Beach. You've got a lot  
23 of places that are going to be able to support ships that are  
24 in place now beside those two.

25 Now, it's quite true that Norfolk and San Diego

1 are going to be the two largest, but they're going to  
2 continue to be the two largest, too. So it's all right, but  
3 I just didn't like the way it was stated.

4 I mean, the Navy said that and I'm not blaming you.  
5 I am blaming the way -- the Navy wants to go ahead with this  
6 thing and they're going to put it in the best light they  
7 possibly can.

8 MR. HOFFMANN: Well, what is your conclusion?  
9 They're home porting now where the shipyards are?

10 MR. CLAYTOR: You're going to home port ships in  
11 about eight places. Now, you're probably going to have to --  
12 you may very well have to spend some MILCON on some of those  
13 places, and the very largest carrier groups may not be able  
14 to go into places like Philadelphia and Charleston, but a  
15 lot of other ships can.

16 And you've already got carriers at Mayport. You've  
17 already got carriers up in Puget Sound, at Bramerton. They  
18 can get in there. There's no problem with that.

19 GENERAL POE: I think this really applies to less  
20 than ten percent of the 600 ships.

21 MR. CLAYTOR: The bases they're talking about are  
22 bases for the very large ships, the carriers and battleships.  
23 Now, we have already got scattered places for relatively  
24 little expense. We can have escort ships based in Gulf  
25 ports and other places like that without any problem,



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without having one of these enormous bases to take care of a carrier with 5,000 people on it. That's a different kettle of fish.

MR. HANSEN: In answer, we have apparently in the Goldwater report, Senator Goldwater's report on strategic home porting, or the report to Senator Goldwater, there was an estimate that in analyzing the two options, the alternate program and the strategic home port program, that the alternate, to put them in the existing ports, might save you \$30 to \$50 million a year in operating expenses.

MR. SMITH: It doesn't take long to fix that.

COMMANDER SZUTENBACH: Of course, you start running up into the whole concept again for strategic home porting. It was recognized going into it it would cost you more for the initial construction and it would cost you some more for the annual operating costs.

That was not something that was not acknowledged. It has been acknowledged. The additional cost of a couple of hundred million dollars is less than the cost of one ship. If you save one ship in this process, that tends to pay itself back immediately.

Also, you get into the concept of the battle group integrity, training together, the industrial base that you then develop around the country. And all those concepts, incidentally, came up before even Secretary

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1 Lehman was trying to push that. That came up in the seventies  
2 That was a requirement addressed way back when.

3 MR. CLAYTOR: In the best of all possible worlds,  
4 it's a very good thing to do. We haven't got the best of all  
5 possible worlds and we're not going to have the money. The  
6 Navy is going to have to -- it's probably going to have to  
7 lay up a lot of these ships if they spend all this money on  
8 new operating bases, because they're not going to have the  
9 O&M money to keep them running.

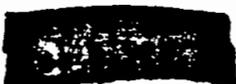
10 That's the point I keep trying to make to everybody  
11 over there. Nobody believes it. I'm not sure that we can do  
12 anything about it in this Commission. I'm just worried about  
13 it like the dickens, because it's perfectly plain that the  
14 amount of money the Navy is going to have to keep going is  
15 going to go way down.

16 Nobody over there has had to administer deficits.  
17 They have just administered lots of money. They know how to  
18 spend money that they've got. When the money isn't there,  
19 what do you do?

20 You don't do the things you need. You do the  
21 things you can't do without, and that's the test. And they  
22 need all this stuff and they're not going to have it.

23 COMMANDER SZUTENBACH: It could just well be that  
24 the timing of this Commission is a little bit awkward, in  
25 that you have the President, Secretary of Defense, Secretary

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1 of the Navy saying we're still building. Those are our  
2 rudder orders and therefore --

3 MR. CLAYTOR: I understand. I agree, it's a bad  
4 situation. But the Congress is not going to do it. I'm  
5 perfectly satisfied on that. The money is not there.

6 MR. HANSEN: Perhaps if we could go on and get to  
7 some of the issues that we might be able to do something  
8 about. I'm sure we can do something, given your combined  
9 will.

10 You asked us to look at ports in the Gulf.

11 (Viewgraph)

12 MR. HANSEN: Here they are and the ships that are  
13 going into them. Now, not all of these are new home ports.  
14 Some are expansions of existing ports.

15 MR. CABOT: Which are the new ones?

16 MR. HANSEN: I believe Ingleside, Galveston, and  
17 Lake Charles.

18 MR. CLAYTOR: The big ones there are going to be  
19 Pensacola with the CV and Ingleside with the battleship  
20 group. The others probably can take what they want to put  
21 there with very modest expense, and it probably ought to be  
22 done.

23 MR. HANSEN: The reason there are so many is that  
24 in the strategic home port options when they developed it,  
25 this was the least cost option. The better thing for the

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1 Navy would have been to put them all in two or three places.  
2 But this was the least cost option.

3 (Viewgraph)-

4 CHAIRMAN EDWARDS: How about the Key West?

5 MR. HANSEN: That was one of the options that was  
6 considered, but rejected.

7 CHAIRMAN EDWARDS: I don't see it up there.

8 MR. HANSEN: It is not one of the strategic home  
9 ports.

10 COMMANDER SZUTENBACH: There will be some operations  
11 out of Key West, but that is primarily minesweepers and smaller  
12 ships. They can't put the larger ships in Key West.

13 MR. CLAYTOR: You can't get them in there.

14 CHAIRMAN EDWARDS: I understand, but I thought it  
15 was designated at the same time the other ports were.

16 COMMANDER SZUTENBACH: Key West was not considered.  
17 I will doublecheck, but in fact it had been considered at  
18 one point for strategic home porting, I know that. But that  
19 was discounted.

20 CHAIRMAN EDWARDS: It never was included?

21 COMMANDER SZUTENBACH: We will doublecheck as to  
22 whether it was ever included in strategic home porting.

23 MR. HANSEN: It was included in the analysis, but  
24 whether it was in the final option, our indication was it was  
25 not. They basically have three small minesweepers.

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1           COMMANDER SZUTENBACH: You can't get the larger  
2 ships into Key West. That's the problem.

3           CHAIRMAN EDWARDS: I'm not arguing for or against  
4 it. I just thought when they developed the Gulf home port  
5 complex that Key West was listed as one of the ports.

6           MR. MILNES: Mr. Chairman, maybe I can comment on  
7 that, because I was with the Armed Services Committee when  
8 this was coming through. Key West was in the first screening  
9 of Gulf ports. Key West was one of the considerations. But  
10 by the time when the Navy went through their analysis, they  
11 determined that it really wasn't suitable to operate the kind  
12 of ships they wanted to place.

13           And so when it finally came to the Hill for  
14 recommendation, they did not recommend Key West in the  
15 strategic home porting option.

16           COMMANDER SZUTENBACH: We do have, the indication  
17 here is several ships have been designated for Key West and  
18 they were announced as part of strategic home porting. And  
19 I will get you those ships.

20           MR. HANSEN: Anyway, moving on then to the status  
21 of the Gulf Coast ports. As we saw in the financial thing,  
22 quite a lot has been done there. Land has been acquired,  
23 construction is well under way. Obligations -- money has  
24 been appropriated.

25           Very little is left to be required to complete it.

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1 Most of the community contributions have been made. It was  
2 in our view extremely difficult to do anything with that,  
3 given the state that it has gotten to.

4 MR. SMITH: I don't understand that statement,  
5 because you could certainly stop it today. And the  
6 community obligation, the community contributions, that was  
7 land and it's roads to get to it. I mean, the land goes  
8 back to them, I understand, so that's not a big deal. If you  
9 stop MILCON, that's right, you don't obligate what you  
10 haven't obligated.

11 MR. HOFFMANN: Pensacola has a carrier and they  
12 haven't even started that yet.

13 MR. SMITH: There hasn't been much started in  
14 Ingleside, either. In fact, you save most of the MILCON.

15 CHAIRMAN EDWARDS: The concept is an East Gulf and  
16 West Gulf concept, and I know in Alabama, I think I know in  
17 Alabama, that they have literally put up \$30 million. I mean,  
18 they have acquired land, but it was not state land. And the  
19 concept there was the Pascagoula-Mobile-Pensacola complex  
20 all right in the same vicinity as a complex.

21 Lake Charles, there is very little there.

22 MR. CLAYTOR: Galveston has nothing but frigates  
23 and small ships.

24 CHAIRMAN EDWARDS: The big ones really are the  
25 Ingleside complex on the West Gulf and the Pascagoula-Mobile-

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1 Pensacola complex on the East. Those were the two.

2 MR. HANSEN: I think Commissioner Smith is right,  
3 there is 200 in '88-89, depending upon how much of that has  
4 been obligated. Our indications are that roughly almost  
5 50 percent of the Gulf is under way, meaning obligated, that  
6 there is 50 percent left.

7 So in fact the majority of that obviously is the  
8 last of the MILCON. So there is something that could be done  
9 there.

10 But given that we also wrapped that into the  
11 overall analysis of cost --

12 MR. HOFFMANN: What does the Navy say when we say  
13 suppose, suppose? I mean, there is a summit meeting on the  
14 budget which is now being increasingly heralded. James  
15 Wright and George Bush get together in an office and they  
16 come out and say: By George, you know, we have looked at  
17 this thing and here's what we're going to do. And among  
18 other things, we're not going to do the last two carriers.

19 Now, which home ports do not get built under those  
20 circumstances?

21 COMMANDER SZUTENBACH: The Navy won't speculate  
22 to us on that.

23 MR. HOFFMANN: What do we speculate on that?

24 COMMANDER SZUTENBACH: It's all you can do, is  
25 speculate. And therein lies the difficulty. Therein lies

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1 the awkwardness of the timing with which we are operating on  
2 the strategic home porting.

3 MR. CLAYTOR: Isn't there one thing we can do? We  
4 can decide we recommend against doing anything at Hunter's  
5 Point. That hasn't been started.

6 MR. HANSEN: We can say that, yes.

7 MR. CLAYTOR: So knock that one off, anyway.

8 MR. HANSEN: But that's not a carrier. That's a  
9 battleship.

10 MR. CLAYTOR: Well, the battleship and the carrier  
11 are going to have comparable shore facilities. I mean, that's  
12 a big one. If you've got either a battleship group or a  
13 carrier group that is going to be based there, that is going  
14 to be a very substantial operation.

15 MR. HOFFMANN: But we're building home ports for  
16 ships that are way out in the conceptual future, isn't that  
17 true?

18 MR. HANSEN: In some cases. I don't recall how  
19 way out they are. I mean, it's clearly getting the Navy  
20 towards a 600 ship Navy.

21 MR. HOFFMAN: You've got long lead items for the  
22 two carriers at the very best, and how much has been spent  
23 on those carriers?

24 MR. HANSEN: Well, we have one going into Everett,  
25 one going into Pensacola, if those -- and I don't know if

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that's the case -- if those are the two.

CHAIRMAN EDWARDS: What you're going to do is you're going to take -- and I've forgotten which carrier it is now -- and move it into Pensacola, and take the Lexington out of Pensacola. And that's going over to Ingleside. There is always going to be a carrier in Pensacola, and most of the work that's being done in Pensacola, if I'm not incorrect, is in dredging, preparing for the larger carriers.

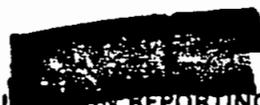
The Lex is the only carrier you could really get into Pensacola, which is a training carrier. And so they're having to dredge Pensacola in order to get the larger carrier in there.

If there is a cutback -- and this is my judgment. If there is a cutback in the number of carrier task forces, it will be not in stopping the construction, but it will be in not replacing some of the older ones. You may cut back, but you will be left with newer carriers, new carriers, and get rid of some of the old ones.

So I don't think, as far as Pensacola is concerned, you're going to see any change as far as need is concerned.

The change on the Gulf Coast in my judgment would be that the Lex would probably have a short life in Ingleside. Does the Navy have any other thought on that?

COMMANDER SZUTENBACH: What the Navy will tell



1 you is that last year the Congress voted again in the '89  
2 budget to support 15 carrier battle groups. That's where we  
3 are today. That is the nature of the awkward timing.

4 CHARIMAN EDWARDS: But we have been holding the  
5 Lex together with chewing gum and bailing wire for about as  
6 long as a ship can hang together.

7 MR. CLAYTOR: That's right. It's going to go  
8 anyway.

9 MR. HANSEN: Maybe I could put it in a different  
10 light. The work that we have done as a staff has been based  
11 on the only solid information we can have, that is as  
12 objective as possible, and that is the five-year program of  
13 the Defense Department.

14 The five-year program of the Defense Department  
15 shows 15 carriers. We I don't think as a staff could have  
16 speculated, and the services are unwilling to speculate, what  
17 might happen out in the future in a budget crunch. However,  
18 that doesn't say the Commission can't speculate.

19 But the key is on what bases, and that's the  
20 dilemma we're in.

21 If I could maybe say, one other thing is that,  
22 although Chairman Aspin has said that he envisions that we  
23 won't have to have another Commission for ten years, I think  
24 Secretary Carlucci had hoped that we would set up a process  
25 that could withstand the test of time and that could be

1 applied at the Departmental level to get through the  
2 political morass that we currently are in. And maybe we could  
3 do these marginally every couple of years, we take another  
4 look.

5 And if something major like a carrier came out, we  
6 would clearly say, boy, we'd better look at home ports again,  
7 and we maybe use the same process, require the services to  
8 go through the same process OSD requires of the services for  
9 home ports, and come up with the answer. And hopefully that  
10 would stand the political test as being not politically  
11 motivated because it used the same process that we did,  
12 because we weren't politically motivated.

13 And I think that the Secretary clearly hoped that  
14 would happen. Now, whether it will or not is another  
15 question.

16 GENERAL STARRY: I asked a question the other day,  
17 let's make sure what we're talking about here. You said  
18 that the estimates are based upon FYDP. FYDP or the POM?

19 MR. HANSEN: The five-year plan, the results of  
20 this summer's efforts, the latest five-year plan, the one  
21 that's not even published yet.

22 GENERAL STARRY: The reason I asked the question  
23 is that the five-year defense plan is a statement of  
24 requirements, and it is by some estimates as much as  
25 two-thirds of a trillion dollars over the budget levels,

1 conservatively a half a trillion dollars over the budget  
2 levels.

3 It is not approved by anybody except as a statement  
4 of requirements for the JCS, Secretary of Defense, and so on.  
5 The operating milieu here is the POM, the program objective  
6 memorandum, which gets approved in some fashion as a budget.

7 My point would be we need to be very, very clear  
8 about which baseline we're using here. We can't say we're  
9 dealing with the five-year defense plan, because someone will  
10 say to you: Well, it's a statement of requirements and it's  
11 always in play; you know how those military guys are, anyway.

12 COMMANDER SZUTENBACH: Sir, what you're dealing  
13 with is the latest program decision memorandum put out by the  
14 Deputy Secretary of Defense this past July.

15 GENERAL STARRY: So that's a POM. That's what goes  
16 to the budget.

17 COMMANDER SZUTENBACH: Yes. The FYDP we're really  
18 addressing is the book that is kept as the five-year plan  
19 changes. But to answer your question directly, we are  
20 dealing with the latest program decision memorandum put out  
21 by Secretary Taft last summer.

22 GENERAL STARRY: Because they will eat you up if  
23 you go up and say this is based on the FYDP.

24 CHAIRMAN EDWARDS: And this is the force structure  
25 that has been programmed.

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1 MR. HANSEN: It's based upon the force structure  
2 that's in it, which is 500 and some odd ships in the Navy  
3 and 35 wings and so forth and so on. And it is not constrained  
4 as much as many would say in the newspapers as far as budget  
5 reality goes.

6 But it was all we had.

7 GENERAL STARRY: The POM gets adjusted by the  
8 budget, there's no question of that. You prepare the budget  
9 estimates based upon the program objective memorandum. But  
10 the point is, the difference between the program objective  
11 memorandum and the budget together, however they get  
12 rationalized, and the five-year defense program is so gross  
13 as to make any estimates based upon the FYDP unreal.

14 MR. CLAYTOR: So far as I know, that has been true  
15 for a long time, too. It is not unique.

16 COMMANDER SZUTENBACH: You will find under  
17 Secretary Carlucci in the past year or two they have been  
18 much more fiscally constrained upon, so that the POM is  
19 absolutely fiscally constrained.

20 GENERAL STARRY: Where he's constrained is the  
21 FYDP. He has made some adjustments in the FYDP by  
22 arbitrarily adjusting the force levels in the out years.

23 COMMANDER SZUTENBACH: Yes, and the program  
24 decision memorandum this last summer reflects those reduced  
25 constraints that they are putting on the program in the out

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1 years.

2 CHAIRMAN EDWARDS: Can we go ahead and look at the  
3 rest of the home ports?

4 MR. HOFFMANN: Well, let me ask you this. What is  
5 to say that if you don't go ahead at Pensacola, Pensacola has  
6 not been started -- it is true that there is all these great  
7 majestic forces that moved in the papers, but nothing has been  
8 built.

9 What happens if you dropped out Pensacola?

10 MR. HANSEN: \$55 million.

11 MR. CABOT: \$55 million one-shot?

12 MR. HANSEN: Yes, one-shot.

13 COMMANDER SZUTENBACH: Through FY '89 there's been  
14 appropriation, as well as authorization, for local funds of  
15 up to \$55 million for Pensacola.

16 MR. HANSEN: That has not been obligated as of  
17 18 November.

18 MR. HOFFMANN: Have we run out the operating costs?  
19 Isn't that the most logical one to do at the moment of the  
20 Gulf Coast ports?

21 MR. HANSEN: I don't have any way to decide. I  
22 don't have enough knowledge to say logical or not.

23 MR. SMITH: To do or not to do?

24 MR. HOFFMANN: To take out. You see, if you look at  
25 this chart, what you see is that the ships that come on the

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1 line last, '92, '97, and '99, go into Newport News.

2 MR. HANSEN: That's where they're being built, sir.

3 COMMANDER SZUTENBACH: That's where they're being  
4 built.

5 MR. HOFFMANN: Where do those home port?

6 COMMANDER SZUTENBACH: We do have a chart for that.

7 MR. HANSEN: We would have to know where the last  
8 four went.

9 VOICE: You also have some others up there, that  
10 is not their operating home port. There is one in  
11 Philadelphia.

12 MR. HOFFMANN: Somebody has to have an answer to  
13 be able to speculate, if two carriers dropped off the end of  
14 the line, whether they dropped off because you didn't build  
15 new ones or you dropped out the old ones, what gives at that  
16 point.

17 Because if you're sure that that's going to happen  
18 in the course of the adjustment of the POM, which a few of  
19 us are, okay, then you take out the last two, the two we can  
20 get at most easiest now. And I don't think it is too much  
21 of a stretch to figure out what those are.

22 CHAIRMAN EDWARDS: But Marty, you don't get at the  
23 training carrier. That is designed to train pilots.

24 MR. CLAYTOR: You have to have a training carrier  
25 no matter what.

1 MR. HOFFMANN: Well, it's already there.

2 MR. CLAYTOR: Well, the Lexington is already there,  
3 but the Lexington is going to die just because of old age.  
4 You can only keep it going so much longer.

5 COMMANDER SZUTENBACH: I think you could probably  
6 fairly speculate that, if in fact the budget realities are  
7 what we think they may be, that the Navy as well as the other  
8 services will be looking at their force structure. If they  
9 have to reduce that, they will, based upon guidance by the  
10 President and the Secretary.

11 And as a result, the base structure that might  
12 otherwise be provided for that force structure will also be  
13 reduced.

14 MR. HOFFMANN: There you are. That's exactly what  
15 I want to find out.

16 COMMANDER SZUTENBACH: But we can't find that out  
17 today, sir. What we have today is the direction.

18 MR. HOFFMANN: No, but we are reasonable folks.  
19 You're sitting there in the Navy and you've been there a  
20 long time and you've been studying bases for a long time.  
21 Why can't we just sit down and figure out where those two  
22 are?

23 They're building all these new home ports. The  
24 answer probably is they're going to stop building the home  
25 port.

1           COMMANDER SZUTENBACH: We don't know that.

2           MR. HOFFMANN: Politically, they will keep the home  
3 ports because that spells up constituent support and everything  
4 else, and leave the established bases a little bit loose.  
5 That is probably -- so the sock will have a little empty toe  
6 in it, but it will still be a sock.

7           COMMANDER SZUTENBACH: All I can tell you is as a  
8 naval officer, having worked in the programs, is that I would  
9 have to speculate, just purely speculate, to give you  
10 something to go on. I could not well advise you, nor could  
11 the staff, because, quite frankly, the Navy won't speculate  
12 as to what might happen if there happens to be some sort of  
13 a cut.

14           They are just not into that. Politically, it would  
15 not be sound for Secretary Ball to do that, either. He  
16 therefore is then breaking into the program already set up  
17 by the President.

18           MR. HOFFMANN: That's fine. I'm not saying  
19 Secretary Ball or the Navy have to do it. Some reasonable  
20 men could do it.

21           MR. CRAIB: They will probably just delay the  
22 decommissioning of those two carriers up there if they lose  
23 the two down on the bottom.

24           MR. HANSEN: Except Mr. Claytor is saying you  
25 cannot delay the decommissioning of the Lexington much longer.

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1 MR. CRAIB: Except you've got the Midway and the  
2 Coral Sea. They could refurbish those, can't they, like  
3 they're doing with the Kitty Hawk?

4 MR. HANSEN: My understanding is some construction  
5 or dredging would have to go on at Pensacola to get one of  
6 them in.

7 CHAIRMAN EDWARDS: Any of those ships other than  
8 the Lexington would take some dredging.

9 MR. CLAYTOR: Only the Lexington can get into  
10 Pensacola.

11 MR. HANSEN: My understanding is that a good part  
12 of that money that is yet to be obligated at Pensacola is  
13 to dredge.

14 VOICE: To dredge and improve the pier. But you  
15 have the pier capacity today for the Lexington because of its  
16 size.

17 CHAIRMAN EDWARDS: Can we move on to the rest of  
18 them?

19 MR. HOFFMANN: Yes. Let's convene over those  
20 charts you're talking about, maybe later.

21 (Viewgraph)

22 MR. HANSEN: Hunter's Point was designed to hold  
23 a battleship, three cruisers, and three destroyers. Planned  
24 facilities costs including dredging of \$85 million; \$2  
25 million in local contribution, which has just been "confirmed

1 by a recent referendum in San Francisco, although it wasn't  
2 a resounding confirmation, but it was a win.

3 No construction has started. The Navy recommends  
4 it be allowed to proceed with the current home porting plan.  
5 They did say this, however. They said there is a strategically  
6 acceptable alternative. It would save operational costs, as  
7 Mr. Smith points out, and while in the short time they had  
8 they couldn't tell you how much construction would be  
9 required at Pearl Harbor, which is the strategically  
10 acceptable alternative, they were confident it would not  
11 exceed the \$85 million.

12 Therefore, it was at least a wash in that regard.  
13 Therefore, the staff's recommendation is we could close or  
14 not cause the diversion, if you will, to the home port, back  
15 to Pearl Harbor and save operational funds.

16 (Viewgraph)

17 MR. HANSEN: Because of our inability to estimate  
18 whether or not the full MILCON bill of \$85 million would have  
19 to be incurred at Pearl Harbor, we could not come up with a  
20 one-time savings. Land value -- there is still activities,  
21 Navy activities, at Hunter's Point, besides a ton of  
22 environmental problems if you tried to sell it.

23 They have a drydock there that they use  
24 intermittently. So we felt we could not -- we did look at  
25 the option of selling Hunter's Point as part of the home port

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1 and we felt that that was not feasible.

2           However, the estimated steady state savings by  
3 moving the battle group to Pearl Harbor is \$8 million a year,  
4 and therefore would pay back.

5           CHAIRMAN EDWARDS: Any comment on that?

6           MR. CLAYTOR: This is not a base we're going to  
7 close. This is a base we're going to not build. Therefore,  
8 shouldn't we just say you ought not to build it and not say  
9 where you're going to build one in place of it? I think the  
10 answer is you're not going to build one anywhere in place  
11 of it.

12           But I don't think we need to get into that. I  
13 should think, since you're not closing a base, you haven't  
14 got any place to move it. I would just say, we recommend  
15 that Hunter's Point not be built.

16           MR. CABOT: That \$8 million figure, where did that  
17 come from, annual savings?

18           MR. HANSEN: That came from our back of the  
19 envelope, using the model.

20           MR. CABOT: But that's taking the difference  
21 between doing the same thing at some other place versus  
22 Hunter's Point?

23           COMMANDER SZUTENBACH: Yes, sir, conceptually what  
24 it is --

25           MR. CABOT: Whereas if you decided you were not

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1 going to do it at all, that figure would be a hell of a lot  
2 bigger than \$8 million, wouldn't it?

3 MR. CLAYTOR: I would be inclined to do that, too.

4 MR. CRAIB: That's assuming operations out of  
5 Pearl Harbor -- that's the steaming cost to the coast of  
6 California?

7 MR. HANSEN: No. What it is, it's simply using the  
8 existing infrastructure at Pearl Harbor to do the support for  
9 that fleet, as opposed to building new infrastructure,  
10 infrastructure meaning public works people, steam plants,  
11 et cetera, et cetera.

12 MR. CLAYTOR: We don't know where you're going to  
13 do that. We don't know if you're going to have it to do. We  
14 strongly recommend you do not do anything at Hunter's Point.  
15 You save the amount of money that that would cost and you  
16 put it in an existing place or do something else, if you have  
17 to do anything.

18 MR. HANSEN: These are existing ships. In this  
19 case, these are existing ships.

20 MR. CLAYTOR: And they're already someplace right  
21 now.

22 COMMANDER SZUTENBACH: We have the Wisconsin coming  
23 on line, so one is not into the home port yet. It exists,  
24 but it hasn't been moved to a home port.

25 MR. CLAYTOR: We have all kinds of places it could

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1 exist. There is Long Beach, there is Philadelphia, there is  
2 Mayport, there is Charleston.

3 And I don't think we need to tell them what to do.  
4 We simply say, don't do this one and you work it out someplace  
5 else in existing places.

6 MR. MILNES: We can do it that way. I mean, there's  
7 no requirement that we recommend realignments. Our charter --

8 MR. CLAYTOR: We're not changing an existing one.  
9 We're just saying don't build one. So all you're changing is  
10 you're changing the plans and not physical facilities.

11 MR. MILNES: That is true, sir. But we could also  
12 recommend such a realignment, because we have been asked to  
13 look at planned bases not yet under construction, and they  
14 really fall within. For our purposes, we could look at it  
15 as an existing base.

16 MR. HANSEN: Didn't our legislation require us to  
17 nominate relocating activities?

18 MR. MILNES: Well, incorporated -- the legislation  
19 incorporated the charter. The charter does have the ability  
20 for us to recommend where things are going. Certainly we  
21 have that ability.

22 MR. HANSEN: I thought there was specific language  
23 that said to include receiving activity.

24 MR. MILNES: It does. There is no mandate that we  
25 would have to, but certainly we could, and it might be

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1 advisable.

2           COMMANDER SZUTENBACH: As part of this, Navy is  
3 saying they can't accommodate all their ships that are coming  
4 on line, and where they put these ships really should be  
5 strategically in the best locations, in the good locations.  
6 And so they're indicating strategically it is acceptable to  
7 go to Pearl Harbor.

8           So we have a closure -- allow me to use that term,  
9 but we do have a receiving base, if it were felt that you  
10 should go to that point, to say here is at least a likely  
11 receiving base. That would be at Pearl Harbor, and it is  
12 acceptable, so you haven't violated.

13           MR. HOFFMANN: Why can't we close Hunter's Point?  
14 Why is it an article of faith that there will always be  
15 something there?

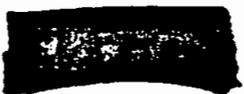
16           CHAIRMAN EDWARDS: Do you mean notwithstanding the  
17 home port?

18           MR. HOFFMANN: Yes.

19           MR. CLAYTOR: Yes, leaving that out of it.

20           (Viewgraph)

21           MR. HANSEN: Starting on the middle of this next  
22 chart, besides the environmental cleanup problems, there is  
23 a drydock at Hunter's Point that is used to repair Navy  
24 ships. There is an intermediate ship maintenance activity  
25 at Hunter's Point, recently built, and it is used to provide



1 intermediate support to frigates in the area, that will still  
2 be in the area.

3 And it is a nuclear-certified yard, which are very  
4 valuable things to have, a drydock.

5 MR. HOFFMANN: So it is a shipyard.

6 MR. HANSEN: This is the old shipyard, yes, sir.

7 MR. HOFFMANN: Is it one of the eight?

8 MR. HANSEN: No, it is in essence closed, although  
9 they have leased out the land portions except for this  
10 intermediate activity and perhaps a few others.

11 COMMANDER SZUTENBACH: They had leased out -- they  
12 had actually turned the shipyard over to AAA, the ship repair  
13 company. They went belly-up, basically, and turned it back  
14 over to the Navy.

15 They Navy today utilizes the drydock there for  
16 contractor repair of ships. They do bid for repair or  
17 overhaul of naval ships and say there's a drydock available,  
18 and it cuts the cost.

19 They recently did the Vancouver there in that  
20 drydock. They also use it for emergency repairs, and they  
21 did that recently, did emergency repairs on the Enterprise.  
22 And they can't put nuclear ships -- they can put nuclear  
23 ships in there.

24 MR. HANSEN: So it's not a shipyard in the sense  
25 that it has all the people and associated things with it,

1 but the Navy has, because of its contractor defaulting, if  
2 you will, or bankrupting, has access to a large nuclear  
3 drydock which they would not like to give up.

4 CHAIRMAN EDWARDS: It's a permanent drydock?

5 MR. HANSEN: Well, when we were doing our shipyard  
6 analysis, which we went through in depth, we pinged them on  
7 that and said, why can't that be expanded? And of course,  
8 Hunter's was closed and moved to Long Beach and all that,  
9 and we could not get -- we could not find enough capacity  
10 to be able to make that useful and close the whole shipyard.  
11 But it was part of our analysis.

12 CHAIRMAN EDWARDS: It sounds to me like it is  
13 basically closed.

14 MR. HANSEN: It has a small activity there.  
15 There are some small business operations using it, at least  
16 as I read in the newspaper, as a result, because that was  
17 one of the things we looked at in the San Francisco press,  
18 about whether or not they should put the Missouri in there.  
19 They were talking about the impact on our small businesses.

20 COMMANDER SZUTENBACH: Primarily they use the  
21 drydock. They allow contractors to come in and use the  
22 drydock.

23 They do have a ship intermediate maintenance  
24 activity in there. That's the primary activity on that  
25 location.

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1 MR. HANSEN: Then coupling that with the kind of  
2 severe environmental cleanup problems that you would  
3 anticipate at an old shipyard, then at least we couldn't get  
4 it closed and sold by the time the '95 window closed up.  
5 Therefore, it had some utility, not much utility, as a  
6 closure, and therefore we didn't see a payback.

7 MR. CABOT: Does the Navy use the drydock  
8 themselves?

9 MR. SZUTENBACH: The Navy has used the drydock when  
10 they have emergency repairs, such as on the Enterprise, and  
11 the Navy went in and did it.

12 MR. HANSEN: The Enterprise hit a rock, messed up  
13 a screw. They could slip it in there real quick and do the  
14 work.

15 MR. CABOT: Are there other places they could have  
16 done the same thing?

17 MR. SZUTENBACH: Puget Sound, but that's already  
18 scheduled.

19 MR. CABOT: So that drydock is a pretty important  
20 asset.

21 COMMANDER SZUTENBACH: Yes, sir.

22 MR. HANSEN: Maybe I should explain a little more.  
23 Two weeks ago when we went through shipyards, drydocks were  
24 the single thing that drove the train. If you couldn't free  
25 up enough drydocks to close, all other things became

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1 immaterial.

2 And we struggled hard and talked at it for probably  
3 an hour and a half, and couldn't tackle that problem. And  
4 this drydock was part of that analysis.

5 GENERAL POE: And it's nuclear capable.

6 MR. HANSEN: And not all yards are nuclear capable.  
7 So this is a semi-yard.

8 MR. HOFFMANN: It's mostly closed, but it's really  
9 not. It's owned by a bankrupt outfit and the Navy has, I  
10 think, suzerainty over it, is the term of the 1890's. Excuse  
11 me, that's "suzerainty." They have some prerogative short  
12 of ownership, based upon political influence. Who knows what  
13 in the world the relationship is, but apparently there's not  
14 a saving there in closing it.

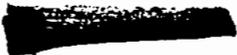
15 MR. CLAYTOR: I think I would forget it.

16 MR. CABOT: But there is more than an \$8 million  
17 saving in not building the home port.

18 MR. CLAYTOR: Yes.

19 MR. CABOT: And I think we ought to figure out some  
20 way to take credit for more than \$8 million.

21 MR. HANSEN: The question then arises, to me  
22 anyway, we have an \$85 million bill that was going to be  
23 spent at Hunter's. Is it my sense of the Commission then  
24 that we would take credit for not spending that \$85 million,  
25 because I think to do that means that's out of the Navy's

  
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1 budget, almost bang. .

2 The budget cutters look at that and it's gone.  
3 And therefore, if they really do need to build it someplace  
4 else, now they don't have the money.

5 CHAIRMAN EDWARDS: Let them make a proposal.

6 MR. HANSEN: They have made a proposal, sir, and  
7 their proposal is to build it at Pearl Harbor.

8 COMMANDER SZUTENBACH: I wouldn't say they made a  
9 proposal.

10 MR. HOFFMANN: No, they're being very cute about  
11 this. They are saying, do not take any of my daughters, but  
12 if you must take one there is a kind of a scrawny, ugly one  
13 down there.

14 MR. HANSEN: Yes, sir.

15 COMMANDER SZUTENBACH: They have parameters of  
16 strategic imperatives, so to speak. They're saying you could  
17 do that there and move it. <sup>MR. SMITH:</sup> It's called throwing the dog a  
18 bone.

19 MR. HANSEN: I think this one calls for -- we have  
20 a couple of options here, as I see it, sir.

21 CHAIRMAN EDWARDS: Let's have it.

22 MR. HANSEN: The first one is you take credit for  
23 \$8 million in savings only and say that the plan therefore  
24 is to move to Pearl Harbor or some other place, and the  
25 construction money then is considered to be a wash. We can

  
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1 get more information on what it would actually cost in two  
2 weeks. We can get more information on what it would actually  
3 cost at Pearl Harbor.

4 But right now today, in the short period of time,  
5 as I said earlier, all of our paybacks were done on the back  
6 of the envelope.

7 Or the second option is we take credit for the \$85  
8 million, which may preclude the Navy from building anywhere,  
9 and we may therefore make that choice. And these are for  
10 the most part existing ships, so they've got to go somewhere.

11 CHAIRMAN EDWARDS: Do you want to have a tentative  
12 vote on A or B?

13 MR. SMITH: Well, I think we're voting on the bone.  
14 I would like to go back to, why don't we look at scrapping  
15 the whole strategic home porting program? As far as I'm  
16 concerned, the thing is wide open to us. Why can't we make  
17 the judgment that to scrap the whole program makes sense at  
18 this point in time?

19 I think Secretary Claytor has made a good point,  
20 that the strategic arguments are pretty shallow. Secretary  
21 Woolsey when we had him testifying to us said: Boy, if I  
22 had my druthers, I wouldn't have spent money on strategic  
23 home porting; that's an expensive way to do that operation.

24 I think we could save a hell of a lot of money by  
25 saying that you can't do strategic home porting.

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1 CHAIRMAN RIBICOFF: He testified to that?

2 MR. SMITH: Yes.

3 CHAIRMAN RIBICOFF: Why not just put it right on  
4 that testimony?

5 MR. SMITH: And I specifically asked him, did it  
6 make sense to go spend this billion dollars on strategic  
7 home porting when there is an option to put the ships in  
8 existing ports that saves you an awful lot of money? I still  
9 think that we ought to be --

10 MR. HOFFMANN: But do we have to scrap the whole  
11 thing? Why can't we just take a couple of -- they've got  
12 six or seven daughters out there. All we want is two, and  
13 we don't even want the lovely ones, you know. We will take  
14 what we can get.

15 MR. SMITH: We could compromise all the way down  
16 the line and go with just the ugly daughter or with one or  
17 two options. But I think this is a subject we want to look  
18 at further.

19 But for my money, it looks like the whole program  
20 could be scrapped with significant savings.

21 MR. TRAIN: We can make a recommendation, but I  
22 don't see how we could include that in our formal  
23 recommendations. We could make it a suggestion to look at.

24 MR. CLAYTOR: I don't think we can do that. I  
25 would be perfectly willing to include in the report a query

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1 about whether or not the entire home port program is valid.  
2 But I don't think we can close it, in effect.

3 MR. CABOT: Well then, we're not using this  
4 window for that particular opportunity.

5 MR. CLAYTOR: Yes. For that option, I think it's  
6 too much.

7 MR. HANSEN: Is this in Senator Eagleton's  
8 addendum that says that, based upon what we saw in front  
9 of us, we did this, but if things change you should do  
10 something else?

11 MR. SMITH: Why do you feel that way, Mr. Claytor?  
12 I guess I don't understand why you feel like our charter  
13 won't let us do that.

14 MR. CLAYTOR: I didn't say our charter won't let  
15 us do it. I don't think it's a wise thing to do.

16 MR. SMITH: We could do it if we wanted to?

17 MR. CLAYTOR: I think so.

18 MR. SMITH: But you don't agree with it?

19 MR. CLAYTOR: That's right. I think it's going  
20 too far. We don't have enough data which I would feel  
21 comfortable. I'm inclined to agree with Woolsey that it's  
22 a bad thing to do, but I don't think we have enough  
23 information. That's really getting into a force structure.

24 MR. SMITH: We're not suggesting they change the  
25 force structure. We're suggesting they take the force

1 structure they're planning and put it at existing bases.

2 MR. HANSEN: Which is putting it, according to the  
3 Navy, at more risk.

4 MR. SMITH: That risk argument is --

5 MR. HANSEN: That's their argument. I'm not saying  
6 it's my argument.

7 GENERAL POE: Well, at the very least, back to what  
8 Senator Eagleton said the last time, the very least we  
9 should do, if we made a demonstration -- and this doesn't  
10 make me feel very good, but at least make a demonstration at  
11 Hunter's Point and say: This is a perfect example of why  
12 this should be a continuing process every so many years,  
13 because we were caught right in the middle of this business  
14 where decisions were imminent, probably by the end of  
15 January, that would have made a big difference in what we  
16 did in this.

17 So you cannot just do this once every ten years.  
18 And so I would think in that addendum you have already  
19 planned, you need to -- this might be the best example in  
20 the world, if you determine that you cannot do it.

21 CHAIRMAN EDWARDS: Are there two more to look at?

22 MR. HANSEN: No, sir.

23 CHAIRMAN EDWARDS: How about Staten Island?

24 MR. HANSEN: We left them in the category of too  
25 far along, the same as the Gulf. We left them in the category

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1 of too far along to do anything with individually. They were  
2 wrapped up in the do-everything.

3 MR. HOFFMAN: Why is that? Because there are no  
4 savings?

5 MR. HANSEN: There is more obligated there.

6 MR. SMITH: But the same steady-state savings if  
7 you close them as you do here and moved them someplace else.  
8 So there have to be steady-state savings.

9 MR. HANSEN: There are steady-state savings. It  
10 gets you closer to the larger number on the whole issue. But  
11 if the issue is steady-state savings, then the argument boils  
12 down to you should do them all.

13 MR. HOFFMANN: No, no, no. That's like saying you  
14 have to take and satisfy all of my daughters, you cannot just  
15 take a couple, okay.

16 I mean, we go through, we are going through,  
17 Mr. Chairman, let me just say, some of the most time-tested  
18 and trusted analogies, obfuscations, and various things used  
19 over time to defend these priceless assets. And I think it  
20 is a credit to everybody involved.

21 But we have got to persist and get through this  
22 mine field, and we will find something there to do, I am sure  
23 of it. I just can't get my handle on where the hell we can  
24 cull two of these calves, two daughters, whatever it is, and  
25 find some that both -- if there are savings there, there

1 have got to be savings short of scrapping the whole home  
2 port program.

3           COMMANDER SZUTENBACH: But if you're focusing on  
4 savings in base structure, you're tending to work backwards  
5 towards force structure and strategy, again. And I think  
6 that is what Secretary Claytor was mentioning. He was  
7 mentioning that you may be crossing a line here. It is a  
8 little bit of the tail wagging the dog.

9           MR. HOFFMANN: You're getting into force structure  
10 only from the point of view that, if you don't go out and  
11 capture that constituency by putting a home port there, you  
12 will not be able to afford the force structure. And I just  
13 -- that is going to evaporate.

14           Now, it may be a timing problem we can't get  
15 around. I can't believe that, because when the axe falls,  
16 as it is going to fall, in January or February, when that  
17 axe falls the Navy is going to do something. And what are  
18 they going to do?

19           What would be reasonable to do? You can't tell  
20 me that there are not some of those home ports that are not  
21 more vulnerable than others to a regression by the Navy in  
22 the event that budget is cut, is what we're talking about.

23           MR. SMITH: And I don't think there's any more  
24 force structure argument to discussing home porting than  
25 anything we are proposing to do in the Army or the Air



1 Force.

2 We're not saying cut back the number of ships.  
3 We're saying home port the ships in existing bases. If you  
4 looked at that option and costed that option, that option was  
5 cheaper. Let's go with that option.

6 The strategic arguments are just I don't think  
7 telling arguments. As Secretary Claytor said, you've already  
8 got half your Navy in San Diego and Norfolk. That's not going  
9 to change if you put another 15 or 20 ships in each of those  
10 places, which you might have to do under a strategic home  
11 porting alternative, you've still got all your eggs in one  
12 basket.

13 We build nuclear weapons at one place in this  
14 country. We make explosives at one place in this country,  
15 RDX and HMX propellants for MX's and Tridents. We've got  
16 strategic eggs in one basket in an awful lot of places.

17 GENERAL POE: I have to say that if Sandpoint is  
18 on this list, you've lost your virginity on that northern  
19 home port.

20 COMMANDER SZUTENBACH: No, it's a consolidation at  
21 Sandpoint.

22 MR. HANSEN: No ships are going into Sandpoint.

23 GENERAL POE: But what they say is that, if they  
24 don't have Sandpoint, they've got to have someplace else to  
25 put all that stuff that supports across at the home port,

1 because they are limited. They don't have -- they need  
2 umpteen more acres than they've got at the home port.

3 So what you're saying is, we will consolidate at  
4 Sandpoint and then you will have to go buy something somewhere  
5 else to support the home port.

6 MR. HANSEN: No, sir. It's just the opposite. If  
7 in fact the Commission were to decide to say, revert the  
8 whole strategic home port program, we would have to revisit  
9 Sandpoint, because a lot of the things there to do would not  
10 be necessary.

11 GENERAL POE: What does this mean when this says  
12 "Naval, Sandpoint" on this list?

13 MR. HANSEN: That is to close that facility and  
14 move the bulk of it up to Everett, which is where the  
15 strategic home port is.

16 GENERAL POE: Where are you going to put it at  
17 Everett?

18 MR. HANSEN: Part of the analysis of that included  
19 15 acres of land.

20 COMMANDER SZUTENBACH: About ten.

21 GENERAL POE: Well, that's one of the places I  
22 went, and they said at Everett they had to put this stuff at  
23 Sandpoint because they were limited by a bluff, by the  
24 water, by the town, and there's noplac else to go at  
25 Everett.

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1 MR. HANSEN: The Navy told us they needed about ten  
2 acres and could purchase ten acres. Ten acres is not a lot.

3 GENERAL POE; Well, they ought not talk out of both  
4 sides of their mouth, because the point was one reason for  
5 keeping Sandpoint was because of Everett.

6 COMMANDER SZUTENBACH: Sir, we haven't violated  
7 that at all. All we're saying is put Sandpoint closer, put  
8 it right at Everett, instead of the distance as it is now.  
9 And it pays back to do that. You consolidate, have a more  
10 efficient operation at Everett. It pays back to make the  
11 move.

12 So we haven't dropped a home port.

13 GENERAL POE: And this is a perfect example, Mr.  
14 Chairman, of where land value means nothing. Sandpoint has  
15 already been cut more than half, and half of it went to the  
16 Warren Magnuson Park and the other half went to another  
17 government agency, and the other government agencies are just  
18 standing there waiting for it.

19 And so I guess my point is, if home porting is  
20 written in letters of fire, then you're going to spend more  
21 money going somewhere else than we are consolidating Sandpoint.

22 MR. EAGLETON: Mr. Chairman, I might ask a question.  
23 This might be a useful place where we have a roll call vote  
24 and a split vote, so that we don't always look like a bunch  
25 of robots. We don't all agree on everything, anyway.

1           So if Mr. Smith will make us a nice motion, I will  
 2 support Mr. Smith. And we can vote it down, but it will  
 3 highlight it in the record and we could have majority and  
 4 minority views on that topic, which will bring it to the  
 5 attention of the Defense Department that here's a way that  
 6 at least some of us thought they could save some money, and  
 7 others would disagree.

8           MR. HANSEN: If I could, sir, just to say that the  
 9 result of a vote to shut down the strategic home port  
 10 program will go into the all-or-nothing category of things.  
 11 And if it becomes a lightning rod to kill the whole thing,  
 12 that is one of the things that I think the Commission needs  
 13 to consider, whether that would happen.

14           And I certainly don't have a crystal ball on that  
 15 one, either.

16           MR. HOFFMANN: What are you saying? That if we  
 17 had a minority view that home porting should go --

18           MR. HANSEN: No, sir, not a minority view. Just  
 19 that this might be -- I would throw out on the table the  
 20 possibility that closing all strategic home ports might be  
 21 volatile enough that it could generate enough backlash  
 22 against all of our recommendations that it could cause an  
 23 all-or-nothing vote.

24           MR. WINIK: One important thing is this Commission  
 25 would want to make sure that it is on strategically enough



1 sound ground and it's analyzed enough of the data and that  
2 each of the people here feel comfortable, at least a  
3 majority, to be able to make that kind of a judgment.  
4 Otherwise, it could be a potential excuse.

5 MR. HOFFMANN: If it succeeded. I think you've got  
6 Senator Eagleton confused with somebody that thought the vote  
7 was going to succeed.

8 MR. EAGLETON: He's the protector of the Navy. He's  
9 another one of these Navy protectors and worried that on an  
10 honest vote it might pass. I can figure out my own mind,  
11 sir. I don't need your help and I don't think Mr. Smith needs  
12 your help.

13 CHAIRMAN RIBICOFF: I'm just curious, does anybody  
14 know how the Chairman of the Armed Services Committee felt  
15 on these Navy things, home port?

16 COMMANDER SZUTENBACH: The Congress supports  
17 the strategic home porting program.

18 MR. MILNES: Mr. Chairman, when that came up for a  
19 vote, the Senate Armed Services Committee finally endorsed  
20 the program. And then on the floor of the Senate, there was  
21 a major challenge against home porting, but it was sustained.  
22 The challenge was not sustained, but home porting was  
23 sustained on the floor of the Senate.

24 SENATOR RIBICOFF: How about the House?

25 COMMANDER SZUTENBACH: The House and Senate both

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1 supported it.

2 MR. MILNES: The House -- in an initial vote, the  
3 House disapproved home porting, and on a subsequent vote on  
4 the House floor approved home porting.

5 MR. CABOT: When was this?

6 MR. MILNES: On the House floor, sir.

7 MR. CABOT: When.

8 MR. MILNES: This was about two sessions ago. We  
9 could get the exact dates.

10 MR. CABOT: The world has changed quite a bit since  
11 then.

12 COMMANDER SZUTENBACH: Well, since then they have  
13 again provided dollars in FY '89. They have provided about  
14 \$100 million from the Congress for strategic home porting  
15 programs. So it has followed in favor in the Congress.

16 MR. SMITH: Mr. Chairman, let me suggest, in  
17 response to Senator Eagleton, that we probably ought to get  
18 through this process and see where we are. We're not getting  
19 a lot of additional bases offered up here in this process,  
20 and we may want to make some judgments later in the day  
21 today as to an overall direction that the Commission wants  
22 to take which would give us a better context to do the kind  
23 of thing that Senator Eagleton has recommended.

24 I think that when we get down to the tough  
25 decisions that we will want to do some of this voting and

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1 motions on particular issues, because some of these are  
2 going to be big dollar issues. Right now, unfortunately, we  
3 don't know the dollar impact of the strategic home porting  
4 decision.

5 The staff hasn't been able to come up with that.  
6 We know historically that the Navy said it will cost me  
7 \$800 million to do strategic home porting.

8 CHAIRMAN RIBICOFF: Can you find some figures by  
9 tomorrow morning?

10 MR. HANSEN: We can try. I don't know. That's  
11 early, but we can try. We can certainly do it by December  
12 13th.

13 MR. SMITH: The numbers that I recall is that the  
14 Navy said it's going to cost us \$800 million up front money  
15 to do strategic home porting; we could put them in existing  
16 ports for \$600 million; and that the annual operating cost  
17 differential is going to be in the range of \$30 to \$50  
18 million.

19 And so you could have saved \$200 million up front  
20 and you could have saved \$30 to \$50 million annually by not  
21 going with strategic home porting. Now, those numbers I'm  
22 sure are not current numbers, but the current numbers would  
23 be very useful to have and I would hope we would have them  
24 here today.

25 But I think we need those kinds of numbers to put

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1 on the table before we start making decisions.

2 CHAIRMAN EDWARDS: Are you suggesting the Senator  
3 withdraw his motion?

4 MR. EAGLETON: No, I wasn't making a motion. I was  
5 just announcing my encouragement.

6 MR. SMITH: I would like to suggest we table that  
7 kind of thing until we get an idea of where we're coming out  
8 in this thing. I don't know where we are right now.

9 MR. HOFFMANN: Well, I think we need more  
10 resolution on the whole question, including a piecemeal  
11 approach to not only Hunter's Point, but another home port or  
12 two, just what is a good regression analysis on the home port,  
13 because we know that that money is not going to be there.

14 The frustration is, as you very adroitly pointed  
15 out, the frustration is not having -- not being correct in  
16 the timing.

17 MR. HANSEN: Sir, we can do that, but clearly not  
18 by tomorrow. We can update perhaps the previous numbers,  
19 assuming the same plan, based upon today's knowledge, would  
20 still be in effect.

21 CHAIRMAN EDWARDS: There are some alternatives out  
22 there. I would like to see, for example, numbers on  
23 Galveston and Lake Charles. I assume you've got those sitting  
24 there now?

25 MR. HANSEN: As far as obligations?

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1           COMMANDER SZUTENBACH: We have that, sir.

2           CHAIRMAN EDWARDS: You can let me have them later,  
3 and then we can get back to all of this. I don't care to  
4 prolong it. I mean, I'm looking at this as candidates as  
5 opposed to a whole package, and I see potential candidates,  
6 Hunter's Point, Galveston, and Lake Charles. That's what I  
7 see.

8           And I would like to see some of those numbers.

9           MR. HOFFMANN: I have in the back of my mind that  
10 you have Staten Island; if you were doing a real regression  
11 analysis, that the one you visited up there in Puget Sound  
12 area would come out, Everett would come out, Staten Island  
13 would come out.

14           And I would like to look and see what the effect  
15 of how those things play out.

16           MR. CABOT: Mr. Chairman, what I hear is that there  
17 ought to be figures and analysis that would help us in this  
18 vote. I wouldn't want to vote on your suggestion, Senator,  
19 right now because I think it would be an irresponsible thing  
20 I would have to do, to make a judgment on the basis of what  
21 we've got.

22           Now, Doug is saying we can't get any more. I'm  
23 not ready to buy that.

24           MR. CLAYTOR: No, he says he can.

25           MR. CABOT: I think we ought to go to Frank

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1 Carlucci and say: Damn it, get somebody to give us the kind  
2 of data that would help us make some kind of an intelligent  
3 regression analysis of what else we could do.

4 CHAIRMAN RIBICOFF: Well, we all received a  
5 memorandum from Admiral Rowden. Apparently he discussed  
6 this with the Secretary of the Navy on November 16th. He  
7 makes his comments, and this is one of the comments, what  
8 he believes and what he doesn't:

9 "I favor the strategic home port program because  
10 of dispersal and better deployment toward the threat. The  
11 issue of the likelihood of the 600 ship Navy can be key to  
12 the extent strategic home porting should be pursued. I see  
13 nothing in the charter of the Commission that calls for  
14 speculation on the 600 ship Navy.

15 "Rather, I see the 600 ship Navy as a force level  
16 reality. Consequently, I see little maneuver room on the  
17 subject of strategic home porting.

18 "I will contact the staff on Friday or Saturday  
19 to ascertain if you believe my presence would be worthwhile."

20 GENERAL POE: Mr. Chairman, I want to be very,  
21 very frank on this. I think we will take a terrible hit if  
22 we don't come up with significant savings for the United  
23 States people.

24 And I say this with at least some degree of  
25 straightforwardness, because the United States Air Force

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1 started off with great reluctance. Now, the kind of places  
2 we're closing in the United States Air Force are not routine  
3 or small outfits. They're the kind of places where spots  
4 were open and where every fighter pilot went. And there is  
5 going to be an enormous amount of heartburn. This was not an  
6 easy exercise.

7 If we go forward and we do not show -- I think one  
8 of the reasons I look at home porting is because I haven't  
9 got anything else to look at in the United States Navy. If  
10 there was something else to look at, I would get off your  
11 back on home porting.

12 And I can't believe there isn't something, you know.  
13 It's an enormous organization we're talking about, with a  
14 huge budget and people all over the area doing things. And  
15 I know you have taken cuts in the recent past.

16 But looking at the real world -- and we're back to  
17 this business about managing deficits, as the Secretary  
18 brought up. I just can't believe that we can't do better.  
19 The way to get me off your back on home porting is to show  
20 some alternatives.

21 CHAIRMAN EDWARDS: Don't you have more to report  
22 on?

23 MR. HANSEN: Not on strategic home porting, sir.

24 CHAIRMAN EDWARDS: No, I mean on the Navy.

25 MR. HANSEN: Yes, sir.

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1 GENERAL POE: A bunch of things in the alternatives  
2 Rowden is talking about here, that I don't know if we're  
3 looking at.

4 CHAIRMAN EDWARDS: But there are several other  
5 items. We haven't come to the end of the Navy.

6 MR. HANSEN: We have come to the end of the  
7 availability of anything the staff has been able to find in  
8 the Navy.

9 CHAIRMAN EDWARDS: Well, we still ought to look.

10 MR. HOFFMANN: Well, you see, I disagree with the  
11 implication of paragraph E in this letter, that it is not  
12 within our jurisdiction to look at the strategic home  
13 porting.

14 That doesn't interfere with the 600 ship Navy.

15 CHAIRMAN EDWARDS: No, it is within our jurisdiction.

16 MR. HOFFMANN; And we can certainly take a look at  
17 that.

18 CHAIRMAN EDWARDS: Even I wouldn't argue that.

19 MR. HANSEN: So do I sense then that the staff is  
20 going to drill a wide variety of options and numbers and  
21 come back on the 13th with an analysis?

22 CHAIRMAN EDWARDS: You know, yes, but you know what  
23 I would like to do maybe some time before the day is over?  
24 Just clear the room and let some of us sit around and talk,  
25 not now, but before the day is over. Does that suit you?

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1 MR. HOFFMANN: Yes, sir, that's a good idea.

2 CHAIRMAN EDWARDS: What's next?

3 MR. HANSEN: Navy training centers, sir, three of  
4 them. In the Navy, these are what are often referred to --  
5 (Viewgraph)

6 MR. HANSEN: -- as the basic training centers of  
7 the Navy. And what we have discovered --

8 MR. CLAYTOR: Recruit training, mostly.

9 MR. HANSEN: What we discovered is there is skill  
10 training associated with each of them and each of them are  
11 different. Therefore, while the initial training of any  
12 recruit will be similar at Great Lakes, San Diego, and  
13 Orlando, the follow-on training done at the same place is  
14 not similar.

15 (Viewgraph)

16 MR. HANSEN: And the way the Navy sends people  
17 to them is they do not -- if you're going to end up in a  
18 non-nuclear propulsion type ship, then you go to Great  
19 Lakes for your basic training. If you're going to end up  
20 in the aviation field, you go to San Diego. If you're going  
21 to end up in the nuclear propulsion field, you go to  
22 Orlando for both your basic training and your specialty  
23 training.

24 Now, that was very important because of the  
25 infrastructure built up around these schools. For instance,

1 at Great Lakes they have mockup ships built to -- of  
2 propulsion plants, to the extent that they can flood them to  
3 do emergency drills for flooding. And these are on land.

4 So the cost of moving something like that gets very  
5 costly. In fact, I think at Great Lakes one was \$200 million.

6 MR. HOFFMANN: \$200 million to move that?

7 MR. HANSEN: To move all of them.

8 Anyway, the options we explored were to either  
9 move Great Lakes or San Diego to Orlando or to move both.

10 (Viewgraph)

11 MR. HANSEN: Now, the option to move Great Lakes to  
12 Orlando, what we would have to move is 13,500 students and  
13 about 3500 permanent parties. There were no excess facilities  
14 at Orlando and so therefore we have a large construction bill,  
15 and large training devices are a big chunk of that -- I'm  
16 sorry, of not only the construction, but the cost of  
17 relocating.

18 And we did look at the cost of buying them new  
19 instead of relocating. In order to be able to build all of  
20 the construction that you needed, the estimate was we would  
21 need to acquire 75 acres. There was some limited number of  
22 land available in Orlando to build on. I think it was 40  
23 acres.

24 You have a short-term degradation of training during  
25 the move, but you would reduce manning of military and

1 civilian personnel as an economy of scale.

2 The payback analysis showed that it would not pay  
3 back in the Commission's time frame at all.

4 Any questions?

5 CHAIRMAN EDWARDS: That's Great Lakes to Orlando.  
6 Are you going to talk about the others?

7 MR. HANSEN: Yes, sir. The next one is San Diego  
8 to Orlando.

9 (Viewgraph)

10 MR. HANSEN: We didn't get the input yet on the  
11 number of students having to transfer, but we did get input  
12 on construction, which was even higher because of the  
13 aviation. Again, you would need about 75 acres to do the  
14 one, and it just wouldn't pay back because of the heavy  
15 construction costs.

16 The key is not so much the land; it is that there  
17 is no excess buildings at Orlando. If there's no empty  
18 buildings, then everything you've got to put in there you've  
19 got to build. In this case you have to have a little land.  
20 In every case, whether it be what we've done for this two  
21 weeks or the previous two weeks, when you've got heavy  
22 construction it's tough to pay back, it's very tough to pay  
23 back.

24 CHAIRMAN EDWARDS: Are you going to show us one  
25 Orlando to somewhere else?

1 MR. HANSEN: We didn't look at moving Orlando out.  
2 Orlando is the biggest, and we know that San Diego is  
3 severely constrained and Great Lakes is severely constrained.  
4 Orlando was the one that was clearly the option to be the  
5 receiver.

6 MR. SMITH: Mr. Chairman, I just can't believe that  
7 \$915 million number. We're building entire new Army bases  
8 for a billion dollars, and to relocate crew training is  
9 going to cost a billion dollars, for aviation training? I  
10 need to see the derivation of that number. That number has  
11 just got to be outlandish.

12 MR. HANSEN: We can check it.

13 MR. SMITH: What's there besides recruit training?

14 MR. CLAYTOR: The A schools, the advanced enlisted  
15 training for specialized operations, engineering, seagoing  
16 aviation, and submarines and nuclear. They are different  
17 groups in each place.

18 GENERAL STARRY: If I understand it correctly,  
19 they're saying you have two things. You have what you  
20 just described, as well as the initial entry training that  
21 recruits receive. And they have to move the initial entry  
22 training with increased capacity as well or leave it  
23 someplace else and pay the bill for that elsewhere.

24 MR. CLAYTOR: That's right.

25 MR. HANSEN: We will check that number. We had

1 a misunderstanding, and what we did is we asked the Navy up  
2 front right after our meeting of two weeks ago to drill  
3 Great Lakes to Orlando. We didn't ask them to drill San  
4 Diego to Orlando. We discovered that later.

5 We did ask them to do it, and it has taken them  
6 longer. So that may be an off the wall number. That's the  
7 best we have today, but it does sound high to me, too.

8 But even if it is half that, even if it is half  
9 that, it still would not pay back.

10 CHAIRMAN EDWARDS: Let me ask, if you move to  
11 Orlando with recruit training and move your other stuff  
12 somewhere else, is there another place it could go? Move it  
13 out of Orlando? In other words, move recruit training into  
14 Orlando and then take the excess skill training and move it  
15 to another facility that has excess capacity?

16 MR. HANSEN: You would have to at least -- as far  
17 as at Great Lakes goes, you would have to -- the economic  
18 thing to do would be to leave just the propulsion plant  
19 training at Great Lakes. So you'd have to keep operating  
20 Great Lakes with reduced levels for sure.

21 Now, whether you could put the aviation advanced  
22 training somewhere else, we would have to drill. But the  
23 other point then is what you've done is you've increased  
24 your movement of recruits all over the place. They would  
25 have -- what now is accomplished with one move would have

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1 to take two moves.

2 MR. CLAYTOR: Now, wait a minute. A lot of them  
3 have two moves anyway. They're going to be two moves,  
4 depending on what A school you go to.

5 MR. HANSEN: My understanding is the pattern is,  
6 if they know -- and obviously things can go wrong. But if  
7 they know that you're headed for non-propulsion A school,  
8 then you go to Great Lakes for your basic training, and so  
9 you don't have two moves.

10 MR. CLAYTOR: I would be very dubious about that.  
11 You don't know in the first place. It's an arbitrary pick.  
12 And if the fellow is not going to the right school, he's  
13 going to have to move again.

14 I wouldn't worry about that move business. I think  
15 that's a made-up reason. But there are other possibilities,  
16 but they're all very complex.

17 One thing you could do is to put all the recruit  
18 training, say, in Orlando, then see if you could move the  
19 A schools that are at Orlando and at San Diego into Great  
20 Lakes and end up with two, one all A schools, all advanced  
21 schools, the other all recruit training, and close San  
22 Diego altogether.

23 And I just pick it that way. San Diego is the  
24 one that probably has the smallest land, the most valuable  
25 land, the most difficult to add anything to it. And then

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1 you would have to see what are the costs of moving,  
2 particularly the equipment for the A schools.

3 MR. HANSEN: We would have to move the nuclear  
4 propulsion equipment out of Orlando up to Great Lakes.

5 MR. CLAYTOR: Or build new ones. Some combination  
6 of that that would be the cheapest and most feasible,  
7 Moving all the A schools into one place and all the recruit  
8 training into the other place seems to me ought to permit  
9 you to totally close one of the installations, and that  
10 should be substantial, depending upon the initial cost.  
11 That's the only way I can conceive of making it.

12 MR. HOFFMANN: Has San Diego less embedded  
13 equipment in it?

14 MR. CLAYTOR: No. It is aviation. I don't know  
15 what the aviation equipment is.

16 MR. HANSEN: I would say it's certainly less than  
17 the propulsion schools. It's probably more test equipment  
18 and it's smaller for sure.

19 CHAIRMAN EDWARDS: Is the Marine Corps training  
20 facility at San Diego adjoining the Navy San Diego?

21 MR. HANSEN: Yes.

22 CHAIRMAN EDWARDS: If we leave the Marines alone,  
23 would there be any value in giving some of San Diego Navy  
24 to San Diego Marines for training?

25 MR. HANSEN: No, or very little. They probably

1 would love to expand a little bit. But you would have to  
2 tear down a ton of buildings to give them any land at all,  
3 and there wouldn't be enough acreage to do the kind of  
4 tactical training they do at Pendleton. We have more  
5 analysis on that.

6 One other issue, both -- we have received, the  
7 Commission has received, a letter from the FAA saying that  
8 they want both recruit depots, the Marine and the Navy training  
9 centers, if you will, at San Diego. And given what Russ  
10 Milnes has told us, that sounds like capture it for free  
11 again.

12 CHAIRMAN EDWARDS: Who told you that?

13 MR. HANSEN: The FAA wrote to us.

14 CHAIRMAN EDWARDS: The FAA? Maybe I didn't hear  
15 you right. They wrote you about the Marine and Navy recruit  
16 training?

17 MR. HANSEN: Yes, because they border the airport,  
18 so they want to expand the field at San Diego. And if they  
19 can get us to close the two recruit training centers, they  
20 can do that. Then under the public conveyance things, this  
21 is something that they could have, not quite a right, but a  
22 general expectation, of getting for free.

23 MR. EAGLETON: As you stated earlier, we were  
24 going to override that a bit by declaring that any surplus  
25 land was going to go for good dollars. We weren't going to

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1 give anything to anybody. We decided that earlier this  
2 morning.

3 CHAIRMAN EDWARDS: No, we decided we would  
4 recommend.

5 MR. CLAYTOR: We would recommend they have to pay  
6 for it. They get the land, but they have to pay market  
7 value for it.

8 MR. HANSEN: The Secretary's authority to implement  
9 that is fairly weak.

10 MR. SMITH: Right now, under OMB rules another  
11 federal agency taking land has got to do it at fair market  
12 value, don't they?

13 MR. HANSEN: The FAA doesn't take the land. They  
14 act as a go-between with the local community, which in this  
15 case is the San Diego Port Authority. And maybe, Russ,  
16 you're going to discuss this.

17 MR. MILNES: I just want to mention on the  
18 conveyance part of it, it would go back into the Federal  
19 Property Act order, and that does get into the public  
20 conveyance. It does not -- the regulation that GSA has put  
21 together does not say that these are conveyed at no cost,  
22 nor does it say at less than fair market value.

23 But the expectation is certainly not fair market  
24 value, and it would be subject to a negotiation. And so it  
25 is not clear exactly what comes out of that. Certainly,

1 customs and practice would suggest that it's going to be much  
2 smaller than fair market value.

3 It's unfortunate, but that is again the result of  
4 not getting a waiver of the Federal Property Act. If we had  
5 a waiver there, we would have a lot of --

6 MR. HANSEN: Don't we have some sort of historical  
7 trends from GSA? They told us that on the average if we get  
8 30 cents on the dollar, we're doing pretty good.

9 MR. SMITH: I still don't understand how they get  
10 around the current OMB directive that if another federal  
11 agency picks it up, they have to do so at fair market value.

12 MR. CLAYTOR: In this case it's going to be a  
13 state agency that takes the land.

14 MR. HANSEN: It's really the Port of San Diego.

15 MR. HOFFMANN: The Airport and Airways Act is a  
16 different animal. The Airport and Airways Act under which you  
17 do airports cuts in before you do any of the land disposal.  
18 The military service does not declare it surplus. It just  
19 indicates it would not be inconsistent with its mission to  
20 have a co-use of it.

21 Okay, and the presumption is--you know, the statute  
22 is pretty rugged. You had the request to the defense agency  
23 and it has 30 days to reply, okay, as to whether or not  
24 it's inconsistent with the mission. If it's not inconsistent  
25 with the mission, it has to go to the co-use. But you don't

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1 get a surplus property deal out of that.

2 So it just cuts off up ahead of all that stuff.

3 MR. HANSEN: Their plan for use of it was to  
4 extend runways and taxiways and build terminals. It wasn't  
5 commercial development. And if you would like, we could get  
6 you an update on that. It is a one-pager.

7 MR. SMITH: Does anybody have any idea where this  
8 letter came from that triggered the FAA?

9 MR. HANSEN: Well, they have sent us -- maybe I  
10 can help you. Early on the FAA called us and said: Hey,  
11 we hear there's a Base Closure Commission; we're interested  
12 in airports. And so we invited them over and we talked and  
13 all that sort of stuff.

14 And they sent us a list of -- if you want to call  
15 it a hit list, call it a hit list, of military airports that  
16 they would love to see either joint use or closed, so that  
17 they could get them. And then they have twice sent us  
18 addendums to that, and this was the latest addendum.

19 CHAIRMAN RIBICOFF: I think if I remember, San  
20 Diego Airport is one of the most dangerous in the country.

21 MR. CLAYTOR: Yes, it is a very bad airport.

22 CHAIRMAN RIBICOFF: It's considered a very  
23 dangerous airport.

24 MR. CRAIB: They have cast covetous eyes on  
25 Miramar for many years, because it is fairly close. Now

1 they are looking at the Otea area, which is in the flight  
2 pattern of the Tijuana Airport. So it's right there at the  
3 border.

4 But nowhere in the newspapers have I seen any  
5 speculation of extending Lindberg Field into the Marine Corps  
6 base or the Navy training station. So this is something new  
7 that they've come up with. But it makes some sense.

8 MR. SMITH: I would like to see the correspondence.  
9 I think it would be useful to see all of the FAA correspondence  
10 and what they have asked for.

11 MR. HANSEN: We can do that at lunch.

12 CHAIRMAN EDWARDS: Have you got more Navy or another  
13 Navy segment?

14 MR. HANSEN: Just the Marine Corps, sir, the first  
15 of which Chairman Ribicoff has to step out for.

16 CHAIRMAN RIBICOFF: If you want to take it, I will  
17 step out now.

18 MR. HANSEN: It's also going to involve  
19 significant discussion about the recruit depot.

20 CHAIRMAN EDWARDS: Abe and I chatted a bit about  
21 seeing if you guys could eat in about 30 minutes.

22 (Whereupon, at 12:55 p.m., the meeting was recessed,  
23 to reconvene the same day.)

24  
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AFTERNOON SESSION

(1:35 p.m.)

1  
2  
3 CHAIRMAN RIBICOFF: You may proceed, sir.

4 MR. HANSEN: Thank you.

5 You will find copies of letters received from the  
6 FAA on the issue of --

7 MR. CLAYTOR: They would like it all.

8 MR. HANSEN: Yes, sir.

9 Joining me at the table right now is Major Lyn  
10 Creswell from the Marine Corps, primarily to do the Marine  
11 Corps issues. But Major Creswell is also the Marine Corps  
12 representative on the inter-service committee who does  
13 interreaction with the FAA over these issues. And so if you  
14 have any questions, we have an expert here.

15 CHAIRMAN RIBICOFF: Is he going into the El Toro  
16 thing?

17 MR. HANSEN: That will be coming next, yes, sir.

18 CHAIRMAN RIBICOFF: When you are through with it,  
19 let me know. -

20 MR. CABOT: Is there any way, looking at this, of  
21 telling what are the important ideas and which aren't?

22 MR. HANSEN: Probably the ones with the most dollar  
23 value.

24 MAJOR CRESWELL: The two targets are clearly  
25 El Toro and Miramar, based upon the value, the capital asset

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1 value they place on the facilities.

2 CHAIRMAN EDWARDS: The FAA target, you're talking  
3 about?

4 MR. HANSEN: Yes, sir, acting as a surrogate, if  
5 you will, for the local activities.

6 MR. SMITH: Austin is \$700 million.

7 MR. HANSEN: Yes. He was only looking at the one  
8 three-pager.

9 GENERAL POE: I checked on that because you  
10 brought it up, and both Air Force commanders were given the  
11 go-ahead by the chief of staff to talk to the city. It's  
12 been going on for some time, and the city is still looking  
13 at the other site because they're not even sure of either  
14 one of them.

15 But it looks like that may really come to pass.  
16 I don't know. At least they're talking.

17 MR. HANSEN: We can bring more of that up in the  
18 Air Force briefing.

19 MAJOR CRESWELL: Last year the FAA was directed  
20 by the Transportation Committee, I think, in the House and  
21 the Senate to do an extensive study of possible joint  
22 civilian-military use of Selfry, Scott, and El Toro. And  
23 that report went to Congress, I think in September.

24 CHAIRMAN EDWARDS: Let the record show that  
25 Chairman Ribicoff is no longer in the room during the

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1 discussion of the El Toro and related facilities.

2 (Chairman Ribicoff withdrew.)

3 (Viewgraph)

4 MR. HANSEN: We will start with El Toro. We were  
5 asked to do a couple of things, to look at two options with  
6 El Toro, which is the Marine Corps air station on the coast  
7 of southern California, as we have heard, in Orange County.  
8 What that is is a location of the First Marine or the  
9 air-ground combat aviation arm for the First Marine Division.  
10 And it has numerous other missions, to include anti-air  
11 warfare, recon air patrol, among others. It is also the  
12 headquarters of the western air bases, the West Coast, and  
13 there's a West Coast commissary complex and a West Coast  
14 staff NCO academy located at El Toro.

15 (Viewgraph)

16 MR. HANSEN: Sizewise, for the relocation, which  
17 was the options we were looking at, we would need to find  
18 something in the range of 5,000 acres, nine million square  
19 feet of buildings, and three million square yards of airfield  
20 paving.

21 (Viewgraph)

22 MR. HANSEN: In order to relocate El Toro, there  
23 were certain considerations we had to take into account.  
24 First of all, obviously we needed to replicate the facilities.  
25 That's a given.

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1           The second one is not so obvious. The Marine Corps  
2 practices carrier landings on land, and the most realistic  
3 practice you can get for carrier landings is at sea level,  
4 because obviously carriers are within 50 feet of sea level  
5 all the time. And when you raise the altitude where you're  
6 practicing carrier landings, the dynamics of the airplane,  
7 the air densities, et cetera, the speeds that you're operating  
8 at, change, and therefore it's a little different.

9           And the margin of error on aircraft carriers is  
10 not very good. Therefore it's good to replicate it at sea  
11 level.

12           The other very important consideration for El Toro  
13 is that it does 45 percent of its training on the ocean off  
14 Orange County. Therefore, any move that takes it away from  
15 the ocean is going to take it away from its ranges. The  
16 rest of it is done at Camp Pendleton, right along the coast  
17 just south of El Toro, with 20 percent going on at 29 Palms,  
18 which is one of the sites we were looking at relocating.

19           Being in Orange County, it has no trouble finding  
20 skilled work forces, and it has as of today minimum  
21 encroachment, although we have heard that the city would  
22 like joint use and that might be considered encroachment.

23           I might add, though, that it is in a high cost  
24 area and housing is costly, and there is a good point that  
25 you could make that you could find a less high cost area.

(Viewgraph)

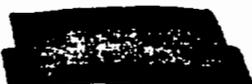
1  
2 We were asked to look at two things. The first is  
3 to pick up Marine Corps Air Station El Toro and put it at  
4 the air-ground combat center, the Marine Corps Air-Ground  
5 Combat Center at 29 Palms. What goes on at the air-ground  
6 combat center is the Marine Corps' version of Fort Erwin.  
7 This is combined arms exercises, joint service exercises,  
8 where you bring in all of the ground forces -- artillery,  
9 tank, helos, close air support, et cetera -- and you  
10 literally shoot up the place.

11 Well, air space-wise that's a problem for a wing  
12 who is there not to be a part of that exercise, because  
13 even though there might be no planes flying that day, there  
14 are certainly artillery shells flying and you can't fly over  
15 because of trajectories, et cetera.

16 And so for the time that there are combined arms  
17 joint training going on there that the wing is not  
18 participating in, which would be a significant, very  
19 significant portion of the time, they would be clobbered  
20 from training.

21 The second thing is it's not sea level. Therefore  
22 carrier landing training is impaired. El Toro has a coastal  
23 defense or a NORAD mission, which would be difficult to do  
24 from inland in the desert.

25 And 29 Palms is out in the middle of nowhere. I

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1 have personally been there. The little village about five  
2 years ago got its first motel. There are no work force  
3 available to work at a big large air station like this, which  
4 not only includes the flying, but the supply and repairs of  
5 aircraft and components, et cetera.

6 And therefore, our conclusion is operationally this  
7 would just not fit, and we did no cost analysis.

8 GENERAL POE: Question: The Marine Corps has a big  
9 station out at 29 Palms, doesn't it?

10 MAJOR CRESWELL: It has an expeditionary airfield  
11 that goes in conjunction with the --

12 GENERAL POE: But I think you have a large number  
13 of ground forces there.

14 MAJOR CRESWELL: No stationed ground forces.  
15 Everything is expeditionary. We bring in teams for exercises.  
16 The only personnel you have are support personnel that keep  
17 the place going.

18 MR. HANSEN: Approximately 20 percent of the time,  
19 the wing at El Toro which supports the First Division, they  
20 go together and use the ranges. The other division, when  
21 it comes from the East Coast, brings its wing from the East  
22 Coast.

23 MR. CRAIB: The reserves do a lot of exercising  
24 there, too.

25 MAJOR CRESWELL: During the summer, we have

1 reserve activities at Pendleton, and also 29 Palms.

2 (Viewgraph)

3 MR. HANSEN: The second scenario was to look into  
4 the use of George Air Force Base, because it is on the way,  
5 if you will, sort of on the way. It's a triangle if you look  
6 at the maps. Do we have a map?

7 We had one at one time. George is north northwest  
8 of El Toro and 29 Palms is roughly west of El Toro, and it's  
9 a triangle, pretty much equidistant. George's air space,  
10 however, being in the LAX flight pattern, is more constrained  
11 than El Toro's air space.

12 In addition, one of the reasons we closed it, but  
13 not the primary reason, is George is not in very good  
14 condition. Consequently, there would be some MILCON that  
15 would have to be put in.

16 Again, it's 3500 feet elevation or something like  
17 that, and so it impairs carrier landing practice again. It's  
18 far enough away from the coast that it impairs the NORAD  
19 mission. And as we said, it is more encroached.

20 So again, operationally it was just not a good fit.

21 MR. CABOT: It's east of all of this?

22 MR. HANSEN: Yes, in the desert.

23 CHAIRMAN EDWARDS: Are those the two locations,  
24 potential locations?

25 MR. HANSEN: Yes, sir.

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1 CHAIRMAN EDWARDS: How much landside carrier  
2 training do the services do?

3 MAJOR CRESWELL: Carrier landings at El Toro are  
4 7 to 10,000 ops a year.

5 MR. HOFFMANN: Out of how many total such air  
6 operations?

7 MAJOR CRESWELL: I don't know. The Navy is going  
8 to have to give you that figure. We do that at Miramar and  
9 El Toro.

10 COMMANDER SZUTENBACH: When you start talking  
11 about operations, which is a landing or a takeoff, when you  
12 do a touch and go, of course, that's two operations. At  
13 each of the outlying fields that the Navy has for carrier  
14 landing practice, they're probably running anywhere between  
15 50 and 120,000 operations a year; maybe somewhere in the  
16 area of a million operations a year.

17 CHAIRMAN EDWARDS: For example, at Pensacola, the  
18 outlying fields there, are they used all for touch and go  
19 operations? Are all those carrier-related operations?

20 COMMANDER SZUTENBACH: No, sir. You have some of  
21 those -- well, they would be touch and go. But some of  
22 those are for helicopters. Fort Whiting as an example, b  
23 that's helicopter training and they fly the T-34, which is  
24 the basic primary training propeller-driven aircraft for  
25 an aviator.

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1 CHAIRMAN EDWARDS: I'm trying to get a feel for  
2 land-based carrier training generally, not worrying about  
3 helicopters.

4 COMMANDER SZUTENBACH: The land-based, it's done in  
5 two places. It's done through basic training for jet  
6 operations, as well as for helo operations, but primarily the  
7 jet operations. They do that at the operational training  
8 bases, and then at all of the other operational bases where  
9 you have the jets that land on the carriers, they do fleet  
10 carrier landing practice both on the main station itself; also,  
11 they then have outlying fields at which they do continual  
12 proficiency training.

13 Those outlying fields, as an example, at Cecil  
14 Field they've got Whitehouse and they would do 125,000  
15 operations a year at that outlying field. Does that give you  
16 a feeling?

17 CHAIRMAN EDWARDS: So there is nothing unusual  
18 about the Marine Corps' need for near-sea level land-based  
19 carrier training?

20 COMMANDER SZUTENBACH: No, sir. The Navy, of  
21 course, their bases are primarily near the shore and at sea  
22 level also.

23 MAJOR CRESWELL: What happens is, when you're at a  
24 higher altitude you have to give more fuel to the aircraft  
25 engine and its performance is running at a higher speed, so

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1 you don't come in low and slow, like you do if you're coming  
2 in on the end of an aircraft carrier. And consequently, you  
3 get an unrealistic training situation. That's the reason  
4 why sea level training is essential if you're going to bring  
5 that airplane on the end of a carrier.

6 MR. HOFFMANN: Well, but there's a significant  
7 difference if about how many knots between a moving aircraft  
8 carrier that you're landing on and the ground?

9 MAJOR CRESWELL: And that's exactly the point, is  
10 that there is not any room for error, and that is why we want  
11 the most realistic training that we can provide, because  
12 once you get down there to the touchdown point, that ship is  
13 moving around and you have a split second to make a decision.  
14 And it's all a matter of ground training prior to going out  
15 to the ship to get our pilots qualified.

16 CHAIRMAN EDWARDS: Any other comments, questions?

17 MR. HANSEN: The next -- if you would, we could  
18 call Senator Ribicoff back in.

19 CHAIRMAN EDWARDS: Is that it as far as El Toro is  
20 concerned?

21 MR. HANSEN: Yes.

22 MR. HOFFMANN: So you're basically recommending we  
23 drop the whole idea?

24 MR. HANSEN: As not operationally feasible.

25 CHAIRMAN EDWARDS: It's so unfeasible operationally

1 you just didn't look at the dollar numbers, is that what you  
2 said?

3 MAJOR CRESWELL: We did look at the dollar numbers,  
4 but the MILCON cost of replacing the facilities is high,  
5 and the land value is a question mark because you have a  
6 possibility of going as an air field use and it won't return  
7 to the government.

8 We did a cost of a billion dollars for the land,  
9 which would be the most optimistic you could get even if it  
10 was sold at the highest, best use, and still the replacement  
11 cost of the facilities was so high you didn't come out with  
12 a net gain.

13 (Chairman Ribicoff returns.)

14 MR. HANSEN: That may be why we don't replace many  
15 of the buildings that go by their 45-year useful life, and  
16 we've got them that are 200 years old. It just costs a  
17 bundle to replace buildings.

18 CHAIRMAN EDWARDS: Are you ready to do San Diego?

19 MR. HANSEN: Yes, we are.

20 CHAIRMAN EDWARDS: Let the record show Chairman  
21 Ribicoff has returned to the room.

22 (Viewgraph)

23 MR. HANSEN: The Marine Corps recruit depot at  
24 San Diego fits the pattern of the Marine Corps that we  
25 briefed before, which is basically an East and a West Coast

1 operation. The Marine Corps boot camp takes all of the male  
2 recruits west of the Mississippi. It is also the headquarters  
3 of the western area recruiting command and the western  
4 recruiters school.

5 It is, however, the single site for the drill  
6 instructors school, and this was important for the Marine  
7 Corps in the sense of recruiting. They often use the boot  
8 camp graduates, if you will, send them back with a recruiter  
9 back to their home town and use them to recruit their friends.  
10 And that gets harder to do as you're talking a single site,  
11 and that's an important recruiting tool for them.

12 (Viewgraph)

13 MR. HANSEN: In general, too, if it is known --

14 MR. TRAIN: Why is it more difficult at a single  
15 site?

16 MAJOR CRESWELL: If you have a single coast site,  
17 then the recruits are less likely to go back home if they're  
18 clear across the other side of the United States. As it is,  
19 they're going a short distance back to their home. They stay  
20 there for a week or so with their recruiter and recruit  
21 their friends.

22 A significant amount of enlistments come through  
23 this vehicle of post-graduation recruitment from friends,  
24 high school and beyond.

25 MR. HANSEN: It is not a show-stopper. It's just

1 one of the items.

2 CHAIRMAN EDWARDS: Yes, I have a friend that talked  
3 me into joining the Marine Corps, and we got down there and  
4 took physicals, and he flunked and I had to go.

5 (Laughter)

6 MR. HANSEN: That clearly makes this issue not a  
7 show-stopper.

8 (Laughter)

9 MR. HANSEN: The facilities and training area that  
10 the recruits and the recruiting command uses at San Diego  
11 are split between two sites at the recruit depot itself,  
12 which is a campus sort of style environment. There are 433  
13 acres. 120 acres of that is outdoor training, most of which  
14 is individual type training, like physical fitness, bayonet  
15 drill, and that kind of stuff, and of course marching fields  
16 and all of that, and quite an extensive square footage of  
17 buildings for housing people, as well as classrooms.

18 MR. CABOT: Is this the thing that's right beside  
19 the airport?

20 MAJOR CRESWELL: Yes, two miles of our border is  
21 Lindberg Field. In fact, right at the end of Lindberg  
22 Field's runway, they've extended it and 30 acres of that is  
23 an easement from MCRD to Lindberg Field. So they already  
24 have a piece of the installation.

25 MR. HANSEN: If you will, the airport terminal

1 buildings sit here, the runways and taxiways sit here. The  
2 Marine Corps depot and the Navy depot sit here on the other  
3 side of it. And that's why it's so important.

4 When the recruits at San Diego need to do tactical  
5 training, they go up to Camp Pendleton, just up the road about  
6 45 minutes or an hour. And they have a site there and  
7 barracks there where they have 1500 acres of tactical  
8 training land and approximately 70 acres to live on while  
9 they're there.

10 They spend four weeks of the twelve week total  
11 class at Camp Pendleton.

12 (Viewgraph)

13 MR. HANSEN: We were asked to look at one of two  
14 options for the recruit depot at San Diego. The first was  
15 move it up to the site at Camp Pendleton. The physical  
16 constraint to that move is the severe water shortage at  
17 Camp Pendleton. Camp Pendleton right now catches every drop  
18 of water that is used on that post and recycles it seven  
19 times, and then puts it into ponds which are supposed to  
20 leak into the aquifer so it can be used again.

21 But the water table has dropped so much, they're  
22 getting salt water invasion, because it's right along the  
23 coast, et cetera. And so there is just a tremendous water  
24 shortage at Pendleton, and moving that many recruits and that  
25 many personal parties in would just break the bank.

1 On top of that, despite common perceptions, there  
2 is not very much buildable land at Camp Pendleton. We have  
3 that map.

4 MAJOR CRESWELL: I have a map, if you want to pass  
5 it around.

6 MR. HANSEN: The main problem with it is, besides  
7 what's already been built on -- and maybe I could just show  
8 it and we will pass it around later. The dark areas are areas  
9 which have either a 15 to more than 30 percent gradient, the  
10 very dark areas, and it's impossible to build on.

11 So the problem is -- and we can pass that around --  
12 there is not much buildable land left there. And it's also  
13 a shortage of family housing, already in a high cost area,  
14 which exacerbates the problems in that area.

15 And so again, we just don't have a fit. So we next  
16 looked to moving the recruit depot to Parris Island.

17 (Viewgraph)

18 MR. HANSEN: Now, Parris Island is considerably more  
19 acres than the combined recruit depot in San Diego. However,  
20 60 percent of it is swamp. You will note that, of the high  
21 ground that they have, 1422 acres of it is in tactical  
22 training, which is actually less than the tactical training  
23 area that the recruits have on the West Coast.

24 And it's full utilized, to the extent that the  
25 Marine Corps is thinking about moving recruits for a shorter

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1 period of time up to Camp Lejeune, to do tactical training  
2 up there. Adding more people in would severely constrain  
3 the recruits.

4 Now, there is a considerable amount of acreage  
5 developed, and I have again been to Parris Island. And they  
6 have taken advantage of their space and buildings that have  
7 nice separations between them and they're all spread out, and  
8 so forth and so on.

9 And so it exacerbates your problem of figuring out  
10 how to build in between all of this. But I think one of the  
11 most important considerations of this whole thing is that  
12 all of this analysis that I have spoken of so far only gets  
13 us to the point of, could we do peacetime work loading in  
14 one place.

15 The real concern would be that during a  
16 mobilization we would swamp one of the two places, whichever.  
17 They need both in order to be able to do the type of number  
18 of recruits that they expect to have to handle in a wartime  
19 scenario.

20 MR. CRAIB: You could use Camp Pendleton under  
21 mobilization and pitch tents.

22 MAJOR CRESWELL: That's exactly what happens, and  
23 the last four major conflicts we have done very little  
24 inductee training at Parris Island. Most of it has gone on  
25 at the recruit depot at San Diego and then up at Camp



1 Pendleton.

2 MR. TRAIN: Where do you get your water under  
3 mobilization?

4 MAJOR CRESWELL: The mobilization water requirement  
5 for Pendleton is built into the current water usage and safe  
6 yield at Pendleton. That is why if you move more folks in  
7 there, you increase by 2,000 acre-feet or whatever the San  
8 Diego requirement, then you take away the mobilization  
9 complement.

10 MR. CRAIB: You set up a desalinization plant along  
11 the coast and allow them one canteen of water a day.

t7

12 MR. CABOT: That's not very much money compared to  
13 building a whole new airport for San Diego. Maybe that is not  
14 our bailiwick.

15 MR. HANSEN: We're not being asked to build an  
16 airport in San Diego.

17 MR. CABOT: No, I know we aren't. But it sounds  
18 like somebody is going to have to do it one of these days.

19 MR. HANSEN: That was the last slide we had on  
20 San Diego.

21 CHAIRMAN EDWARDS: Any comments or questions?

22 MR. CRAIB: How many recruits go through MCRD?

23 MAJOR CRESWELL: Which one? San Diego, we've got  
24 20,000 a year; and 18,000 a year go through Parris Island.

25 MR. CRAIB: I would think under peacetime scenario

1 consolidating it at Parris Island makes a lot of sense.

2 Under a mobilization, we always have the flexibility of using  
3 Pendleton or other training facilities. That is an expensive  
4 piece of land where it is.

5 MR. HANSEN: It is if we could realize the proceeds  
6 from it.

7 MR. CRAIB: It doesn't have a high value just from  
8 a civic utilization extending those runways.

9 MR. HANSEN: We would have to check it, but I'm  
10 sure Camp Pendleton is pretty much chock-a-block with  
11 reserves mobilizing there, as opposed to recruits. So it  
12 gets crowded pretty quickly.

13 CHAIRMAN EDWARDS: You know, my memory is  
14 frequently faulty, but I thought that we heard last time that  
15 San Diego and Parris Island each took about 5,000 recruits a  
16 year.

17 MAJOR CRESWELL: That is what is there at any point  
18 in time, is 5,000 recruits are being trained. That is the  
19 daily recruit level. But the annual is 25,000 and 18,000.

20 The problem with Parris Island even in peacetime  
21 is the constrained training area. The training area even  
22 right now is completely utilized, and one of the reasons for  
23 that is General Gray has asked to stick in two additional  
24 weeks in the package of crew-served weapons training. And  
25 prior to that we had enough training area to accommodate

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1 probably another San Diego surge or a surge of recruits. But  
2 once we gobbled up the rest of our training area with the  
3 crew-served weapons training and placed everybody else on the  
4 ranges, then we lost our ability to expand in the training  
5 areas.

6 MR. HANSEN: The key would be you would have to  
7 figure out how to knock down some of the developed land and  
8 turn it into training land, because of the way the buildings  
9 are placed. That becomes very difficult. And then not only  
10 are you trying to knock it down to create training land,  
11 you're also trying to build at the same time. And it just  
12 gets a mess.

13 CHAIRMAN EDWARDS: Any other comments or questions?

14 MR. SMITH: I just find it incredible that we can't  
15 get enough space on the developed acreage to go ahead and  
16 build the additional barracks and facilities that you would  
17 need to go ahead and be able to double the training load at  
18 Parris Island.

19 MR. HANSEN: You can. You can't double the size  
20 of the tactical training area.

21 MR. CRAIB: But there isn't that much tactical  
22 training in boot camp, is there? They get that when they're  
23 assigned out.

24 MAJOR CRESWELL: You get a four-week package. The  
25 first two is just rifle range training, as you know, laying

1 in the mud and shooting them down downfield. The next two  
2 weeks is transition package, where they do pop-up targets,  
3 they do the M-60 machine gun, they're doing mortars, they're  
4 doing grenade launcher, automatic grenade launcher, and a  
5 variety of other crew-served weapon training.

6 And all of that takes a tremendous amount of acreage.  
7 We've got 1500 acres dedicated at Pendleton for that right  
8 at the end of the Edson Range complex, and we've got  
9 approximately 1400 acres for the same thing at Parris Island.

10 MR. HANSEN: Sir, if you might, you might recall  
11 how small San Diego recruit depot was. Think of the tactical  
12 training area only three times bigger than that, and you look  
13 at that and you mentally picture how big that is. That's not  
14 that much land. Acreage adds up fast, I guess.

15 MR. CRAIB: Well, we were out there. We saw them  
16 shooting automatic weapons and they were fresh out of boot  
17 camp.

18 CHAIRMAN EDWARDS: Anything else? Are there any  
19 other Navy or Marine Corps programs?

20 MR. HANSEN: Yes, one more. We are putting this  
21 in just so we can make use of our good Major here. This is --  
22 Camp Smith came up because of our drill on previous lists,  
23 and also because of our -- you asked the staff to go in and  
24 look at high value properties in the admin base category.

25 Camp Smith is on the island of Oahu. It is the

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1 home of the commander in chief of the Pacific, and it's also  
2 the home of the fleet Marine Corps Pacific headquarters, which  
3 is Marine Corps headquarters, and all of the intelligence,  
4 communications, et cetera, gear that goes with some major  
5 commands like that.

6 And so we took a look at it because it's high value  
7 property. We took a look at what we would have to do to move  
8 that, what it would cost us to move that structure somewhere  
9 else on Hawaii. You could not take it off the island of  
10 Hawaii.

11 Camp Smith is 220 acres, 71 buildings. What we did  
12 is we asked the Marine Corps to run us a cost model on putting  
13 that on -- the assumption was we could put it on Ford Island.  
14 Ford Island is an island, undeveloped or allowed to  
15 disintegrate right now, island in the middle of Pearl Harbor.  
16 The Navy has some plans to redevelop it.

17 The key to redeveloping Ford Island was a causeway  
18 across so you could get to it, which had been held up  
19 environmentally, et cetera. There has been a breakthrough  
20 on the causeway and now it looks like Ford Island may very  
21 well be developed.

22 In fact, we looked at that in phase one. We looked  
23 at closing Ford Island, if you will, in the middle, and it  
24 turned out, because we thought it would never get its  
25 causeway -- it turns out the causeway has now been budgeted.

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1 The deal has been struck with Hawaii and it's going.

2 The cost model came back and said that they can  
3 build a building roughly 80 percent the square footage of  
4 what they have now, because it would be a modern facility  
5 and they would expect to gain some economies from that. One  
6 of the problems they did associate is they've got a bunch  
7 of old equipment in Camp Smith, high value or high tech, if  
8 you will, but still old, kind of bolted to the walls, held  
9 together with bailing wire.

10 And so they said they had to replace the equipment.  
11 The value of the property, only \$40 million. I thought that  
12 was low.

13 And so what we did is we said: Well, we will do  
14 another analysis here. Oh, they put the cost of the causeway  
15 in, which we said, hey, that's already happening, that  
16 shouldn't count for us. So we took the causeway out. We  
17 took the \$60 million in new equipment out. We tripled the  
18 value of the land.

19 And it still wouldn't pay back. So that one just  
20 will not fly, simply the cost alone. And again, the lesson  
21 is when you have to recreate with new construction what you  
22 already have, that you are already sitting on, with a  
23 six-year payback it won't work.

24 Now, we're talking about useful life of buildings  
25 of 45 years. Life cycle, this may pay back. But it won't

1 pay back on six years.

2 CHAIRMAN EDWARDS: Any questions or comments?

3 MR. CABOT: Are they about to spend a lot of money,  
4 new money?

5 MR. HANSEN: They will have to spend new money to  
6 keep that place going, yes.

7 MAJOR CRESWELL: The only thing, they want to harden  
8 the com center there, and we have a program four years from  
9 now to harden the com center. But other than that, no major  
10 MILCON plans.

11 CHAIRMAN EDWARDS: What will be on Ford Island  
12 once it gets a causeway over there?

13 MR. HANSEN: There will be some operational  
14 buildings, and in fact the plan on the home port of Hunter's  
15 Point to move it to Pearl Harbor involved building, if you  
16 recall. The battleships used to be berthed off of Ford  
17 Island. That's where the Arizona sank.

18 And they were going to reconstitute that, some  
19 housing and some industrial capability.

20 In fact, the Navy told us they had a plan to fully  
21 develop it, but they would agree to let us run the model  
22 assuming we could squeeze CINCPAC in. I think the Navy would  
23 like to see CINCPAC sitting on Pearl Harbor.

24 MR. CABOT: Where is Camp Smith?

25 MR. HANSEN: Camp Smith sits on a hill in a

1 residential area overlooking Pearl Harbor. And actually, in  
 2 the distance you can see Waikiki and the high rises of  
 3 Honolulu. You can actually see Diamond Head from there. It's  
 4 an old hospital that's been converted to civilian use, quite  
 5 hilly, and that cuts back a little bit on the value.

6 Larry, do we know roughly what the plan was for  
 7 Ford Island, what they're going to put on Ford Island?

8 COMMANDER SZUTENBACH: Some barracks and some family  
 9 housing, some warehouses.

10 MR. HANSEN: I think it was mostly taking care of  
 11 their housing shortages.

12 That concludes what we had for the Marine Corps..

13 CHAIRMAN EDWARDS: And the Navy?

14 MR. HANSEN: Well, except for where the Navy is in  
 15 areas of what I call special studies, such as you asked for  
 16 regional air base studies. And we will do those tomorrow.  
 17 The Navy will be part of that.

18 CHAIRMAN EDWARDS: But if my notes are correct, we  
 19 are still going to talk about the three Navy training  
 20 facilities? You're going to do some further looking at  
 21 Orlando and Great Lakes and San Diego?

22 MR. HANSEN: Yes. The option was whether we can  
 23 make Orlando an all-recruit depot or Great Lakes an all-A  
 24 school and close San Diego.

25 And we are also going to do a payback on Brunswick

1 to Loring, and we still have an open book on the strategic  
2 home porting.

3 MR. EAGLETON: Is there some information requested  
4 on the home porting?

5 MR. HANSEN: I don't think we resolved -- did we  
6 resolve what we were going to do on the home ports?

7 CHAIRMAN RIBICOFF: I think you ought to find out  
8 as much information as you can. There's a very interesting  
9 front page article in the New York Times about Scowcroft's  
10 advice of the necessity of cutting the defense budget, and  
11 I think he makes a point about the different role for the  
12 carriers for the next three years.

13 I mean, I think indicating that if that's the  
14 thinking that is being done, the questions raised about home  
15 ports and the 600 ship Navy may be a problem. We may be  
16 doing somebody a favor, I don't know.

17 MR. HANSEN: Sir, if I could, this is out of my  
18 field, but as a layman, we also have to look past the five  
19 years, ten years, and into the distant future. And I think  
20 the trends there have been that the odds are good we're  
21 going to bring land forces back from Europe, we're going to  
22 bring air forces back from Europe, we're going to bring  
23 perhaps land and air forces back from the Pacific.

24 Clearly that's the direction we're headed, either  
25 through conventional arms reduction agreements or because

1 we are kicked out of third world countries or smaller  
2 countries. The impact of that then to what is called force  
3 projection, being able to project forces out to the world,  
4 could very well be an increased Navy.

5 I just don't know how we could predict that. But  
6 that might be the case. We might go to a 700 ship Navy. I  
7 don't know how we would ever predict that. That's a  
8 possibility.

9 CHAIRMAN EDWARDS: Well, we will talk about that  
10 later. But one of the things we wanted was some information  
11 on individual home port facilities.

12 MR. HOFFMANN: We want to get the wherewithal to  
13 do a regression analysis on which of the home ports you would  
14 not do if the Navy were cut back. Now, we're not saying we're  
15 going to cut the Navy back. We're going to say, how would  
16 you do a partial curtailment of the strategic home port  
17 project that the Navy has cooked up to the tune of 800  
18 million bucks, without doing the whole thing?

19 We would obviously like to have a notion of the  
20 numbers to do the whole thing.

21 MR. HANSEN: Yes, I understood the numbers to do  
22 the whole thing.

23 MR. HOFFMANN: But there is a logical way to just  
24 take what they've got and don't worry about, you know -- there  
25 keeps creeping into these discussions an analysis, and I know

1 you've worked hard on it. But a lot of what we're getting  
2 is, well, gosh, you know, that's not -- it's not optimum, it  
3 would change things, so therefore we can't do it.

4 Okay, we're talking about a degree of devastation  
5 that is going to occur in the defense budget, just not  
6 hardship, and it already is. And so the theory is on the  
7 home porting, you know, there's no law that says you have  
8 to do them all.

9 And if you were going to cut three or four of them,  
10 which three or four of them would you cut, and how much money  
11 would you save?

12 MR. HANSEN: I understand. Again, the only thing  
13 I can say is we used the data available to us, and the data  
14 shows there's not two aircraft carriers coming out of the  
15 system.

16 This group of Commissioners can obviously work to  
17 a different end. But the staff was stuck with the data that  
18 was available.

19 MR. HOFFMANN: So you're saying that what was said  
20 about the extra money being spent to do the home porting  
21 strategy was not accurate, that it would cost more to put  
22 those two carriers in traditional ports than strategic home  
23 port them?

24 MR. HANSEN: That's not what I meant. What I said  
25 was we didn't involve ourselves in whether there was going

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1 to be two less carriers than the 15. The staff did not  
2 involve themselves in that.

3 GENERAL POE: Is the issue two carriers or is the  
4 issue where you put them?

5 VOICE: The issue is where you put them. Whether  
6 you get the two carriers or not, strategic home porting was  
7 not based upon that.

8 GENERAL POE: The issue is whether you develop new  
9 places to put them or not.

10 MR. HANSEN: I would like now to turn it over to  
11 Russ to go through the issues that the Commission asked that  
12 we resolve in the other category, if you will.

13 CHAIRMAN EDWARDS: Okay, my friend.

14 MR. MILNES: Mr. Chairman, I have four brief items  
15 to cover, and I will move through these rapidly in the  
16 interest of time. And they are the issues relating to the  
17 guard and reserve, high value properties, a question that was  
18 raised about [REDACTED] the RDT&E, the research,  
19 development, test and evaluation, RDT&E category, and Fort  
20 DeRussy.

21 So beginning first with guard and reserve, the  
22 question that was raised by the Commission was to look for  
23 basically examples of high value property, with the idea of  
24 whether or not we were going to make some kind of  
25 recommendation in the report dealing with the Secretary

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1 taking a more long term view of what should be done in this  
2 area.

3 As a part of that, as an adjunct to that, we also  
4 looked at the naval air station at Willow Grove, which was  
5 brought to our attention by Mr. Claytor, and I will address  
6 that.

7 (Viewgraph)

8 MR. MILNES: High value real estate. These are  
9 just some examples that we found in the last couple of weeks  
10 of areas where there is high value real estate. And this was  
11 not a real estate appraisal by any stretch. It was an  
12 engineering estimate that we did. But it does indicate that  
13 there is high value property out there of \$100,000 to  
14 \$500,000 per acre.

15 And again, this is just a representative sample.  
16 We wouldn't put this in the report, but I think this shows  
17 you that this is an area that can be reviewed.

18 One of the things I want to talk about in this area  
19 is the way in which the reserves generally develop in an  
20 area. In general, we find -- like we find that flying units  
21 tend to locate where appropriate facilities are available.  
22 Current sites include active component air bases, municipal  
23 or civil air fields, and in some cases in their own  
24 facilities, such as Willow Grove, Pennsylvania.

25 Non-flying reserve component units will likewise

1 use many of these same sites because of the availability of  
2 facilities.

3 In large metropolitan areas, what we're finding is  
4 a trend already toward consolidation of reserves. And I think  
5 we will see that when I put Willow Grove up there. Other,  
6 outside metropolitan areas, smaller facilities are utilized  
7 because of more sparse population.

8 Let's take a look at Willow Grove.

9 (Viewgraph)

10 MR. MILNES: This is what we find on the naval air  
11 station at Willow Grove. We're talking about actual strengths  
12 of 5,000 plus reserve and guard components, so you have a  
13 rather densely used facility.

14 We looked at this particular base to see whether or  
15 not there was a possibility for closure or realignment, and  
16 in general what we found was the price of duplicating those  
17 facilities elsewhere would probably be prohibitive, in the  
18 \$750 million to one billion dollar category. Again, that was  
19 done in a very rough sense and that number could be off as  
20 much as by 50 percent.

21 The real problem we have if we try to, for example,  
22 close a place like Willow Grove and make the proceeds  
23 available again for relocation of those units is lack of  
24 control. There is no way for the Commission to control the  
25 outcome of that.

X  
1 And while we can definitively close Willow Grove,  
2 it is unlikely that the proceeds will go to relocating those  
3 particular units. In addition, it turns out that in general  
4 it's not that cost effective in the Willow Grove area,  
5 except perhaps with the Navy component.

6 (Viewgraph)

7 MR. MILNES: We took a look at the Navy part of  
8 that base and found that you probably could relocate it and  
9 still maintain the mission effectiveness of a unit. Now, it  
10 wouldn't exactly be the same unit, because the moment you  
11 move somewhere else you have to essentially reconstitute the  
12 people that make that unit up, because reservists come from  
13 particular metropolitan areas.

14 But the big problem is, in order to make this  
15 happen -- and I'm not saying this to be humorous -- you  
16 basically have to sell the runway at Willow Grove, to allow  
17 this to occur, something which we in asking the Air Force  
18 about this general idea, they were a little reluctant to  
19 embrace it.

20 And so there are some real problems associated  
21 with trying to break the units apart. In fact, what it does  
22 is it goes in the reverse order. We're trying to seek  
23 toward consolidation on locations, and this would tend to  
24 move us in the other direction.

25 We want joint basing rather than separate. However,

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1 there is something that can be done here, and that is not  
2 so much with Willow Grove, but I think it is prudent to take  
3 a look at, for the Secretary to take a look at the properties  
4 in the inventory and see where further consolidations can  
5 occur.

6 And then I would suggest that the Commission could  
7 recommend that the Secretary seek special legislation to  
8 ensure that when a reserve or guard unit -- primarily it  
9 would be reserve units -- are relocated, that the proceeds  
10 from the sale of that property -- and that could be locked in  
11 in legislation -- will go to fund the replacement.

12 We are already seeing that, for example, in a case  
13 that we talked a little bit about last time, and that was at  
14 DeRussy, where the sale of Kapalama was going to, the money  
15 from that sale was going to be used to relocate the reserve  
16 facilities.

17 Now, that's locked into legislation and so it is  
18 a certainty that that can happen. So this is the language  
19 that I would suggest the Commission consider adopting in the  
20 report, and that is that the Commission recommend to the  
21 Secretary that he require the military departments -- and we  
22 may want to choose some other words, but the idea is to take  
23 a good hard look at continuing consolidation of reserve  
24 component locations and, where appropriate, sponsor that  
25 special legislation.

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1 It has been a successful methodology in the past.  
2 I think the Commission is correct in assessing that more needs  
3 to be done in this area.

4 Anything further on this, Mr. Chairman?

5 CHAIRMAN EDWARDS: Any questions or comments on  
6 that?

7 GENERAL POE: For the report, history being better  
8 than philosophy, I suggest that anything like that, you  
9 follow it with examples.

10 MR. MILNES: Yes, sir, we will do that.

11 Let me go on then to [REDACTED]

12 (Viewgraph)

13 MR. MILNES: The question was asked to look again  
14 at Fitzsimmons Hospital, to see whether or not that  
15 particular facility could be closed. We were able to find a  
16 very authoritative report on that subject that was done by  
17 CRSS.

18 And they indeed found that in terms of raw cost,  
19 that it is cost effective to close [REDACTED]

20 MR. SMITH: That's the company that I work for,  
21 and I must admit to being a little surprised. I didn't  
22 realize we had done a study on closing [REDACTED]

23 MR. HOFFMANN: Even your best friends wouldn't  
24 tell you.

25 (Laughter)

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1 MR. SMITH: Well, maybe if I did the study -- I  
2 don't need to disavow myself from any further participation  
3 in this, but if there is any clumsiness in this here at all,  
4 I would simply back out of this one.

5 CHAIRMAN RIBICOFF: I would say that I think it  
6 would be better for you if you recuse yourself.

7 MR. SMITH: This is what?

8 MR. MILNES: September '87. It's an economic  
9 analysis that the health affairs people requested, and it came  
10 back analyzing a number of options, including leaving the  
11 hospital in place and closing it, as well as moving,  
12 transferring to [REDACTED] transferring and upgrading at [REDACTED]  
13 [REDACTED] - a number of alternatives that are listed there  
14 along the right side.

15 Shall I continue, Mr. Chairman?

16 CHAIRMAN RIBICOFF: Sure.

17 MR. MILNES: The key on this, though, is to notice  
18 how these are annualized costs. In other words, this is --  
19 they figured out what the total cost of each one of these  
20 options were. Then they went back and figured out what it  
21 was on an annual basis.

22 You will see that the numbers are quite close.  
23 This is the low cost alternative, which is to close the base.  
24 The next lowest cost alternative is to keep the status quo.

25 Now, two important things come out of this

1 immediately. One is that one important function of this  
2 particular hospital is graduate medical education. This is  
3 a very important program that takes place in all the service  
4 hospitals.

5 But then the Army has, of course, an important  
6 program. I'm going to come back to this chart, but let me  
7 just take it off for the moment. But I just want to  
8 underscore the fact that these numbers don't take the graduate  
9 medical education into account.

10 MR. HOFFMANN: Wait a minute here. Let's just look  
11 into the substance. Do they import gunshot wound cases for  
12 some unique patient status into [REDACTED] that makes that  
13 a sine quo non?

14 What are these people doing, internships?

15 MR. MILNES: Yes, sir. The graduate medical  
16 education program is an internship program, and it is to  
17 bring doctors into the Army system.

18 Letterman is another example. Walter Reed is  
19 another example. In fact, at [REDACTED] the Army has a  
20 program to train. They have 1700 doctors in the residency  
21 program, 1700. [REDACTED] they have 179 residents or  
22 eleven percent of the program.

23 So it is a major function in the medical field in  
24 the services to have the graduate medical education program,  
25 and it's an important factor in their sizing the hospitals,

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1 how they offer care in the ten-state region, tertiary care.

2 So they are into some degree of sophistication in  
3 order to be able to train these doctors, and they reach out  
4 to a ten-state area in terms of the military.

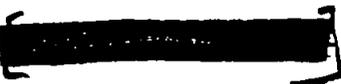
5 CHAIRMAN RIBICOFF: How many patients do they  
6 presently have?

7 MR. MILNES: It's basically 366.

8 CHAIRMAN RIBICOFF: What can they accommodate?

9 MR. MILNES: They could accommodate 506. That's  
10 not a bad mix. It's close.

11 It's true, though, that the function itself could  
12 be -- I mean, not the function, but the graduate medical  
13 education which we talked to, you could move -- you could  
14 carry this patient load by upgrading other facilities as  
15 well.

16 The cheapest alternative is to close   
17 and transfer the function to  That would  
18 be the cheapest alternative.

19 One interesting thing about that, though, is to  
20 notice, if you compare those two numbers, we are less than  
21 five percent.

22 CHAIRMAN RIBICOFF: Who's going to buy that  
23 hospital today?

24 MR. MILNES: I'm not sure whether you would find  
25 a market for the hospital necessarily. But certainly land

  
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1 would be available for disposal. I'm not sure what sort of  
2 estimate we would get for fair market value on that property.  
3 But I think a key point is that there isn't a lot of difference  
4 between the two alternatives. We're talking less than five  
5 percent, which is -- this is not done on a payback system,  
6 which is how we have analyzed everything else.

7 If you were to do this on a payback analysis, you're  
8 not going to amortize your investment this close together, in  
9 a six-year period. Now, that's not to say we couldn't find  
10 a way to be creative about still recommending [REDACTED]  
11 for closure.

12 It is just tougher when the difference between the  
13 two alternatives is so small. You're talking about a payback  
14 more like 15 years. Now, we can't glean that from these  
15 numbers. We will have to actually rerun the basic numbers,  
16 like how much the hospital cost and how much the upgrades  
17 cost, in order to get the exact payback.

18 But with that small difference, you're going to come  
19 out with something that goes beyond six years.

20 MR. EAGLETON: Well, how did we glean it on the  
21 Philadelphia Hospital when we closed that?

22 MR. MILNES: We did that based upon the fact that  
23 the status quo was unacceptable and that the hospital in its  
24 current state was unacceptable. It was unsafe and it had  
25 been picked up on several, the Army IG and the GAO, where

1 this is not the case here. We don't have a safety problem we  
2 are dealing with. We are trying to pick between alternatives,  
3 and really the system that the Congress has given us and the  
4 Department has given us with the six-year payback puts --  
5 basically biases the Commission in favor of the status quo.

6 You have to find -- in order to get a six-year  
7 payback, you have to be able to show a pretty good return on  
8 your dollar in order to make a move. This is close. I mean,  
9 this is so close together it's hard to make that kind of  
10 argument.

11 MR. HOFFMANN: I'm not sure. I can't figure out  
12 how you -- I think you've got an apple and an orange there,  
13 don't you?

14 If you're going to leave [REDACTED] in place, what  
15 this tells me is that you've got to do a very expensive  
16 upgrade on it, and that the upgrade -- it would cost you  
17 almost as much to upgrade the [REDACTED] as to replace it  
18 at the two other places.

19 MR. MILNES: Well, the basic difference you're  
20 talking about is something, is \$8 million on an annualized  
21 basis, \$8 million, taken without the graduate medical  
22 education.

23 Let me see if I can explain this a little more  
24 succinctly. Health affairs and medical people in the  
25 Department of Defense look at things strictly in terms of

1 least cost: What's the least cost to deliver the goods?  
2 And this study shows it's a lesser cost by a fairly good  
3 margin. Even though it's only five percent, it is cheaper  
4 to close the facility and go to [REDACTED] than to stay  
5 where you are.

6 Now, under our rules, our rules are stricter, more  
7 strict, and that is we have to show a payback in six years  
8 which goes well beyond what this shows. But I think if the  
9 Commission desired to put this on a closure list, it could.

10 MR. CABOT: Payback of what in six years?

11 MR. MILNES: The investment of the upgrade.

12 MR. CABOT: Which is what?

13 MR. MILNES: The exact figures -- this is  
14 annualized and so I can't walk back from that and tell you.

15 MR. CABOT: I don't know what you mean by  
16 "annualized."

17 MR. MILNES: Well, they took the amortization  
18 period of the investment, and let's say the hospital upgrade,  
19 a \$50 million investment, and they took some period of time,  
20 say ten years, twelve years, 20, but probably closer to ten,  
21 and they worked out what the annual payment schedule is  
22 over ten years, with the time value of money. Plus they  
23 put in the cost of relocating people and all of that, and  
24 they developed their analysis based upon annual -- I mean,  
25 it's just another way of looking at the same question.

1 And it is a legitimate way to figure out what is  
2 your least cost alternative. And it shows that it is  
3 significantly cheaper by five percent to go with closing the  
4 facility than leaving it open.

5 What this doesn't take into account is that there  
6 is a graduate medical education program, a significant one,  
7 at [REDACTED] that you would have to relocate in order to  
8 make this happen. Otherwise, you're not going to -- in  
9 other words, you have 171 interns that you're going to have  
10 to train somewhere else.

11 That's not to say you can't do that.

12 CHAIRMAN RIBICOFF: How far is it to [REDACTED] How  
13 far is it to Fort Carson?

14 MR. MILNES: It's close. It's close enough to make  
15 it viable.

16 MR. HOFFMANN: It's 70 miles to [REDACTED] and about  
17 five miles from [REDACTED]

18 MR. MILNES: It's close enough to make it viable.  
19 That's why it's not an inappropriate consideration.

20 The real problem I think we run into with this one,  
21 or at least the one that the staff has identified, is that  
22 we put the graduate medical education program out of  
23 business.

24 CHAIRMAN RIBICOFF: Couldn't the graduate program  
25 go to [REDACTED]

1 MR. MILNES: Not immediately. The problem is  
2 twofold. One is you have to get accreditation through the  
3 AMA and they're not doing any accreditations until 1992. And  
4 that's not to say that that's an impossible problem, but we  
5 will later today be talking about another hospital which is  
6 part of the Presidio complex that also had a graduate medical  
7 education program, nine percent of the Army's program.

8 When you start layering these recommendations  
9 together, [REDACTED] and Letterman together, now you've  
10 taken nine plus eleven, 20 percent. You've taken away 20  
11 percent of the Army's ability to train residents.

12 CHAIRMAN RIBICOFF: I know, but graduate education  
13 in the field of medicine, these doctors travel distances.  
14 The difference between San Francisco and [REDACTED] aren't so  
15 great.

16 MR. MILNES: No, sir, that's true. The problem is  
17 reestablishing the program. You can't simply pick up the  
18 179 doctors and send them to San Francisco. You have to  
19 establish a higher level of program in San Francisco, and  
20 that's where the problem comes in.

21 You have to go through an accreditation. The AMA  
22 is not even looking at any accreditation before 1992. And  
23 so we suddenly take 20 percent of the Army's program and it's  
24 going to take them a minimum until 1992 to recover that  
25 program.

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1 So maybe you could close one hospital, but when  
2 you start closing several of them you run into -- you really  
3 put things into a difficult perspective.

4 The other problem is that, just one that we may not  
5 have addressed too much in the past, is that the health  
6 program, the health care program in the armed services, is a  
7 fairly delicate arrangement. You're talking about benefits  
8 to active duty people and you're talking about benefits to  
9 dependents and to retirees.

10 It's something that, with some amount of balance  
11 in it. And there was a recognition that things sorely needed  
12 to be done there.

13 However, as a result Congress ordered a blue ribbon  
14 panel some years ago in the recent past, within the last  
15 five years, to study the program. That caused a  
16 consolidation of the programming function at the OSD level,  
17 at the Office of the Secretary of Defense.

18 Now, they are in the process now of programming  
19 all health care matters at an OSD level DOD-wide, and I  
20 think they are making progress toward the goal of managing  
21 this in a better way.

22 So it's possible for the Commission to go in and  
23 make specific recommendations to maybe close one hospital  
24 or close two hospitals. But when you start cutting into  
25 three hospitals, I think you have put the Defense

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1 Department in a very reactive mode. They have to sit back  
2 and figure out how they're going to rebalance the system,  
3 reestablish the balance in the system. At least in the area  
4 of graduate medical education, it's not going to be easy to  
5 recover that immediately.

6 You weigh that against the difference between  
7 these alternatives, which is less than five percent.

8 CHAIRMAN RIBICOFF: Are these all service medical  
9 men or people when they go there? Are they committed to go  
10 back into the service?

11 MR. MILNES: Yes, sir. Well, when they recruit  
12 doctors, they recruit them with an obligation. That is why  
13 this residency program is so important.

14 MR. HOFFMANN: And that program is 100 percent  
15 full, the residency program?

16 MR. MILNES: I don't know that it's 100 percent  
17 full. My impression, although we can check on it, is that  
18 the Army uses this as a main source of doctors. That's how  
19 they bring doctors into the system. Otherwise, doctors just  
20 don't come in.

21 MR. HOFFMANN: That may well be the case. I  
22 wonder how full it is.

23 GENERAL POE: Well, I wonder about this  
24 accreditation. If Walter Reed is accredited for cardiology,  
25 you don't have to do anything else in accreditation but send

1 more people there for that particular skill, do you?

2 MR. MILNES: We would have to check, sir. I don't  
3 know the answer to that.

4 MR. EAGLETON: That's not the answer, either.  
5 Bethesda was accredited for cardiology and they had the  
6 highest death rate in the United States. You wouldn't send  
7 your dog there.

8 VOICE: For the graduate education part, that  
9 does require separate accreditation, even though they might  
10 be accredited in cardiology.

11 GENERAL POE: I mean, let's say they're accredited  
12 to teach it. So you could move these people to other  
13 hospitals that were accredited for those things.

14 VOICE: . . . Where they are currently.

15 GENERAL POE: So you don't have to go through that  
16 system to increase the student load.

17 MR. MILNES: Probably not, although we would have  
18 to ask. We did ask the surgeons specifically about that,  
19 both at the OSD level -- we asked Dr. Mayer and we asked the  
20 Army Surgeon what is response would be to actions like this,  
21 or not like this, but these actions, just to find out what  
22 the reaction was.

23 And the Army, from the Army Surgeon's point of  
24 view, closing [REDACTED] and Letterman both would be, I  
25 think the term used was, catastrophic. Now, that was

1 filtered back through staff and so it may have been less  
2 strenuous a word he may have used.

3 But the point was that was a major impact.

4 When we asked OSD the same question, the impression  
5 that we got back was that it would be with some hardship. It  
6 wasn't something that was impossible to do. In other words,  
7 they wouldn't be pleased to see such an action, but they did  
8 not go further to say that this was catastrophic.

9 MR. EAGLETON: As between the two, which did the  
10 services declare to be the most expendable?

11 MR. MILNES: Letterman.

12 CHAIRMAN RIBICOFF: Letterman is old and  
13 [REDACTED] is relatively new.

14 GENERAL POE: [REDACTED] is 1943.

15 MR. BRYAN: The difference there was that there are  
16 sufficient alternate specialty programs, graduate medical  
17 education programs, in that area to which the specialist  
18 trainees and the patient load could be shifted more  
19 conveniently, and ongoing graduate medical education programs,  
20 than is the case at [REDACTED]

21 MR. SMITH: Before we leave that last one, I  
22 perhaps ought to set the record straight. The company I'm  
23 affiliated with apparently in the past did some economic  
24 work for the Defense Department under contract to generate  
25 these numbers.

1 I was not a part of that study team. I have never  
2 seen the study nor the study results, and I don't really  
3 feel that it's a conflict of interest for me to continue to  
4 discuss it at [REDACTED] because I am seeing all of this  
5 for the first time.

6 I still don't understand, Russ, if you will, what  
7 that column of numbers is. What are those dollars numbers?

8 MR. MILNES: Based on what they thought the cost  
9 would be for, let's take the option of status quo plus  
10 safety upgrade, they estimated the cost of that upgrade.  
11 They amortized it over a period of years, plus they added --  
12 there is a CHAMPUS component in there as well, which is one  
13 of the reasons why those numbers seem to be so large.

14 And then they took that over a period of years and  
15 came up with annual costs.

16 Now, there's no way for us to back out of that and  
17 say, here was the cost of this safety upgrade. We have to go  
18 out and ask that.

19 The same with the number on close the facility  
20 and transfer the function. That number represents the  
21 number of people that the study team felt would be put into  
22 the CHAMPUS program, plus what it would cost to bring [REDACTED]  
23 and [REDACTED] up to strength in order to handle this new  
24 requirement.

25 Both of those hospitals, as far as I understand,

1 have been built, as most hospitals recently have been, they  
2 can take more floors on top and there are ways to expand  
3 these hospitals. They are pretty flexible.

4 And so those numbers represent a periodic annual  
5 cost. It is just another way of doing it.

6 MR. SMITH: Is it the annual cost to close

7 [REDACTED] and transfer the functions to [REDACTED]

8 It would cost you \$196 million a year to carry out that  
9 health care?

10 MR. MILNES: Exactly.

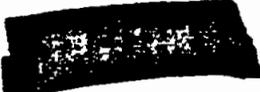
11 MR. HANSEN: It can't. You could build a whole  
12 new hospital for \$300 million.

13 MR. CABOT: What's CHAMPUS?

14 MR. MILNES: That's the civilian health care  
15 program for the Defense Department. For example, an annual  
16 patient visit, outpatient visit, runs something on the order  
17 of average \$1700. So the costs mount fairly quickly when  
18 you start looking at outpatient care.

19 MR. HOFFMANN: Let me give you a slightly more  
20 basic answer to your question. A military dependent goes  
21 to a base hospital, if one is available, for their medical  
22 care. If there is no base hospital available, they can go  
23 to a civilian doctor, civilian facility, and the Defense  
24 Department is charged for that care.

25 The CHAMPUS program makes that care available to



1 them if there is no regular facility. So what you're showing  
2 there is numbers that, if these people could not go to  
3 [REDACTED] there would be the increased cost of their care,  
4 you see, if they went to the local civilian people or the  
5 local civilian doctors.

6 So what they are doing is accumulating a number of  
7 hospitalized patients there at [REDACTED] to both keep their  
8 CHAMPUS costs down and to keep the interns busy.

9 MR. MILNES: And they also carry these annualized  
10 costs, more than just brick and mortar. I mean, they add  
11 the knowledge, the facility costs, staff costs, doctor costs.  
12 We can go back and find out what the ingredients are. But  
13 this -- how would I say it? This is the method of analysis  
14 that is used to analyze all the health care facilities, and  
15 it is a legitimate economic approach.

16 It's just another way of looking at it. It's done  
17 on an annual basis as opposed to running out.

18 MR. HOFFMANN: But you see, the big hooker here  
19 that they don't take into account is the recoupment of the  
20 value of [REDACTED] plus you seem to be saying here that  
21 there is no difference in the cost. I can't imagine that if  
22 you did the upgrade, if you did an upgrade, the appropriate  
23 upgrade at [REDACTED] of floor space, that you wouldn't overtake  
24 the CHAMPUS cost. It is not that far away.

25 I mean, I think you've got an apple and an orange

1 there, frankly.

2 CHAIRMAN RIBICOFF: Is there room at [REDACTED] to take  
3 Fitzsimmons?

4 MR. MILNES: With the appropriate upgrade. It's  
5 both a move to [REDACTED] using both facilities.

6 MR. SMITH: [REDACTED] has a brand new \$100 million  
7 hospital which has just been opened within the last three or  
8 four years. So [REDACTED] ought to have the capability to  
9 take an awful lot of that load, as well as to handle the  
10 graduate resident programs if they decide there was something  
11 they wanted to do at [REDACTED]

t.8  
12 MR. CABOT: Something looks funny about those  
13 numbers to me. If I look at that, it looks to me like it  
14 costs that hospital \$2,000 per patient day. Now, the Mass  
15 General Hospital doesn't cost that much, and I thought that  
16 was the most expensive hospital in the world.

17 So if there's a question of cost effectiveness,  
18 somebody ought to look at that \$2,000. If I understood the  
19 figures right, you say there are about 350 patients in that  
20 place daily and it works out about \$2,000 per patient day.

21 MR. GROH: This includes CHAMPUS. It's also all  
22 CHAMPUS patients in there.

23 MR. HOFFMANN: But theoretically, if you replace  
24 that facility at these other places you've taken care of your  
25 CHAMPUS problem by definition. You've got facilities there.

1 You've got happy little medical personnel.

2 MR. BARRETT: All I'm saying is, using the \$2,000  
3 cost per day is only looking at the inpatient, whereas a  
4 lot of the work load is related to outpatient, which is not  
5 shown. And CHAMPUS -- and a lot of the outpatient work is  
6 carried by CHAMPUS when they can't do it.

7 MR. CABOT: Maybe it all ought to be carried by  
8 CHAMPUS. Maybe we don't need a military hospital.

9 MR. HOFFMANN: You see, if they could ever get that  
10 program, they are presently looking at exactly that and  
11 trying very hard to get it done. And the predicament at  
12 the moment is that the military and the civilian health  
13 care people don't talk the same language yet.

14 They have got a couple of experiments going in  
15 that. I wish they could do the same thing we're trying to  
16 do with the home porting program and say, hey, if in three  
17 years they are able to figure that out you won't need  
18 these.

19 GENERAL POE: But today CHAMPUS is extremely  
20 expensive, both from the service and the individual airman  
21 or soldier. For example, at Fort Hood they've got something  
22 they've got to give enough land so that a bunch of local  
23 doctors can lease and build their own little clinic on  
24 there.

25 And they must sign to do the work for 65 percent

1 of the CHAMPUS standard, which will save everybody a lot of  
2 money. The only problem is the bureaucracy says the airman  
3 has to -- you see, what we haven't said here is that the  
4 airman or soldier pays a chunk when you go to CHAMPUS, too.

5 MR. CABOT: But not if he goes to a military  
6 hospital?

7 GENERAL POE: Well, I think there's a basic ten  
8 dollar charge or something at a military hospital. And so  
9 what they say, you've got to give a portion back to the  
10 soldier now. And they can't figure out how to do that, but  
11 legislation is under way.

12 There are a lot of things you need to do, but  
13 CHAMPUS is not the answer for the average airman or soldier  
14 or retiree.

15 MR. HOFFMANN: I think we need to have an analysis  
16 of that.

17 MR. MILNES: Okay, sir. Let me just add a couple  
18 of other points. In the evaluation from the health care  
19 people, they say the direct expense, direct care at  
20 [REDACTED] runs annually -- direct care, that means out of  
21 the hospital -- \$159 million annually.

22 That's enormous numbers, but that's their annual  
23 operating expense direct care through the hospital. CHAMPUS  
24 is \$5,800,000. So I mean, they are huge numbers, but when  
25 you look at that against these numbers, those numbers are

1 not out of character.

2 MR. HOFFMANN: What are those two numbers comparing?  
3 They're comparing the value of the outpatient care at

4 [REDACTED]

5 MR. MILNES: They're saying that their direct care,  
6 which is care provided by the hospital, which is a mix of  
7 outpatient and inpatient care, totals \$160 million a year.  
8 That is the level of business that they're doing. And their  
9 CHAMPUS bill runs almost \$6 million a year.

10 MR. HOFFMAN: But the CHAMPUS bill, whose CHAMPUS  
11 bill?

12 MR. MILNES: The Defense Department's CHAMPUS bill  
13 for the catchment area, the area being serviced by this  
14 hospital. Not all people are using [REDACTED]  
15 Some are going to use CHAMPUS.

16 MR. CABOT: Well, like four percent, that's not  
17 very much.

18 MR. MILNES: It's a small number, but it's still  
19 big dollars.

20 MR. HOFFMANN: You don't know what the catchment  
21 area is, and they can define that any way they want.

22 MR. MILNES: Well, I mean, the catchment area is  
23 something that they have defined. I mean, they have worked  
24 that. For example, [REDACTED] operates in a ten-state  
25 region for tertiary care. They have planning guidelines in

[REDACTED]

1 terms of how far, what geographic area they're going to  
2 serve.

3 MR. HOFFMANN: Well, find the radius of that  
4 catchment area for CHAMPUS purposes, and you will be able  
5 to find out whether you could treat those people at [REDACTED]  
6 [REDACTED] or not. Is it a circle?

7 GENERAL POE: The differences are significant. It  
8 is in that report that I turned in on Hood. But as close  
9 as is in my mind, I won't be too far off. If you walk into  
10 sick call it's \$20 it costs the Department of Defense; if  
11 you go downtown it's \$67; if you spend the night in the  
12 hospital, it's \$60-some on base. It may be \$1200 off-base.

13 That is the kind of difference that you have in  
14 CHAMPUS and on base.

15 MR. HOFFMANN: That's right, it's a huge  
16 difference.

17 MR. SMITH: That can't be true here. If it's  
18 \$160 million with an average patient load of whatever that  
19 is, you get an awful lot closer to his \$2,000 number.

20 GENERAL POE: The patient load is people in bed  
21 in the hospital. They probably have 20,000 people go  
22 through there. Some of them come back ten times. So the  
23 patient load --

24 MR. MILNES: I think one thing that might be  
25 appropriate here is that this is a tri-service cost model

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1 that has been adopted by the Department of Defense to run  
2 these analyses, and so we're using their normal standard for  
3 evaluating medical care, one that has gone through  
4 Congressional scrutiny and one that has been reviewed by the  
5 Department.

6 I think that, even though these apples and apples  
7 may not compare to our six year payback and things of this  
8 nature, that it is a relative thing, again, and we can compare  
9 between alternatives and see what the relative cost is of one  
10 over the other.

11 And for that purpose, I think what this is  
12 demonstrating is that it's cheaper to close it, but it is not  
13 that much cheaper to close it. Now, you can go back and do  
14 an analysis more along the lines of the Commission, but I  
15 think that we will find that this particular approach  
16 certainly is understood by the Department and health  
17 professionals, and one that has credibility.

18 And I think the results will show the same kind of  
19 thing, that, yes, it is still cheaper to close [REDACTED]  
20 And then it gets back to a question of the graduate medical  
21 education.

22 MR. HOFFMANN: But don't lock yourself in now so  
23 that, if it should suddenly turn out that that's not right,  
24 you're in trouble. You haven't figured out the value of  
25 selling that parcel of land, which is considerable. And I

1 don't see where that takes into account operating costs. If  
2 there are any economies of scale here, you're going to have  
3 lower operating costs if you run that first option.

4 GENERAL POE: May I correct the figures I gave you.  
5 That was an Air Force initiative at [REDACTED] That hospital  
6 saw 120,000 individual patients, some many times. It handles  
7 26,000 outpatients per month. And the off-base CHAMPUS now  
8 costs \$25 million a year.

9 And that's not anything like [REDACTED] It says  
10 current charges are high. Base outpatient call, \$20;  
11 CHAMPUS downtown, 67. Base inpatient per day, \$62; CHAMPUS  
12 downtown, \$1200 to \$1300.

13 So it's a very, very big difference.

14 MR. SMITH: How big is the [REDACTED] campus?

15 MR. MILNES: In acreage, sir?

16 MR. SMITH: Yes, sir.

17 MR. MILNES: It is large.

18 I would have to provide that to you.

19 Mr. Chairman, is the basic sense of the Commission  
20 that we will rerun these numbers according to our model?

21 CHAIRMAN EDWARDS: That's what I'm hearing.

22 MR. MILNES: We will do that, okay.

23 Let me talk about RDT&E next.

24 MR. EAGLETON: What happened to the other  
25 hospital?

1 MR. MILNES: The Letterman Hospital, that will come  
2 up during the Army presentation under the Presidio discussion.

3 In the area of research and development, the point  
4 that was made by the Commissioners at the last meeting was  
5 that in our approach in Task Force 6 we winnowed out the  
6 RDT&E area early in the process because in our screen we found  
7 the mission to be essential.

8 The point that was made in the last meeting was  
9 perhaps we should use a different screen and go back and look  
10 at the numbers, look at the facilities in accordance with  
11 what research and development dollars were looking like over  
12 the next five years future and five years in the past.

13 We went back to the Department of Defense with an  
14 inquiry and we got really back a mixed information. So we  
15 didn't get a total picture that allowed us to really get in  
16 there and come out with some definitive answers.

17 However, what did come out of it was the fact that  
18 most of the laboratories turn out to be tenants on bases.  
19 Now, that is not perhaps particularly significant for the  
20 Commission, except that in the exercise that we ran in terms  
21 of closing bases that when you rearrange a laboratory  
22 function within a base you don't do much in terms of closing  
23 bases or opening bases.

24 It doesn't have that kind of macro effect. It  
25 doesn't say laboratories are not a good thing to look at,

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1 because I think the Commission has picked up on a problem,  
2 and maybe General Starry will want to comment based on what  
3 he discovered in talking with the Army.

4 But we did see a trend. The trend of decreasing  
5 R&D dollars did not reflect in the budget information we got  
6 back. What instead we got back showed that, while there was  
7 a decrease in '87 and '88, that the general trend in every  
8 case was an upturn.

9 Now, that is partially because the laboratories do  
10 not get all of their funding from just the basic research  
11 area, and in fact a lot of them are into armaments development  
12 and things of this nature and developing activities and  
13 weapons systems, and therefore their funding comes through a  
14 different source.

15 So when you added up the total funding for a  
16 particular lab, the dollars always were on an incline.

17 MR. CABOT: They increased?

18 MR. MILNES: Yes, sir.

19 MR. CABOT: They're on an increase?

20 MR. MILNES: Yes, sir. They showed a dip in '87-  
21 '88, but in general the numbers were moving up. And when you  
22 start looking out to '92, '93, this may be again a case of  
23 where things are not entirely realistic, and partly that is  
24 the confusion in the lab funding arena because the money is  
25 not so finely broken down that a lab can't say or a test

1 development center can't say that they expect their funding  
2 to be on an increase.

3 They can say that with fair impunity now. When it  
4 comes time to making this happen, it may be a different  
5 question. It's a very difficult area to sort out.

6 However, it was clear that there probably were  
7 laboratories and other development centers that might not  
8 be living up to the Department's expectations. And as  
9 General Starry said, and I think maybe Mr. Hoffmann also  
10 commented last time, some of the customers are somewhat  
11 unhappy with the system.

12 And so I think that this is an appropriate area  
13 where the Commission can make a recommendation in the  
14 non-binding part of the report that basically says that we  
15 would suggest that the Secretary of Defense establish some  
16 kind of task force to develop a uniform set of standards to  
17 measure the effectiveness of the RDT&E community so as to  
18 enable the Department of Defense to make some basic  
19 management decisions and overall enhance its capability.

20 If you read through the Secretary's annual  
21 report, what's clearly in the report is the importance of  
22 technology to the Department of Defense. We're at an age  
23 when technology plays a major role. The Secretary, not only  
24 this Secretary but previous Secretaries, have made a big  
25 point about that.

1           Clearly, the laboratory system and the test  
2 development system has to play a prominent role. From all  
3 things we could find out, that was not the case everywhere.  
4 I don't think we're in a position from a staff point of view  
5 to recommend any other candidates for closure.

6           But I think we can recommend to the Commission  
7 that they adopt a policy statement that asks the Secretary  
8 to take a good hard look at this using a uniform set of  
9 standards, because that is one thing we did find out, was  
10 that within a laboratory function or a test development  
11 function people know who the good labs are and they know who  
12 the good test sites are.

13           It is not -- within a peer group these things can  
14 be figured out. It is just that we have not sorted it out  
15 that way, nor do we have time at this point to do that. And  
16 so I would recommend from the staff's point of view that we  
17 adopt that perspective on this.

18           GENERAL STARRY: Mr. Chairman, if I may add to  
19 that, I think that is a fair recommendation, since I asked  
20 the question in the first place. I was disappointed at best  
21 in the response.

22           What it says was, first -- it said several things.  
23 First, it said there are more little things out there hidden  
24 away than I had remembered there were, and so the problem  
25 is somewhat larger than I had portrayed it to the Commission

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1 when I talked about it last time.

2 Secondly, they said all is well, please don't  
3 bother us about these matters, and all essentially is well  
4 because, even though there is a decline in the tech base  
5 R&D dollars they have, as Russ points out, they've gone out  
6 and gotten more business somewhere else, which says that  
7 they're more in the development business than they are in  
8 the research business, and they have managed to shore up  
9 their declining research dollars with other moneys, which  
10 really says that there is a need to take a look at that, a  
11 serious look at that whole thing.

12 But I don't seriously -- I know we don't have the  
13 time and we certainly don't have the set of criteria against  
14 which to measure those things in a consistent way. So I  
15 think that is a reasonable recommendation.

16 MR. HOFFMANN; I am turning out to be the  
17 Commission diehard, Mr. Chairman. Every Commission needs  
18 one. It is not an unhappy role.

19 It looks like there are only a few free-standing  
20 folks here, and you can talk about the development dollars  
21 wandering about the place here and there, you see. But  
22 that is a function that ostensibly could be civilianized  
23 or go somewhere else.

24 GENERAL STARRY: That's what I said in the first  
25 place.

1 MR. HOFFMANN: I wonder if we don't want to take  
2 a look at a [REDACTED] in the Army or a [REDACTED] and see  
3 what the ratio is between research dollars and development  
4 dollars.

5 I mean, you don't mean to tell me that it would be  
6 a hell of a thing to just take the development money that's  
7 being contracted in there -- that's being contracted," that's  
8 a euphemism. It's coming out of other places in the Army  
9 budget where they want to go and do that.

10 And there may be good civilian institutions that  
11 would take that money and do it, contract it out, get it  
12 done that way, instead of keeping these sinecures around, and  
13 see what they do.

14 Now, is there any way -- do we have any analysis  
15 at all on how much is research money and how much is  
16 development?

17 MR. MILNES: We have a general break between the  
18 research dollars and the tech dollars. But when you look at  
19 that, I don't think, at least from my point of view, there's  
20 not enough there to define.

21 Then what do you do about it? Can you make a  
22 conclusion that this laboratory or this development center  
23 should be closed based on the different split? I think the  
24 Defense Department will say that in some cases that tech  
25 base program is more important. In fact, that's the way

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1 they've been drifting anyway, away from basic research.

2 If anything, OSD people have said that they would  
3 like to see a return to basic research, and they feel that  
4 the loss of that function tends to really dilute the  
5 effectiveness of a particular test or evaluation center or  
6 laboratory.

7 And so there is an awful lot of consternation  
8 within this group about which is the right way to go. And to  
9 try to reach in there at this point and basically recommend  
10 a particular lab be closed or realigned in the last  
11 essentially 20 days of this effort is from my point of view  
12 virtually impossible to do, if not impossible.

13 MR. HOFFMANN: But you weren't allowed to get into  
14 particulars early on. You've only been in the game of being  
15 able to look at particulars for about how long, 15 days?  
16 And so you're really only a third of the way through the  
17 effective time.

18 Looking at it that way, that's a happy light.

19 MR. MILNES: I feel much better now, sir.

20 (Laughter)

21 GENERAL POE: The Secretary can say this is very  
22 good advice. He can sort it out and decide which ones to  
23 close, and he won't be able to do it. This is the only  
24 chance. It will be in the appropriations bill, no money will  
25 be used to either study or close any laboratory, and so it's

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1 moot.

2 CHAIRMAN EDWARDS: And so how do we get our hands  
3 around it?

4 MR. CABOT: We still have the Watertown  
5 recommendation, don't we?

6 MR. MILNES: Yes, sir.

7 GENERAL STARRY: We need a long-term funding trend  
8 analysis to show you where the changeover points are, the  
9 various kinds of money that are in those various laboratories.  
10 And that data is not available in sufficient quantity. That  
11 one-time shot didn't show it.

12 MR. HOFFMANN: Well, basically it would be to show  
13 where there are unique facilities that could not be contracted  
14 somewhere else. Again, one way to do that may be to just  
15 take a couple of shots, grab our best hold, and see what they  
16 say across there in terms of giving us a better solution.

17 It is nutty to look at this list of bases and say  
18 these are all indispensable and nothing can be cut, not one  
19 bench vise will we sacrifice to the national good.

20 MR. CRAIB: What potential cost savings are we  
21 talking about if we could close one or two of these  
22 facilities down?

23 MR. MILNES: Well, I think in terms of when you  
24 think of them in terms of tenants on bases, you don't save  
25 that much that way. Probably overall, if you could really

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1 get your arms around this particular problem, you probably  
2 could save some significant dollars, although I can't tell  
3 you what those numbers might be.

4 MR. CRAIB: Tens of millions of dollars?

5 MR. HOFFMANN: How about [REDACTED]

6 MR. MILNES: We did look at Harry Diamond, and at  
7 least in that particular case the problem there was  
8 relocating that particular function, the expense of doing  
9 that.

10 I think from the Army's point of view, they  
11 probably would like to see that facility closed. But it  
12 goes back to the budgetary concerns we talked about earlier.  
13 It costs so much to do that in that particular case that  
14 they backed away from it.

15 MR. HOFFMANN: But that assumes that you have to  
16 recreate that installation somewhere else, and that is not  
17 a terribly secure thing if half of what they're doing is  
18 contracting.

19 MR. HANSEN: If I could, the Commission in an  
20 earlier discussion of a similar issue, the shipyards,  
21 determined that that it didn't want to get into make or buy  
22 decisions, and we did not in the shipyards. And this might  
23 open a door that you might not want to open.

24 MR. HOFFMANN: No, no, no. I'm not sure I'm  
25 willing to give up that easily, because you are only talking

1 -- to make any bucks on this, you have got to get the  
2 free-standing places. Just closing a lab that is sitting on  
3 a base that is left open doesn't do any good.

4 You're not talking make or buy. They don't make  
5 anything at these places. They either do research or they  
6 develop something.

7 MR. HANSEN: I'm sorry. I used that as a generic  
8 term to mean contract out or do in-house.

9 MR. HOFFMANN: Well, that's fine, but I'm just  
10 saying that they may be able to contract out. I doubt they  
11 have any unique facilities or that more than 50  
12 percent of the facilities at [REDACTED] are unique, that they  
13 couldn't have that done.

14 They've got a facility down at Philadelphia where  
15 they will make all the damn clothes and things you want if  
16 the civilian industry can't do it.

17 GENERAL STARRY: That particular case, we tried  
18 to close that just within the last five or six or seven or  
19 eight years. We have tried to close that thing twice, and  
20 the bureaucracy rises up in righteous indignation.

21 MR. HOFFMANN: It's a terrific piece of property.

22 I guess what I'm suggesting is, if we take a  
23 close look at [REDACTED] okay, both of  
24 which are pretty good pieces of property, and see if we  
25 can't come up with a formulation that would allow us to

1 shoot at one of those places.

2 MR.. SMITH: I would suggest you look at the  
3 Belvoir R&D center. They do research on bridges, on mines.

4 MR. TRAIN: That's not free-standing.

5 MR. SMITH: It's still a big campus. It's got its  
6 own campus on the fort itself. I don't know that they do  
7 anything that can't be done elsewhere.

8 I agree with you, Mr. Hoffmann, we need to find  
9 some way to come up with a list to get somebody to react  
10 against it. Maybe the only way to do it is to come up with  
11 it ourselves and get somebody to react.

12 CHAIRMAN EDWARDS: Before the fact, in other words,  
13 send it over and say, we're looking at these.

14 MR. SMITH: Sure.

15 MR. HOFFMANN: Mr. Chairman, if I could just  
16 philosophize for a moment, this is a classic confrontation  
17 between two theories, okay. The Grace Commission said: Look,  
18 you've got all this goddamn property, it cost you all this  
19 much to run it; so if you tightened your belt and saved ten  
20 percent of that cost, you would save \$2 to \$5 billion, or  
21 whatever it was.

22 And the idea there was you take the worst things  
23 you've got, the least efficient things, okay, tighten your  
24 belt and close things down.

25 Now, they never said anything about hardship or

1 anything else. Now, what we have done is say, okay, we will  
2 move out and try to find the least utilized places and make  
3 sure it doesn't screw up the mission or screw up this or  
4 screw up that, which is a far gentler standard.

5 I am starting to complain because I get to be the  
6 resident fellow that won't give up, that we're going to do  
7 something constructive here in a large way, okay. But I  
8 think we've got to shift back more toward the Grace  
9 philosophy, to say, we've been asked to do a belt-tightening  
10 job.

11 All the experts have said, the Secretary of  
12 Defense has said, the previous Secretary of Defense has said,  
13 there is gold in them thar hills, there is money to be saved.  
14 Congress has said, yes, there is money to be saved, there  
15 are things to be done out there.

16 Then they pick us to wander into that thicket.  
17 Now, they're in there every day. They understand these  
18 problems.

19 CHAIRMAN RIBICOFF: They didn't pick us. We said  
20 yes. We went in with our eyes wide open, all of us.

21 MR. HOFFMANN: But we're all there and we're less  
22 familiar with it on a day to day basis than they are. So  
23 they must have in mind a standard that implies, you're going  
24 to inflict some hardship, we are going to do some things  
25 that the services don't want us to do.

1 And that's what it's coming to in this area.

2 CHAIRMAN RIBICOFF: But you see, you're acting  
3 more responsibly here. They could do it, but they can't  
4 deliver. You were able to develop a method that has never  
5 been used before, with the cooperation of the executive  
6 branch and the legislative branch.

7 And so you have got a sense of responsibility and  
8 you're acting responsibly.

9 I think the whole problem that we face is a short  
10 period of time we have been given to come up with an honest,  
11 decent report that we can be proud of. And I think that is  
12 what's bothering everybody around here. That's the problem  
13 we face.

14 CHAIRMAN EDWARDS: Okay, so how do you come up  
15 with some labs that we take over to the Army and say, what  
16 about these?

17 MR. MILNES: Sir, we could follow this approach,  
18 and I think, frankly, I think if we had more time we could  
19 probably, we could maybe make it happen. Our big problem  
20 is if we go over there with a couple of candidates and,  
21 based upon our limited understanding of how they operate,  
22 we think they can be closed, the burden still falls on us  
23 to prove that.

24 And the real test is in the report. When we go  
25 forward with that lab, do we carry enough in that report to

1 justify what we have done? And if we don't, not only do we  
2 get picked apart by the Congress potentially, but the services  
3 pick us apart. When the Secretary asks them, what do you think  
4 about this report, Army, the Army comes back and says: It may  
5 be fine, except that in RDT&E we don't agree with the  
6 Commissioners there.

7 It's just we have a hard time getting at this  
8 problem independently, which is what I think we need to do.

9 MR. HOFFMANN: But I think that ultimately, you  
10 see, we're swapping politics for the dynamics of the railroad  
11 train. And the notion here is, if you hook up all these cars  
12 and get that sucker going down the track, no one group is  
13 going to be big enough to derail it, okay.

14 In essence, so the question is is any one of these  
15 things going to irritate somebody so that they're going to  
16 try to wreck the whole train?

17 Now, to go back to the caribou herd analogy, which  
18 we haven't used yet but it's time we brought it in, we are  
19 culling the herd here. We're not saying these things can't  
20 walk. We're just getting the ones that walk least well.

21 CHAIRMAN EDWARDS: I understand all that  
22 philosophy, but how do we get at those ones to be culled?

23 MR. HOFFMANN: Well, I think you've got four. You've  
24 got two or three here. You've got  which  
25 is free-standing and therefore has the potential. You've got

1 the [redacted] facility, which is up there in [redacted]  
2 which is beautiful real estate, including a lake, lovely  
3 trees, buildings of an industrial nature, that sort of thing.  
4 You've got our [redacted] which you may  
5 be able to move and backfill something else into from the  
6 national capital region, like we've been talking.

7 Now, what is the other one? There's another  
8 free-standing. The cold weather operation up at Hanover,  
9 New Hampshire.

10 MR. SMITH: On the Dartmouth campus.

11 GENERAL STARRY: That essentially duplicates in  
12 many ways what is done at Greeley at the Arctic test center.  
13 There is no need for those two facilities, I wouldn't think,  
14 unless they can show some split of money.

15 MR. HOFFMANN: I think we ought to take a look  
16 at that. That's the Corps of Engineers cold region research  
17 and engineering, because it's one identified by the Army as  
18 a stand-alone installation. They need a liberal newspaper  
19 on that Dartmouth campus. This may be a good facility for  
20 that, and they might find good backing out of New York.

21 MR. BALDWIN: If I may, it's not on the Dartmouth  
22 campus. It's north of the town of Hanover. It's a single  
23 building, three or four stories high. They have core  
24 samplings both from Antarctica and from the Arctic and things  
25 of that nature. It is a free-standing building.

1 MR. HOFFMANN: Is it located there because of the  
2 climate?

3 MR. BALDWIN: It's located there because of the  
4 association with scientists that are available in the  
5 Dartmouth area.

6 MR. SMITH: They lease the land from Dartmouth,  
7 don't they?

8 MR. BALDWIN: No, sir. The town of Hanover.

9 MR. HOFFMANN: So it isn't an owned property. It's  
10 a leased property. That may make it uneconomic right there.  
11 But heck, we need to look at that.

12 Let's see how much is in these various categories  
13 of their funding, how much is basic research, how much is  
14 development, how much is other things.

15 CHAIRMAN EDWARDS: All right. Do you have your  
16 marching orders?

17 MR. MILNES: Yes, sir.

18 CHAIRMAN EDWARDS: What are they?

19 (Laughter)

20 MR. MILNES: I was afraid you would ask me that.  
21 We can do some further analysis with the Department on the  
22 labs that have been mentioned.

23 MR. HOFFMANN: But how about the other two  
24 services? Don't they also have free-standing labs?

25 MR. MILNES: Yes, sir, they do.

1 MR. HOFFMANN: The same story?

2 MR. MILNES: And we have run into the same  
3 difficulty in the last two-week period trying to pull out any  
4 information that would lead us to a conclusion.

5 CHAIRMAN EDWARDS: But the truth is that we haven't  
6 really massaged these facilities like we have the major  
7 bases.

8 MR. MILNES: Exactly. We made a decision early on  
9 that this is an area that we were not going to cover in great  
10 detail. Had we do to it over again, we probably would have  
11 brought it forward and done a much more detailed analysis on  
12 it.

13 But early on, we decided that -- when I say "we,"  
14 it was a Commission decision to winnow those off and not get  
15 into the great detail of analysis that we did on some of the  
16 other installations. In retrospect, we probably should have  
17 done more.

18 At this point in time, it is difficult to penetrate  
19 the foil that we're going to have to go through. And we have  
20 tried for the last two weeks, very unsuccessful. I think  
21 General Starry himself had a chance to hear the Army close  
22 at hand.

23 I think it is just going to be extremely difficult.  
24 I mean, it's difficult to crack that case in the time  
25 available. I think that I would feel that we are on stronger

1 ground if we would go forward with a policy recommendation,  
2 but we certainly are ready to move forward and look at the  
3 Air Force, Army, and Navy stand-alone laboratories, of which  
4 there are many.

5 It's just that it's hard to get at.

6 CHAIRMAN RIBICOFF: Let me ask you, Hayden. We've  
7 got a situation where we've got tomorrow, we've got three  
8 final days, we have a report to write, and the 15th is the  
9 end of the line.

10 Shouldn't you come to us tomorrow morning with a  
11 list of priorities, what we should be devoting the remainder  
12 of our time to, particular items, things that we can achieve  
13 something, things that haven't been done or are undone that  
14 we have time to do?

15 MR. BRYAN: Some of that may fall out of this  
16 discussion. Aside from that, we have two major concerns  
17 that I feel the Commission needs to deal with. One is  
18 further verification of the data, which we are doing at the  
19 staff level and the Commission level, and getting the report  
20 written, are the two major considerations.

21 CHAIRMAN RIBICOFF: And of course, we would like  
22 to find some more money that we could save. And apparently,  
23 I think most of us feel that we haven't found a hell of a  
24 lot in comparison.

25 MR. MILNES: It is not clear in the laboratory

1 area that we would get a lot of savings, mainly because we  
2 get savings in the stand-alone area, and so that is one of our  
3 problems.

4 I think that all of our effort has reflected an  
5 interactive mode by the services, and where it breaks down  
6 totally and we can't get that interaction going then it is  
7 difficult to get a resolution on a problem, at least in a  
8 short time.

9 If this Commission had three, four, five months to  
10 work on this issue, now that we've put it in this context,  
11 we could probably go to some other peer review and get  
12 another look at what other people think of these lab systems  
13 and come at them with some authoritative information.

14 As it is now, literally 20 days is like no time at  
15 all in order to get that done.

16 CHAIRMAN EDWARDS: Have you got any more in your  
17 area?

18 MR. MILNES: Just DeRussy, sir.

19 CHAIRMAN EDWARDS: I would suggest we do DeRussy.  
20 You go off and think on how or whether there is any way we  
21 can get at some of these labs we have got. Whether we like  
22 it or not, we're sort of in a position where we have got to  
23 recognize where we are and the day of the year that we find  
24 ourselves in.

25 And come back with some recommendation. If you

1 come back with a recommendation that we don't do anything,  
2 we may chew you up. But nevertheless, I think you need to do  
3 that, rather than us sitting here trying to conjure up ways.  
4 Do DeRussy, then get on with the Army and turn you loose and  
5 let you go think on this a bit.

6 MR. MILNES: All right, sir.

7 The question was what do we do about Fort DeRussy,  
8 the recreation site. And I want to basically follow two  
9 trains of thought on this. The first one is what does the  
10 legislative history tell us about Fort DeRussy; and secondly,  
11 what does the cost tell us about DeRussy?

12 Let me start with the legislative history first.

13 (Viewgraph)

14 MR. MILNES: Here are just some key points that  
15 have occurred in the most recent legislative history.  
16 Recognize the backdrop of this, as Commissioner Smith has  
17 mentioned at the last meeting, is about 15 years of protracted  
18 debate on what to do about 75 acres, 1.3 of which is on  
19 Waikiki Beach, a major recreation area for the armed forces,  
20 along with a reserve center, with public access as well.

21 Finally, the final threes of that was Public Law  
22 100-456, which was the Defense Authorization Bill passed  
23 just before our bill, by the same Committees, by the same  
24 Committees that deliberated over our bill. And in that the  
25 Secretary of the Army was directed to administer Fort

1 DeRussy as a primary rest and recreation area for the members  
2 of the armed forces in the Pacific, and went on to put in  
3 there also a prohibition, and that was that no portion of  
4 the base should be disposed of.

5 The conferees in the statement of managers had  
6 made the further statement that it was their intent that  
7 this resolved the longstanding debate over the future of the  
8 mission of Fort DeRussy.

9 Our Public Law, 526, was enacted October 24th. I-  
10 that particular public law, there was also a discussion about  
11 where did Fort DeRussy fit into all of this, and a statement  
12 by Mr. Armev, when asked the question, was that he felt that  
13 essentially the Congress had spoken out. While the  
14 Commission certainly had the option of looking at DeRussy,  
15 the sense was that the Congress had pretty well spoken out  
16 in overwhelming numbers as to what its final disposition  
17 should be.

18 Now, just a little background about that. Two  
19 years ago, in the height of this controversy -- I'm not sure  
20 you can pick any particular year, the height of the  
21 controversy -- the Army was told, go back and work this  
22 problem out, because it was a massive question of not only  
23 the military, but of the comprehensive land use of this  
24 property in Honolulu.

25 So they went back and they did a study, and I've

1 got it in front of me. And what this essentially is is a  
2 planning study which, among other things, took into account  
3 discussions with House and Senate members, the staff, senior  
4 officials from the State of Hawaii, County of Honolulu, the  
5 City of Honolulu.

6 And it took all of those concerns into consideration  
7 when finally making a particular proposal. One of the  
8 interesting things about this particular study was that not  
9 only is Fort DeRussy a recreation site for the military, but  
10 it also is a public use area, which means the public also  
11 has access to Fort DeRussy.

12 And it is reflective of the fact that the planners  
13 acknowledged that Fort DeRussy will continue serving the  
14 local community as a primary historical location for numerous  
15 cultural and recreation events. It will continue to serve as  
16 a public area.

17 It further acknowledged that the County of Honolulu  
18 in fact back in 1981 passed an ordinance that designated  
19 Fort DeRussy as a future regional park.

20 So all of this public land use was taken into  
21 consideration. One of the things that they recognized from  
22 the recreational point of view to the military was the  
23 Halekoa, which is the hotel there on the beach, was  
24 insufficiently sized to meet the demand for that particular  
25 service. It was always filled to about 99 percent and the

1 wait list was enormous for anybody who has ever tried to get  
2 in there.

3 So one of the things that shows up in the master  
4 plan that was coordinated with the local and county officials  
5 is a second hotel for the armed forces, a second 400-room  
6 hotel that is designated a tower in this particular case.

7 So not only an awful lot of thought has gone into  
8 what the disposition of Fort DeRussy should be, but it is  
9 one that has been worked with political, the political powers  
10 in that particular area, the City and County officials of  
11 Honolulu, the state senators -- I mean, the Senate and House  
12 of Representative members.

13 It has been worked through all of that particular  
14 scenario. So then the question is, well, despite all of that,  
15 what could be done anyway? And that is where we get into  
16 some of the cost figures.

17 (Viewgraph)

18 MR. MILNES: These are the numbers we have been  
19 able to come up with in terms of what it would cost to  
20 essentially duplicate the Halekoa somewhere else on existing  
21 government land, somewhere where there is a beach, and the  
22 costs are somewhere in the neighborhood of \$90 million.

23 Now, again that number is not a definitive number  
24 and one could argue whether it's exactly correct. It might  
25 be \$60 million or \$70 million or maybe even \$50 million.

1 But the fact of the matter is it's a lot of money to duplicate  
2 those facilities in any place, and any place would be much  
3 less desirable than where the present facility is, which is  
4 on the Waikiki Beach.

5           Clearly, when you talk to members that have been  
6 there and surveys that have been done, one of the strong  
7 reasons for spending the thousands of dollars it takes to get  
8 to Hawaii is that you're on that particular beach and not on  
9 a coral beach somewhere else or on a less desirable beach on  
10 the north side or on another island.

11           So one of the main incentives is where this  
12 particular place happens to be located.

13           The value of the land is high, and it's been  
14 estimated at somewhere in the neighborhood of \$213 million  
15 for the 75 acres. It may even be more than that, depending  
16 upon what use you could get out of it. If you could densely  
17 populate it with hotels, you could probably get double that  
18 amount.

19           The problem is that in developing this comprehensive  
20 plan, the city and the county pretty well have set out what  
21 the policy will be right now, and that is it will not be  
22 overdeveloped. It will be kept in the rather open character  
23 that it now has.

24           And so when the Defense Department tries to dispose  
25 of this property, it is unlikely that they would get more

1 than \$60 or \$70 million, if that. And again, I want to  
2 mention once again that the Department would be forced to go  
3 through that disposal scenario that I brought up in the  
4 beginning of our session. So that there is no guarantee at  
5 the end that they end up with proceeds at all on this.

6 The only way we can lock this in would be in  
7 special legislation, and that is exactly what the Congress  
8 did in this last year when they said that DeRussy should  
9 stay the way it is, developed in accordance with a  
10 comprehensive plan, and further stipulated that the reserve  
11 center that's currently located on one portion of the post  
12 would be removed.

13 So they have been able to work that into legislation.  
14 The only way the Secretary could assure that kind of result  
15 would be again to have special legislation. And so I think,  
16 on the strength of the fact that we have some very strong  
17 legislative history, that this was expected to be a  
18 resolution, and the fact that when you just look at the  
19 dollars and cents of this whole arrangement it would be  
20 very difficult to give the service men and women a  
21 duplication of what they have somewhere else, that we are  
22 much better off maintaining the status quo or maintaining  
23 what the Congress passed back on September 29th.

24 CHAIRMAN EDWARDS: Does anybody want to try to  
25 beat city hall?

1 MR. CABOT: I would like to ask a question. Is  
2 the reason that this has been so controversial and a hot  
3 potato because there has been some heavy lobbying by some  
4 developers that want to get their hands on this?

5 MR. MILNES: Yes, sir, that's part of it. You  
6 have lobbyists lobbying in all different directions.

7 MR. CABOT: Has anybody lobbied us?

8 MR. MILNES: No, sir, not the Commission.

9 CHAIRMAN RIBICOFF: Let me tell you, the ultimate  
10 irony would be it would be bought by the Japanese, because  
11 they're buying up land, like they're buying all over this  
12 country. And they like Honolulu. They're buying up an  
13 awful lot of land in Honolulu.

14 And that would be the ultimate irony, for the  
15 Japanese. And they've got the money. On 40-cent dollars  
16 they're buying this stuff against Americans. And they end  
17 up owning that and you kick the servicemen out of it.

18 I want no part of it personally.

19 GENERAL POE: I think that a safety survey will  
20 show that you can't go high rise at Bellows, with that  
21 enormous antenna out there. Everybody will probably glow  
22 in the dark. That's a real problem.

23 CHAIRMAN EDWARDS: I don't hear anybody pressing  
24 to do anything.

25 MR. CLAYTOR: I think we should leave it alone.

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1 MR. SMITH: I will try one more time. I still  
2 think there's an option that says you keep the Halekoa, you  
3 sell Fort DeRussy. Whoever buys it has to run the Halekoa  
4 for the military, maybe even replace or duplicate the  
5 facility for the military.

6 But I do think this would be a lightning rod if  
7 we don't do something with Fort DeRussy in the report. We  
8 will certainly hear about it, because it's on everybody's  
9 list from day one.

10 I do think there is an option that protects and  
11 even improves the situation with respect to the servicemen  
12 and still recommends closure of Fort DeRussy.

13 MR. MILNES: The only point I would raise about  
14 that is that we could recommend a partial closure, or at  
15 least a partitioning of the property. But that part that  
16 would be up for disposal, first of all, I don't think the  
17 State would let anything happen to it other than taking it  
18 over for a park, although we don't know that for a fact.  
19 But that certainly is what all the planning documents and  
20 their coordination depict.

21 We probably would not be able to get -- not we,  
22 but the Department of Defense probably would not be able to  
23 get that plan past the State. They might. It is just that,  
24 given the history that we are into, without special  
25 legislation it's very improbable that you could make these

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1 desires occur.

2 MR. HANSEN: If I could respond maybe perhaps  
3 to Mr. Smith's comment. The Halekoa Hotel and the grounds  
4 around it only have value to a developer if it can be made  
5 to do something more than it does now. If in fact the hotel  
6 is going to be restricted to only the military use, it has  
7 no value.

8 All they would do is operate it for us. The value  
9 it has is that in the future someone might change their mind  
10 in Honolulu and allow development. And what we will have  
11 done is given away that valuable property to a developer now  
12 for nothing.

13 And if in fact the things change in 20 years, we  
14 are sitting on four or five hotels worth of property still  
15 and we might be able to trade that 20 years from now for  
16 south Nevada or something.

17 CHAIRMAN RIBICOFF: The legislative history that  
18 you flashed on that screen was going side by side with the  
19 legislation setting this Commission up, and Congress made  
20 its point of view known, and very clearly and very  
21 succinctly.

22 And on top of it, the man who had the last word  
23 was Representative Armev, who is really the father of this  
24 concept in this Commission. And I can't imagine slapping  
25 the Congress of the United States more in the face than

1 doing what is proposed here.

2 MR. CLAYTOR: I agree. I don't think we can do it.

3 CHAIRMAN EDWARDS: Okay, let's move on.

4 MR. MILNES: I have nothing further.

5 CHAIRMAN EDWARDS: I just want you to know, I'm  
6 dying on my sword, but even I can admit it once in a while.

7 MR. MILNES: Thank you, Mr. Chairman.

8 MR. HANSEN: Sir, if I could make a recommendation.  
9 We have a much better chance of finishing the Air Force in  
10 about the hour and a half we have before our recess than we  
11 do with the Army, because they have much more on their plate.  
12 If you would agree to a change of schedule, we could bring  
13 the Air Force in now.

14 CHAIRMAN RIBICOFF: It's all right with me. Is  
15 there any objection to that change of procedure?

16 (No response)

17 CHAIRMAN RIBICOFF: Let's take a short break.

18 (Recess)

19 CHAIRMAN RIBICOFF: Okay, you may proceed, sir.

20 MR. HANSEN: Thank you.

21 We will start into the Air Force. In the Air Force  
22 we had in essence six particular questions about [REDACTED] Air Force  
23 bases to deal with, and then the rest of the impacts on the  
24 Air Force were rolled up in what I would call special studies,  
25 which we have scheduled for tomorrow after the Army's

1 presentation.

2 I would like to begin then, in no particular order,  
3 with [redacted] Air Force Base. [redacted] Air Force Base we  
4 were asked to look at. It's in the [redacted] area.  
5 Actually, it's on the other side of [redacted] We were  
6 looking at that primarily because of the drawdown in the  
7 fleet of bombers and F-4's.

8 Looking at it, we found that, while the closure  
9 would in fact make highly valuable land available for  
10 expansion in the [redacted] area, the category that  
11 that is in has already had one closure and a second base  
12 was receiving a wing, and therefore there was not too much  
13 excess capacity still left in the category, in fact only at  
14 two bases.

15 Therefore, it was difficult to find homes for the  
16 [redacted] that could meet the [redacted] of  
17 [redacted] in order to get [redacted] in  
18 [redacted] before the [redacted]

19 And also, [redacted] is [redacted] of as a [redacted]  
20 [redacted] for the [redacted] in the [redacted] and if you  
21 recall the previous chart, that was the beginning [redacted]

22 [redacted] The two bases that had potential to  
23 accept these aircraft, one of them is [redacted] where they  
24 already have the B-1's, and we would be mixing B-52's and  
25 B-'1.

1 And the second is [REDACTED] which would mix in fact --  
2 which would recreate the situation at [REDACTED]

3 [REDACTED]  
4 [REDACTED]

5 [REDACTED] is only a conventional base and doesn't have to worry  
6 too much about the missiles.

7 And so we had some operational problems. But we  
8 took the best cases available to us and the payback came out  
9 to be twelve years. And therefore it was just primarily  
10 based upon a combination of operational and payback issues  
11 that we recommended [REDACTED] not be closed.

12 (Viewgraph)

13 CHAIRMAN EDWARDS: Any comments?

14 MR. SMITH: Well, I guess I'm the one that suggested  
15 we look at it because it is in [REDACTED] It's right on the  
16 fringes of [REDACTED] The encroachment is very severe. I  
17 think you visited it, General Poe. Maybe you have some  
18 comments on that?

19 GENERAL POE: Well, the opportunities, Jim, I don't  
20 think are what I thought they might be. The base is very  
21 tightly constrained. It's got [REDACTED] over there  
22 and so nothing's going to happen on that side unless  
23 something happens to [REDACTED]

24 MR. SMITH: It looks like [REDACTED] is  
25 talking about moving and Ross Perot is talking about building

[REDACTED]

1 [REDACTED] I guess he's doing more than talking. They've  
 2 turned dirt, building a new airport to the north of [REDACTED]  
 3 [REDACTED] which would be larger than [REDACTED] Airport  
 4 complex.

5 GENERAL POE: There's a couple of good things about  
 6 this thing that have come out here. One of them is that it  
 7 is the cheapest base to operate in SAC because you don't have  
 8 a lot of weather problems. I forget my figures, but there is  
 9 a difference between \$460-some an hour to fly these airplanes  
 10 and 410, which mounts up over time.

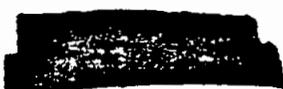
11 [REDACTED] B  
 12 [REDACTED]

13 and so the air base is survivable.

14 As far as encroachment goes, you have -- it is a  
 15 funny area. I took a trip around there just because you and  
 16 I talked about it. There is a bunch of really ratty low-rent  
 17 stuff around in that area and there is also some pretty nice  
 18 homes off to one side.

19 But it's got a major highway that marks one part  
 20 of it. It's got a central section lakefront, not too much  
 21 of the lakefront on the base itself, which incidentally they  
 22 get for recreation for a dollar for ten years. It is leased.  
 23 So I'm not sure where it would go, anyway.

24 So I think -- and then another main factor that I  
 25 saw that you would have to duplicate, that is enormously



1 expensive, [REDACTED]  
2 [REDACTED]

3 [REDACTED] And I don't know if you would have to duplicate  
4 that. You might run into real problems.

5 So I think, with all the facilities they have there  
6 that are in very good shape, if you started trying to put  
7 that wing somewhere you would have a huge bill. I'm surprised  
8 that the bill came out as low as it did.

9 MR. HANSEN: Well, it's offset, sir, by the \$183  
10 million in land, the land usage, which is generous at best.  
11 It is clearly the highest and best use value, as directed  
12 by the Commission.

13 But whether we would realize anywhere close to that  
14 is open to question. Therefore, your bill is actually -- if  
15 you were to add 183 and 290, that is your bill. So it is almost  
16 500.

17 MR. CLAYTOR: Down the road apiece, B-52's will  
18 disappear eventually.

19 GENERAL POE: They recognize that.

20 MR. CLAYTOR: I think that might be the time when  
21 you could use this high value land for something else.

22 GENERAL POE: That depends on whether they buy the  
23 B-2 for us, because they're going to have to have this for  
24 the B-2 because of the safety of it.

25 MR. HANSEN: One of the things that I think I'm

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1 impressed with the Air Force in general is they're forward-  
2 thinking. They are already thinking about where their B-2's  
3 are going to go, and they haven't built one yet. And I  
4 think that helps a lot.

5 CHAIRMAN EDWARDS: All right, is everybody happy  
6 enough?

7 (Viewgraph)

8 MR. HANSEN: The second base we were asked to look  
9 at, or a base we were asked to look at, was [REDACTED]  
10 Air Force Base. And the option there was, the [REDACTED]  
11 has A-10 aircraft and A-10 aircraft have a close support  
12 mission to support the Army.

13 So the option was, why don't we put the A-10's  
14 near the Army units where they would go. And so we had  
15 three possibilities. We had three squadrons to move, if  
16 you will. And so [REDACTED] Airfield is right next to [REDACTED]  
17 [REDACTED] of course is the home of a large division  
18 post, and Pope is right next to [REDACTED] one of the  
19 largest posts in the Army.

20 What we found is that we had space problems, but  
21 more importantly -- which we could fix with money. But more  
22 importantly, we had range problems. For the most part,  
23 the range [REDACTED] even  
24 though they have the close support mission. Now, they do  
25 do close support with forces.

[REDACTED] UNCLASSIFIED

1 But it is very similar if you would think back to  
2 this morning when we talked about, earlier today, when we  
3 talked about the Marine Corps. Again, they have a close  
4 support mission for the Corps, but they train off the ocean.  
5 So we're taking them away.

6 The ranges that the Army has that their own  
7 helicopters use are heavily saturated at [REDACTED]  
8 [REDACTED] it was felt was not far enough away from the ocean that  
9 it would severely degrade going back to the ocean ranges, so  
10 you could go back to the ocean ranges from [REDACTED]

11 You had 72 aircraft to bed down, which the model  
12 did or tried to do. At least cost was to bed them down  
13 one-third, one-third, one-third, with the concomitant increase  
14 in operating costs of having split functions instead of a  
15 consolidated wing.

16 Basically, this move pays back -- oh, let me, one  
17 other thing. [REDACTED]

18 [REDACTED] in fact it has  
19 been around for a while. And again because of the ranges  
20 off the ocean, and once you get ranges like that it's very  
21 difficult to give up.

22 The land is valuable, although whether we would  
23 realize the full proceeds is again in question, because it is  
24 an airport and the city is not too clearly interested in  
25 greater development in [REDACTED] that I'm aware of. But

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1 that is the full value of the land.

2 And because of its high value, we end up with,  
3 amortizing over 20 years, with a \$99 million value positive  
4 cash flow, which is covering up what could be as high as  
5 \$40 million a year mission cost increases because you've  
6 split up.

7 But nevertheless, based upon the Commission model  
8 this pays back.

9 GENERAL POE: My concern about splitting up the  
10 wing is we have some experience with that with the A-10, in  
11 that we have a base in the United Kingdom and then we put  
12 them at other places. You can get away with that for the  
13 time you use war reserve spares, which has now been reduced  
14 to about 30 days if they buy the damn things.

15 But the basic test sets and all the rest of it  
16 that are required to run the wing and to confirm engine  
17 changes and do all that kind of stuff are one of a kind.  
18 You've got one set.

19 So if you start scattering these squadrons around,  
20 you're going to have to duplicate. We would love to do that,  
21 but we have never been able to spend that kind of money.

22 MR. HANSEN: I also forgot one thing. [REDACTED] was a  
23 base that has some excess capacity to receive more  
24 airplanes, [REDACTED]

25 [REDACTED]

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1 So if we put A-10's in there, we either increase  
2 the bill for [REDACTED] at [REDACTED] or force them to go somewhere  
3 else. Now, [REDACTED] are clearly there to support [REDACTED]

4 [REDACTED]

5 MR. HOFFMANN: When do they come onstream, [REDACTED]

6 [REDACTED]

7 COLONEL SANDEFUR: [REDACTED]

8 GENERAL POE: I think that probably will be -- [REDACTED]  
9 [REDACTED] is solidly in the appropriations process now, as I  
10 understand it.

11 MR. HANSEN: As I understand it, it is, yes.

12 The B-2 is the only one that is not too solid.

13 COLONEL SANDEFUR: If I could read just a statement  
14 on the Air Force issues: [REDACTED]

15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]

21 MR. HANSEN: That's pretty well along.

22 I think the primary concern here is that it would  
23 severely degrade the training of the A-10's by doing it,  
24 because -- by moving it away from their normal ranges. I  
25 think that's a very similar example to an unnamed Marine Corps

[REDACTED]

1 air station that we talked about earlier today.

2 CHAIRMAN EDWARDS: Comments?

3 MR. SMITH: I'm sure the Army's glad to know the  
4 [REDACTED] pilots train out over water to protect their tanks.

5 COLONEL SANDEFUR: They obviously also train over  
6 land as well. But the point is having both the land  
7 available and the large over sea or over water areas is a  
8 very valuable asset. Once you give those things up, you  
9 never get them back.

10 It is a concern that the Air Force has.

11 GENERAL POE: They shoot at tanks on the ground  
12 and they learn how to stay alive in the air over water.

13 COLONEL SANDEFUR: The idea is to forward deploy  
14 the A-10's in Europe, so they get good training where they're  
15 at.

16 MR. EAGLETON: Is there any other item you're  
17 going to present to us, either today or tomorrow, that falls  
18 within the six-year formula?

19 MR. HANSEN: Yes.

20 MR. EAGLETON: How many more? The reason I ask,  
21 we seem to be in a quandary over this. Are we going to meet  
22 and have our little Boy Scout meeting today? And we're all  
23 going to be a bit disturbed by how little we have saved, and  
24 we're all going to be disturbed when we're told everything  
25 we have saved would cost us more the first two or three or

1 four years. We don't save anything. We just create, for the  
2 first year or two, a greater burden to the Secretary of  
3 Defense.

4 Therefore, if we have a couple we can save, is  
5 this one of our last choices? How many more have we got?

6 MR. HANSEN: Three or four.

7 MR. EAGLETON: Three or four that are within the  
8 six-year formula?

9 MR. HANSEN: With similar problems, where we don't  
10 have a good match here. We have an operational mismatch,  
11 perhaps a severe one, especially at [REDACTED]  
12 and we have a good payback based upon the land value that  
13 may or may not be achieved.

14 Now, perhaps the key here is that we focused just  
15 on only one drill, per basically Mr. Smith's and the  
16 Commission's suggestion, why don't we put the A-10's next  
17 to the Army, while the Air Force probably, I know, doesn't  
18 believe they have excess capacity for any more.

19 It doesn't mean that -- I mean, we might open the  
20 door and hope to find something else. But I don't have  
21 much hope for that. I'm also concerned at the number of  
22 times that we don't go to closure today and tomorrow,  
23 dragging on to the 13th, what that does to our final  
24 report.

25 CHAIRMAN EDWARDS: Does anybody have any place to

1 put those A-10's?

2 MR. SMITH: Well, won't they go at [REDACTED] and [REDACTED]  
3 and [REDACTED] with some construction?

4 MR. HANSEN: Yes. Yes, sir. But you can't  
5 construct air space.

6 COLONEL SANDEFUR: The air space is the big  
7 limiting factor, because most of it in existence is saturated  
8 by the Army and by other agencies that are using it.

9 MR. SMITH: But you're not going to give up the  
10 [REDACTED] That is where these people  
11 train.

12 MR. HANSEN: It would be very difficult from  
13 [REDACTED] to get there.

14 MR. SMITH: Why?

15 MR. HANSEN: Just time. I don't know what the fuel  
16 of an A-10 is, but it can't be that much.

17 COLONEL SANDEFUR: You can tell the air speed by  
18 a calendar in an [REDACTED]

19 MR. HOFFMANN: Why wouldn't you just have them  
20 revolve into [REDACTED] move all the other guys out to [REDACTED]  
21 and have your test sets and everything at [REDACTED] and your  
22 range is down there and they drop in for a week at a time and  
23 then go home? And the guys at [REDACTED] have gone out there and  
24 worked with a different kind of training.

25 That's what they would have to do if they were

1 deployed.

2 GENERAL POE: And they do that. In fact, they go  
3 across the ocean every year and do that. But the problem  
4 with that is, what the commander knows is that everybody says  
5 that's great and they're going to save this. But nobody --  
6 the first thing you cut when you get a deficit is you cut  
7 per diem and you cut the ability to do non-useful flying.

8 So you've got a lot of these guys moving airplanes  
9 around and you're paying them however many dollars a day.  
10 In USAFE at least three different times we stopped all TDY  
11 and the guys sat where they were, because that's the only  
12 way you can save money.

13 If you stop the B-1, you don't save any money. If  
14 you stop going TDY, you save thousands and thousands of  
15 dollars a day. And so that's the kind of problem you have  
16 when you force people -- you've got all these things you've  
17 got to do every quarter.

18 And you force people to go someplace else to do  
19 that and sit on the ground there and take the mechanics down  
20 there and do the rest of it, and that's good for an exercise,  
21 but year-round, in and out, that's bad news.

22 CHAIRMAN EDWARDS: Next.

23 CHAIRMAN RIBICOFF: Just a thought as I am  
24 listening to this. There is no question we're going to have  
25 a credibility problem, because the buildup of this Commission

1 was the \$5 billion we were going to save, you know, by the  
2 Grace report, and we will be lucky if we total up to a billion  
3 before we're through.

4 But our basic mission was the military mission.  
5 Now, I would like to see you try out in the report that we  
6 have to talk not only what we have done and why where you cut  
7 something out, but I would like to see those that you saved  
8 and why they've been saved, some of the answers to the reason  
9 for it and the rationale of saving it, so they will know that  
10 we really took our job seriously.

11 I would rather have the \$5 billion saved. But if  
12 we're only going to have a billion, I would rather do an  
13 honest job that we can have our own self-respect, even though  
14 we won't get any kudos and we will probably get kicked  
15 around.

16 But be that as it may, I would like to see examples  
17 somewheres in the addenda where you're making a point why  
18 this happened and give places, facts, and reasons, and let's  
19 see how it comes out.

20 MR. HANSEN: Yes, sir, we can do that. And it  
21 might not be very helpful at this late stage to talk about  
22 the \$2 to \$5 billion. There has been many, I think,  
23 important people who have tried to downscale that. Most  
24 recently, Chairman Aspin stretched it down to 1.5, heading  
25 in the same direction, that this is high.

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1 He was only working off 2. He clearly doesn't  
2 think 5 was anywhere reasonable. But he worked hard to  
3 downscale it.

4 In fact, if you take a look at one of the reasons  
5 for the Weinberger list in '85 was to try and downscale  
6 expectations. The Weinberger list came to the conclusion if  
7 we closed the 22 bases on their list you would have to spend  
8 \$2.5 billion in order to save \$500 million a year.

9 Well, we're going to do better than that. We're  
10 not going to save much more than \$500 million a year, but  
11 we're not going to have to spend \$2.5 billion to get there.  
12 So we're doing better than that.

13 And there are perhaps some ways we can creatively  
14 count, too. For instance, we do have land value coming in.  
15 We have calculated 20-year net present values. If we were  
16 to produce the sum total of our 20-year net present values,  
17 just brainstorming, my guess is most people in this town  
18 and reporters would take that, divide it by 20, and say the  
19 Commission saved this much, right. And they're the ones  
20 that made the mistake of adding an apple and an orange  
21 together or a one-time thing to a yearly thing. Well, so  
22 what.

23 I mean, that game is played in this town a lot.  
24 So you can do that, and it's not specious. It is valid  
25 numbers. We did that.

[REDACTED] UNCLASSIFIED

1 But when we go to the Army, I think we're going  
2 to start with a chart that shows you what you can achieve if  
3 you go -- how deep you go into the Army and what you can  
4 achieve out of it. I think it will give you a greater sense  
5 of how hard it is to get steady state savings.

6 And if you have to have a lot of construction,  
7 you'd better have some high property value to pay for it.  
8 But the property value itself is a one-time thing and it  
9 doesn't give you the steady state savings at all. It  
10 provides an opportunity to achieve some, to help pay for  
11 construction.

12 I don't know if I've helped any at all. Anyway,  
13 moving on to the next one, the next base was [REDACTED] Air  
14 Force Base.

15 (Viewgraph)

16 MR. HANSEN: [REDACTED]

17 [REDACTED] a community that needs an airport, and they have  
18 been pushing for an airport and joint use at [REDACTED] for  
19 quite a while.

20 The [REDACTED] has been [REDACTED] has had [REDACTED]  
21 -- it's a [REDACTED] if I remember right. But  
22 it is essentially [REDACTED] into a [REDACTED]  
23 [REDACTED] if it stays open, [REDACTED] is going  
24 to change to [REDACTED] in fact [REDACTED]  
25 [REDACTED] which makes them [REDACTED]

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1 And that is probably why the [redacted] Commander has  
2 been told he can now [redacted] that

3 [redacted]

4 We tried again to find a home for these places.  
5 We've got, besides the airplanes we're dealing with, we're  
6 also dealing with a number of headquarters. [redacted]

7 [redacted]

8 [redacted]

9 [redacted]

10 [redacted]

11 And it clearly would overcrowd the bases, and so  
12 on and so on. We tried to run the least cost options we  
13 could. We came up with a payback of eight years using land  
14 value of \$140 million.

15 However, if we close this base this land reverts  
16 to the city and therefore we will get nothing of it. So  
17 again, this is one of these where you have marginal payback  
18 based on very decently high value land. In real terms, this  
19 is going to cost the Department some money to close.

20 GENERAL POE: It is a curious base. I was  
21 commander there when we were training people to go to  
22 Southeast Asia, and we had a lot of demonstrations. We could  
23 not handle the demonstrators ourselves because the land was  
24 not federal.

25 The sheriff had to come in and handle them, which

[redacted]

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1 was fine because he could be a lot rougher on them than we  
2 could. We had to read all kinds of letters and all that, and  
3 he could just throw them in a truck and take them away.

4 But it is a funny kind of a setup. I'm not exactly  
5 sure yet who it belongs to.

6 MR. HOFFMANN: But the problem there again is the  
7 problem of where you bed down the mission, because of the  
8 crowding at all the other Air Force bases?

9 MR. HANSEN: You do end up overcrowding. The  
10 options that we have, you end up overcrowding.

11 GENERAL POE: The mission was sort of complex.  
12 The headquarters was communications. You know what it costs  
13 to move telephones. You can imagine what it costs to move  
14 com for all those guys.

15 MR. CABOT: In the FAA list there was some  
16 enormous figure for the amount of money that you could save  
17 on the [REDACTED] Does this allow them to do that in  
18 any way? Would the joint use allow them to take care of  
19 that problem?

20 MR. HANSEN: Maybe in the shorter term, maybe not  
21 forever. But I think it would be, at least for the shorter  
22 term, it would take care of that.

23 MR. SMITH: I'm not sure that's the case. In fact,  
24 they're looking at a brand new airport site, and I think  
25 they proceeded to condemn the land and acquire a site out

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1 northeast of the city.

2 And I had not heard anything in the press down there  
3 about joint use. That was an old issue that came up for, I  
4 guess, 15 years. Every time you turned around, the [redacted]

5 [redacted]

6 [redacted] and the Air Force was never willing  
7 to let them do that.

8 But the city, if they could get total access to  
9 [redacted] it's going to be worth that \$898 million to them,  
10 because that is what it would cost them to acquire the real  
11 estate and build a new airport.

12 GENERAL POE: [redacted]

13 [redacted]

14 [redacted]

15 COLONEL SANDEFUR: Well, as a matter of fact, within  
16 a week or so the commander of the [redacted] is meeting  
17 with representatives from the City, and they're going to  
18 talk about it.

19 And the difficulty you get into is the priorities,  
20 and naturally the military will want to have a higher  
21 priority for reasons of defense as far as conflicts in the  
22 air, et cetera. And so there are some difficulties there.  
23 But that doesn't preclude working out some sort of  
24 arrangement, and they are attempting to do that.

25 I don't believe it is a dead issue. But I believe

[redacted]

1 also, as you said, that they're looking into alternative  
2 sites. We're not sure exactly how this is going to work out.

3 MR. HANSEN: A similar conclusion: not a good  
4 operational match and not good payback, especially when  
5 considering the reversion of the land to the city.

6 MR. SMITH: [REDACTED]

7 MR. HANSEN: [REDACTED]

8 [REDACTED]  
9 CHAIRMAN EDWARDS: What's wrong with that match?

10 COLONEL SANDEFUR: What again you're doing, sir,  
11 is if you send out your aircraft to [REDACTED] you overstress an  
12 already full condition and you impact your quality of life  
13 severely, as well as the difficulty of the space. So it  
14 presents quite a significant problem.

15 The Air Force did come up with choices, [REDACTED]

16 [REDACTED] They also have nine what they  
17 call EC-130H's, which are electronic 130's. [REDACTED]

18 [REDACTED] and that's already involved  
19 in a previous moving from the George closure.

20 And so you're still again overstressing existing  
21 facilities. So from the mission standpoint, it was judged  
22 less than optimal.

23 GENERAL POE: One of the problems at [REDACTED] is you  
24 have an F-16 wing of what, 70 or something like this. But  
25 what doesn't show is you have usually about 90 airplanes

[REDACTED] UNCLASSIFIED

1 in and out of the depot, flying test hops and in and out of  
2 there all the time. So it is a very, very busy place at  
3 4,000-some feet above sea level, with some flying conditions  
4 that are less than optimal at [REDACTED]

5 MR. HANSEN: I think our general conclusion is  
6 here that the Commission put it right when they said last  
7 week that they sent a few Commissioners off to speak with  
8 with service secretaries, that the Air Force has stepped up  
9 to the table and maybe the others hadn't all the way.

10 I think what we found is the Air Force stepped up  
11 to the table and we couldn't squeeze any more.

12 Now, I've got two more bases to go through, but  
13 they're not flying bases.

14 CHAIRMAN EDWARDS: Any other comments?

15 MR. HOFFMANN: Well, whatever possibilities that  
16 might be, there's an eight-year time period, because we don't  
17 own the land.

18 MR. HANSEN: It's worse than that. This assumes  
19 we own the land. We get eight years by assuming we own the  
20 land.

21 COLONEL SANDEFUR: That was based upon this \$140  
22 million, which is in reality zero.

23 MR. HANSEN: If we put zero in there, it goes off  
24 the scale.

25 (Viewgraph)

1 MR. HANSEN: The next base we were asked to look  
2 at was [REDACTED] a training site. We had already  
3 closed one training site in that category, of which there  
4 are five. And we were asked to look at closing a second one  
5 and consolidating into the remaining three, which would in  
6 fact consolidate into three and would improve industrial  
7 development, [REDACTED] the [REDACTED] area.

8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED] and we  
11 just couldn't squeeze it out.

12 Payback was -- we had to create a school someplace  
13 else and, as we found, and you have to have heavy  
14 construction, we would just not ever get a payback. I think  
15 we found that in general, that the six-year payback severely  
16 constrains us.

17 And maybe that was the intent of Congress, was to  
18 make sure that we didn't do too much.

19 GENERAL POE: I hate to say this, but the Space  
20 Command people I don't think are still sure what they want  
21 to do. Nobody quite knows what they want to do. They are  
22 right down the line from the people at Colorado Springs.  
23 The training people sometimes lead the operational people  
24 down there and sometimes the operational people lead the  
25 training people.

1 And both of them, of course, are in a sense  
2 subservient to people in California. I believe it is a good  
3 thing, to be honest with you, to have them pretty close to  
4 each other. Maybe they will figure out what they require.

5 MR. HANSEN: We've heard figures that in the future  
6 space may become 50 percent of the Air Force budget. And I  
7 think in anything that's got that potential for the future,  
8 if it does, it's clearly going to be in a state of flux.

9 GENERAL POE: They're spending so much money at  
10 Colorado Springs, I can't believe it.

11 MR. SMITH: The number that jumps out at you here  
12 is that \$416 million cost. What is that cost?

13 COLONEL SANDEFUR: Space facilities are very  
14 expensive. We queried that as well. Half of that would be  
15 for the space facility where they train.

16 The other thing that is very expensive are the  
17 space satellite downlinks, [REDACTED] to [REDACTED] the fact that  
18 you've [REDACTED] your basic training with [REDACTED]

19 [REDACTED] That equipment is very expensive to duplicate in  
20 another location.

21 So any time you touch space --

22 MR. HOFFMANN: The downlinks aren't at [REDACTED]

23 GENERAL POE: I think they are replicated there for  
24 the training.

25 COLONEL SANDEFUR: Yes, sir, they are.

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MR. HOFFMANN: It's a training facility for downlink operations?

COLONEL SANDEFUR: Yes. If you would like some figures as far as the number of people that train there, I can provide that as well. It's 23,000, a lot of people. The training is in avionics, et cetera, logistics, audiovisual services, and disaster preparedness.

There is joint services with space operations, training specifically sited for satellite downlink and communications lines. Major tenants include the [REDACTED]  
[REDACTED] B-S  
[REDACTED]  
[REDACTED]

They also have a [REDACTED] B-S  
[REDACTED] there as well. They have over 5,734,000 square feet. I could go on.

MR. HOFFMANN: No need.

(Viewgraph)

MR. HANSEN: The last one of the full-scale analyses that we did was on [REDACTED] B-S  
[REDACTED]

[REDACTED] Its primary purpose in life is to be near the contractors who do space research, and in essence any movement away from the [REDACTED] area B-S would degrade that mission.

1 The analysis we did moved it as close as we could,  
 2 to try and keep it near [REDACTED] <sup>OS</sup> which was just move it  
 3 up the coast about three hours to [REDACTED] <sup>OS</sup>  
 4 But it just wouldn't pay back, regardless of where we moved  
 5 it.

6 GENERAL POE; The history of that is sort of  
 7 interesting. I reported out there in '55 to a schoolhouse  
 8 and a church, and everybody wore civilian clothes and we  
 9 couldn't say anything about what we were doing because it  
 10 was the [REDACTED] <sup>OS</sup>

11 The cost of renting all this stuff got to the point  
 12 where they bit the bullet and built this facility, and that  
 13 is what they moved in. The business of having -- I know this  
 14 brings visions of the military-industrial complex, but the  
 15 business of having the contractor nearby has become so  
 16 important that most requests for proposals from, say,  
 17 Wright-Patterson for airplanes now include the requirement  
 18 that that contractor will establish an office, computer  
 19 facilities and the rest of it at Wright-Patterson.

20 That fell out of this because they found that it  
 21 stopped all the misunderstandings and people having to fly  
 22 back and forth and the rest of it to make the contracts work.  
 23 So that sort of is a little bit of history of how we got in  
 24 the situation of being in a high rent district in downtown --  
 25 not downtown, but it is [REDACTED] I guess.

[REDACTED] <sup>OS</sup>

1 MR. HANSEN: The last air base we had been  
2 specifically asked to do, were asked questions on, was, as an  
3 instruction of what can happen to you when your name gets  
4 put up for closure over time, is this is what happened to  
5 [REDACTED] Air Force Base after it was announced for closure about  
6 ten years ago.

7 (Viewgraph)

8 MR. HANSEN: As you can see, significant amounts of  
9 moneys have been put into [REDACTED] Force Base since it was  
10 announced for closure. Its mission has changed from a  
11 [REDACTED] and I don't know if we  
12 could ever come up with a source for all the reasons for  
13 doing all this work.

14 However, I think Congress may have helped in that  
15 regard, or particularly the [REDACTED] delegation. It is one of  
16 the reasons that -- you will see that it took a while for  
17 this to build, and I'm sure that during the short term our  
18 past history has shown us that naming a base and not closing  
19 it can actually really hurt it up front. They just cut it  
20 off. They assume it will eventually close and no funds go  
21 into it.

22 And then after a while, when they realize, wow,  
23 this isn't going to happen, then funds are pumped in to make  
24 it protected, if you will.

25 I am not going to try and say [REDACTED] is now

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1 unprotectable, but it is a unique asset in a very unique  
2 place, as close as we can get to Europe and to the Russians  
3 in the United States. A suitable mission has been found for  
4 it and it is now a very good facility, based on all of the  
5 MILCON.

6 It is in fact why I think -- while we're talking  
7 about [REDACTED] by the way, we have an answer to a question  
8 that was asked previously. [REDACTED] was never on a  
9 closure list before. [REDACTED]

10 MR. HOFFMANN: If you look at 1984, that is when  
11 it all happens. That's when they start getting real concrete.  
12 The heating plant gives it away, but the alert runway -- but  
13 that's right.

14 And I think that is somewhat illustrative of the  
15 fact that as long as you've got the twelve rooms in your  
16 house, you're not going to fail to furnish any of them. The  
17 way you cut down on any of this investment is to take the  
18 long view, the way the Air Force had, of where they're going  
19 to put things in the future and where they need to constrain  
20 things.

21 MR. HANSEN: I should be fair, too. I think in  
22 particular, especially with the longer range station study  
23 that the Army had done, that they're taking a good long-term  
24 view of the future.

25 I don't know about the other sister services.

1 That concludes the Air Force. If you would like,  
2 we either could --

3 MR. HOFFMANN: How difficult was it to do that  
4 job on [REDACTED]

5 MR. HANSEN: We didn't actually do it. We just  
6 told the Air Force to do it. So I don't know how many hours  
7 they spent on it.

8 MR. HOFFMANN: That's a very interesting -- you  
9 see, if you went back into the history on [REDACTED] and you did  
10 the history on [REDACTED] and some of these that, you know,  
11 were really leading the chestnut list back in the late  
12 seventies, you would probably find pretty much the same  
13 thing.

14 MR. HANSEN: We do have some information on each  
15 of those chestnuts for a later time. But we didn't collect  
16 the funding history.

17 The answer is two to three hours. The key also  
18 is how good is your historical records and whether you have  
19 to go to the installation perhaps to get that.

20 We have one choice here. We have a topic, air  
21 base topic, if you will, while people are thinking about  
22 air bases. We were asked to do four regional air base  
23 studies, and now that we're a little ahead of schedule I  
24 think we have time to do that, with the Commission's  
25 indulgence.

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One thing we will be discussing is [REDACTED]

CHAIRMAN RIBICOFF: I would rather be absent. Are you going to take it up now?

MR. HANSEN: Yes, sir.

CHAIRMAN RIBICOFF: I will step outside and come back in when you're finished. I would prefer it that way.

(Chairman Ribicoff withdraws.)

(Viewgraph)

MR. HANSEN: By way of background, what we did was we took a look and essentially decided that, if you drew a 150-mile radius circle around the center of an area, you encompassed an awful lot. 150, that makes 300 miles from end to end. That's a fair distance.

So we captured a lot of air bases in that run. In the southern California area, we looked at nine air bases, if you will. Again, [REDACTED] is in there, but it doesn't have any airplanes.

This first chart shows you the installations we looked at. [REDACTED] are located in San Diego; [REDACTED] up the coast; [REDACTED] up a little bit more on the coast; [REDACTED] in the desert; [REDACTED] in the desert; [REDACTED] out toward the desert; and [REDACTED] in between [REDACTED] and [REDACTED]

They have a variety of numbers of planes, and therefore we put down that the mission of the airport because

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1 it's quite important. For instance, [REDACTED] Air Force Base,  
2 having airlift and tankers, is quite large airplanes compared  
3 with [REDACTED] with helos, mostly helos. You can get a  
4 lot more helos in a smaller area than you can big airplanes.  
5 So that gives you a sense of the size of that.

6 [REDACTED] is of a unique category in that one, in  
7 the sense that it has 88 airplanes and I don't think there  
8 is any more than two of one kind. It was like every airplane  
9 you could dream of sits out there, and they just experiment  
10 on them.

11 GENERAL POE: Was [REDACTED] outside that area?

12 MR. HANSEN: Yes, well outside of it. I think  
13 just on the edge of it was [REDACTED]

14 (Viewgraph)

15 MR. HANSEN: In fact, [REDACTED] is, it looks  
16 like, about 75 miles outside of it.

17 Now, what we did is we did an analysis of a wide  
18 variety of statistics. We collected, obviously, a number  
19 of airplanes, people. We also collected the square yards  
20 of aircraft pavements, the square feet of aircraft hangars,  
21 and the square feet of buildings, and a few other statistics  
22 like where were the ranges, and all of that in the study.

23 What became apparent to us was the driving force  
24 for putting aircraft into another place was aircraft  
25 pavements, aircraft hangars, and to a certain extent other

1 buildings.

2 We then looked at the report of requirements versus  
3 the availability, and in almost all cases in all regions  
4 found shortfalls. Now, these are what we are depicting here,  
5 are collective shortfalls. But they are, in this category,  
6 they are almost universal shortfalls.

7 In other words, no one is sitting with a lot.

8 Now, as far as encroachment goes, [REDACTED] and  
9 [REDACTED] are the most severely encroached.  
10 There is some expansion potential at [REDACTED] That is based  
11 mostly upon being able to build. And obviously [REDACTED] is  
12 a huge air base and you could build, as you could at [REDACTED]  
13 you know, lots of land there.

14 But the deal is they are flying around doing all  
15 sorts of dangerous stuff. This is, you know, the best and  
16 brightest, whatever -- not the best and brightest -- well,  
17 forget it. I think you know what I mean, the right stuff.

18 This is our battery salesman's home, right?

19 GENERAL POE: I would like to hear the reaction if  
20 you put a squadron of C-130's out there.

21 MR. HANSEN: It is just totally incompatible. And  
22 then on top of that, air space is congested everywhere, and  
23 it would not improve if you doubled the size of one air  
24 base.

25 And so our conclusion in southern California was

1 nothing to be gained. By the way, that included -- you know,  
2 we had done earlier studies of moving things into those two  
3 air bases, [REDACTED] and they didn't pay off.

4 That takes care of [REDACTED]

5 CHAIRMAN EDWARDS: All right. If you would go get  
6 the Chairman.

7 (Chairman Ribicoff returns.)

8 MR. CABOT: You said nothing to be gained in what?

9 MR. HANSEN: In a consolidation. The basic point  
10 of this drill was to try to put two together and make  
11 something out of that. We didn't have room to put anything  
12 in.

13 GENERAL POE: I think it is fair for you to say  
14 further consolidation.

15 CHAIRMAN EDWARDS: Yes, we have really operated  
16 on that area.

17 MR. CABOT: We have done quite a job on that  
18 area.

19 MR. HANSEN: That is correct. In fact, we have  
20 a closure candidate in the next area, too, which is the  
21 [REDACTED] which included one of our earlier  
22 studies at [REDACTED]

23 CHAIRMAN EDWARDS: Let the record show that  
24 Chairman Ribicoff has returned.

25 MR. HANSEN: [REDACTED] is a very small airport that

[REDACTED] UNCLASSIFIED

1 actually not only takes care of aircraft, but also is the  
2 port for aircraft carriers. [REDACTED] our P-3's, large  
3 airplanes; [REDACTED] is tankers and reconnaissance planes, again  
4 very large space requirements. [REDACTED] is bombers, large  
5 space requirements, also a school.

6 Mather is closing. [REDACTED] are C-5's;  
7 you don't get much bigger than C-5's.

8 So the numbers are smaller than you saw in the  
9 others because there were more fighters and helos in the  
10 other region.

11 Again, our analysis is a similar analysis.

12 (Viewgraph)

13 MR. HANSEN: It shows universal shortfalls in  
14 aircraft in all categories, encroachment problems again at  
15 [REDACTED] some expansion potential at [REDACTED]  
16 However, [REDACTED] has already received some aircraft, but not  
17 enough expansion potential to take any of the airplanes. In  
18 fact, we could not even find a good fit with [REDACTED] into an  
19 empty air base.

20 GENERAL POE: Excuse me. Mather is one of those  
21 where you're going to have to have all your ducks in a row.  
22 Mr. Matsui and Mr. Fazio have introduced successfully  
23 legislation several times to stop even a study of this.  
24 There is a good story for closing it. Nobody has to be  
25 ashamed of it.

[REDACTED]  
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1 But you're going to have to be aware on that and  
2 be careful not to associate ourselves with a developer out  
3 there who thinks that if it's closed he will make a bunch of  
4 money. So there is both sides of that thing out there. The  
5 staff has to be really solid on the information there.

6 MR. HANSEN: We have one -- a small part anyway,  
7 a small part of the Mather force, did stay in Congressman  
8 Matsui's district. I believe McClellan is still in his  
9 district, but not the great part. The navigators school moves  
10 to Castle.

11 So again, we could not find any fruitful candidates  
12 for further consolidation within this region.

13 (Viewgraph)

14 MR. HANSEN: The next category is the Jacksonville,  
15 Florida, area, I think the only area where we actually  
16 picked up an Army air field, Hunter, which was also part of  
17 the analysis of what we might do with Myrtle Beach. Tactical  
18 jets at Cecil Field, a very large number of them;  
19 anti-submarine warfare at Jacksonville, primarily P-3's,  
20 very large planes.

21 Mayport is a tiny, little place, crammed into the  
22 rest of the naval complex there with some helos. Beaufort  
23 is a Marine Corps close air support, very similar to El Toro.  
24 Moody is a tactical fighter base.

25 And we included Robins Air Force Base in this

[REDACTED] UNCLASSIFIED

1 because they had some aircraft, but its primary function is  
2 a logistics base.

3 GENERAL POE: Those aircraft are SAC alert  
4 aircraft, aren't they?

5 MR. HANSEN: The primary function of the base is  
6 logistics. And again --

7 (Viewgraph)

8 MR. HANSEN: We found in general a shortfall in --  
9 well, we found a shortfall in hangars and buildings, and  
10 we were close to a shortfall -- we had actually a small  
11 excess in that, but the main reason with that is we were  
12 reported by Beaufort that they had quite a large amount of  
13 aircraft parking that they say is in disrepair, not used,  
14 but nevertheless is still there.

15 But they were short on hangars and short on other  
16 buildings, and therefore construction would be required to  
17 do anything at Beaufort, if in fact that's available.

18 The Navy air expert who was here earlier to  
19 answer questions through the wall if we ask them used to be  
20 the public works officer at Beaufort, and he was surprised  
21 to hear that they had all this pavement. So this may be  
22 specious.

23 Except for Beaufort, anyway, in the current  
24 analysis we could not do anything.

25 The last area was Norfolk, in essence in

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1 retrospect I should say not a tremendously good choice. In  
2 our 300-mile circle, we only found four airports: the Naval  
3 Air Station Norfolk, with a bunch of electronics stuff and  
4 helos to help with early warning; Naval Air Station Oceana,  
5 a tremendously overcrowded master jet base for the Navy, a  
6 test center. Again, these are 43, probably --

7 CHAIRMAN EDWARDS: Do you have your other chart  
8 on this one?

9 (Viewgraph)

10 MR. HANSEN: I'm sorry. Norfolk again, early  
11 warning, a good number of aircraft. Oceana, a tremendously  
12 crowded. Patuxent is a test center, so again it's not  
13 something you would want to try to expand because of the  
14 mission there.

15 And Langley, while it has 100 tactical fighters,  
16 a full wing, it is also the headquarters of the Tactical  
17 Air Command, the major command of the Air Force, and  
18 therefore is really quite crowded. In fact, Fort Monroe,  
19 which is the major command in the Army, uses Langley as  
20 their airport, too.

21 Back to our analysis.

22 (Viewgraph)

23 MR. HANSEN: The only place where we found there  
24 wasn't a shortfall was at Patuxent, which is the test center  
25 and therefore is not a very good candidate to try and

1 consolidate into because of its mission.

2 And so our general conclusions were that the  
3 infrastructure that we needed --

4 (Viewgraph)

5 MR. HANSEN: -- in order to make a successful  
6 consolidation wasn't there, which would mean that anything  
7 we did would require construction, and for the most part  
8 land wasn't available for that construction, except at  
9 Edwards and with the possibility of Beaufort.

10 The air space itself is saturated, and we found  
11 that no matter where we went to study. No matter what  
12 service we were looking at, air space was saturated.  
13 However, in a previous discussion of joint basing, training,  
14 and so forth and so on, there was a recommendation pretty  
15 much consistently through all the services who wrote back  
16 in response to our questions that this was not a bad area  
17 to pursue, but that maybe some future group should do that,  
18 perhaps tying it to the future range needs, air space  
19 needs, et cetera.

20 And therefore we could in fact do that, although  
21 I don't think any group that studied this would find  
22 anything out of these four regions.

23 MR. CABOT: Did anybody ever look at the idea  
24 of combining or moving Patuxent to Edwards Air Force Base?

25 MR. HANSEN: We have not.

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1           COMMANDER SZUTENBACH: They test naval aircraft,  
2 of course, there. They likely test dropping things into  
3 water, some other testing in water. I'm not sure what that  
4 is. But they do test naval aircraft, so relationship to the  
5 water I believe is of some significance. So you would lose  
6 something out there at [REDACTED]

7           GENERAL POE: The Navy has a facility at [REDACTED]  
8 [REDACTED] and they use each other's ranges and they work together.  
9 I don't know about any relationship at [REDACTED]

10          MR. HANSEN: Does [REDACTED] do aircraft? I'm not  
11 sure China Lake does aircraft type things. They do weapons.

12          COMMANDER SZUTENBACH: They do missiles testing.

13          MR. HANSEN: But no, the simple answer is no.

14          MR. CABOT: Isn't it sort of an obvious big cost  
15 savings if you put it all in one place?

16          COMMANDER SZUTENBACH: I don't know. It's hard to  
17 say whether it's a good idea or a bad idea.

18          MR. HANSEN: Clearly, you possibly could have the  
19 same sort of economies of scale of the base operating support.  
20 The key question is you would actually have to put the little  
21 one [REDACTED] into the big one, [REDACTED] Therefore, what  
22 kind of large-scale infrastructure type buildings and  
23 testing, or whatever they've got there, that cost a lot to  
24 move, if you have to move it.

25                 And the question is, do they have the same thing

1 at Edwards, is it fully utilized? And I just don't know the  
2 answer.

3 CHAIRMAN EDWARDS: Well, does anybody see any  
4 opportunities?

5 MR. CABOT: If I could ask one other question, did  
6 you look this time around at [REDACTED]

7 MR. HANSEN: [REDACTED] No.

8 Basically, all we know is it's reserves. It is part of our  
9 previous discussion of chestnuts, if you will. But I'm  
10 afraid we don't have much on it other than it does the same  
11 thing it's always done, which is a reserve training center.  
12 We have a separate briefing scheduled for that. I can tell  
13 you in advance we don't have much on that.

14 CHAIRMAN EDWARDS: Anybody?

15 MR. SMITH: I think your idea of [REDACTED] and  
16 [REDACTED] consolidation might be worth taking a look at,  
17 unless there is something that comes to mind. [REDACTED] is  
18 not too far from the ocean. It might be that that would  
19 make some sense.

20 MR. HANSEN: The only thing we could think of is  
21 that if we have the test range -- first off, I'm sure that  
22 the flying ranges are short and the test ranges are short,  
23 and we would be giving up test range. But if we do give it  
24 up, we've got to go clean it up before we can give it up,  
25 and that might be a real bag of worms for us.

1 And I'm not sure exactly how connected [REDACTED]  
2 [REDACTED] are. That's the surface weapons testing area  
3 very near it. But we would have to check that. If you would  
4 like us to do an analysis, we can.

5 MR. CABOT: Why don't you just take at least a  
6 cursory look at it and see whether it's worth looking at or  
7 not.

8 MR. HANSEN: Yes, sir.

9 That then concludes this regional briefing, with  
10 one outcome to come from it. And what I would like to do  
11 now is turn it over to Jay Winik to talk briefly about  
12 Commission visits, site visits, and then we can turn it back  
13 to the Chair to do whatever they would like to do.  
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1 MR. WINIK: Let's talk about sending commissioners  
2 out in the field and our verification process that entails  
3 several different things. First, is the verification of data  
4 We have the LMI folks, the Logistics Management Institute  
5 doing technical verification, they are outside people. Could  
6 we have the slide that shows where they've gone? They don't  
7 have to go to any set number of places, but they show the  
8 process has been proper. The other reason we want to have  
9 commissioners' visits and verification is because there are  
10 certain close calls. We have an analytic process we have  
11 established and sometimes we need to have the expertise of the  
12 wise-men assembled here for the Commission. We have a slide  
13 that shows the commissioners trips that have either been taken  
14 or confirmed. It is subject to some change and even some new  
15 assignments that may come out of here. You're free to change  
16 if it conflicts with your schedule. The Chairmen asked me to  
17 raise the question here of geographic distribution. I think  
18 it is very important to realize there is nothing that mandates  
19 there be geographic distribution. A blind process should  
20 yield results which are blind to geography. On the other  
21 hand, given the fact that geography is important, it is  
22 important for the commissioners to be spread out throughout  
23 the country as they look at very sensitive areas. So we can  
24 put up the commissioners trips that are recommended.

25 CHAIRMAN EDWARDS: Don't go so fast.

MR. CABOT: Some have not been assigned.

1 MR. WINIK: They will be assigned. You will find  
2 there are names attached to some and some are free.

3 MR. CABOT: But the first trips have been assigned  
4 and agreed to.

5 MR. WINIK: Assigned and essentially agreed too. I  
6 mean if you find your name and your name is next to something  
7 and you haven't agreed to it, just come back to me. I am  
8 going to hand out a sheet, in fact, let's hand it out now.

9 SENATOR EAGLETON: I take it because they are the  
10 ones that are going to close.

11 MR. WINIK: Not necessarily.

12 SENATOR EAGLETON: Why? Why, at this late date  
13 would you waste my time sending me to Fort Useless that you  
14 are not going to close? I don't know why anyone would waste  
15 his time wanting to do that. Let's face it, you are doing  
16 this cosmetically. The dye has been cast. The decision has  
17 been made, you can't withstand the test of cross examination  
18 on this, you are doing this just as a cover. We are fairly  
19 busy people. You are going to waste our time as a cover going  
20 to someplace we are not going to close, but you got a query as  
21 to whether we should go as a cover at all or whether after you  
22 made the decision you should be running around cosmetically  
23 pretending to be inspecting.

24 CHAIRMAN EDWARDS: First of all, we are not going to  
25 vote on the package until the middle of December, although I  
agree we ought not to play games.

MR. WINIK [REDACTED] we all agree that there is a

1 certain subjective element to this. But to the extent that  
2 any of you don't have complete confidence, this is a chance  
3 for you to go out there and see for yourself. A member of the  
4 staff will accompany you should you so desire and help you  
5 verify with complete certainty and confidence so that you can  
6 feel the report is one that is sound, thorough and analytical.  
7 So it is hardly a cover.

8 MR. HANSEN: if I might, there are some fairly good  
9 close calls here that we haven't had a chance to discuss yet.  
10 And a couple of the bases right next to each other are target  
11 of opportunity that wouldn't take that much longer to visit.

12 GENERAL STARRY: I would like to just say, Mr.  
13 Chairmen, with all do respect, I think this is a good idea.

14 MR. CLAYTOR: I do too.

15 GENERAL STARRY: It gives us an opportunity. What  
16 we're dealing with here is data that has been collected by the  
17 military departments. I'm not saying I distrust the military  
18 departments. On the other hand, it is good to go to the  
19 source of the data every once in awhile to see if everything  
20 is being reported up the line as it is.

21 MR. WINIK: We already have.

22 GENERAL POE: I have been to [REDACTED]  
23 and have found significant differences in the information -  
24 not many of them would have made a difference but this is one  
25 thing that improves the minds of everyone that is collecting  
information. The difference between my visit to [REDACTED]  
and [REDACTED] is amazing. [REDACTED] had decided they had to go

1 into considerable more detail to get the information. So when  
2 you turn up there, there is a psychological impact.

3 MR. HANSEN: If I could add to that, because of the  
4 constraints placed on us with regard to no list before the  
5 election, we were very constrained in our ability to go down  
6 to the installation and collect data and so the data was the  
7 best job that could be done by headquarters and we need now  
8 verify that it is accurate and fix it where it is not. So I  
9 think these are important visits.

10 MR. WINIK: The geographical distribution will  
11 look like this at the end of the day. It is fairly broad -  
12 you see it takes in California and the state of Washington, it  
13 takes in both the south and the east coasts. What you see up  
14 there is that we covered geographically, you covered the  
15 different services, we covered bases that are not close calls  
16 bases that are close calls where Commissioners may have  
17 questions and want to further resolve it themselves. What I  
18 would like to do is pass around this list here which will show  
19 visits taken or confirmed, on the second page you will see  
20 that your names may be down with or without dates. A few  
21 suggestions for some more came up today - such as [REDACTED]

22 [REDACTED] Mr. Hoffmann you were talking about the  
23 research and development labs and if you did have time, for  
24 example, you might want to go out and just review them to see  
25 if there is some kind of a criteria that we can establish to  
at least feel more confident that we did the best job we could  
in this short amount of time. Mr. Train, I haven't been able

1 to talk to you yet, I apologize, but there may be something  
2 which you might be interested in visiting listed in there.  
3 But there will be lots of questions asked, I think this is on  
4 way of insuring that we have resolved both for ourselves and  
5 others, that the process has been thorough and sufficient and  
6 included the necessary redundances. So what I would recommen  
7 for those of you who see yourself down without dates or those  
8 of you who haven't taken trips you may want to pen in a few  
9 dates. If you don't like where you've been assigned come bac  
10 to me.

11 SENATOR EAGLETON: I will not take Ft. Sheridan. I  
12 there some chance we're going to Letterman? I would visit a  
13 hospital, but take a hospital expert with me. Mr. Smith is  
14 going to Fitzsimons.

15 MR. WINIK: Would you want to go to Presidio and  
16 Letterman?

17 MR. HANSEN: Letterman is very likely.

18 SENATOR EAGLETON: Well isn't the Presidio also a  
19 hospital?

20 CHAIRMAN EDWARDS: No, Letterman is.

21 MR. WINIK: See, I also have been trying to put the  
22 in clusters.

23 SENATOR EAGLETON: How do we compare the two  
24 hospitals?

25 MR. WINIK: We can have staff come with you.

SENATOR EAGLETON: I'm going to take my own hospita  
expert. You can send someone along too, if you want, but I'm

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1 going to bring my own. I'm going to take the hospital  
2 administrator from Barnes Hospital.

3 CHAIRMAN EDWARDS: Okay, does anyone else have any  
4 yeas or nays?

5 MR. HOFFMANN: Is he familiar generally with the  
6 military?

7 SENATOR EAGLETON: No.

8 MR. HOFFMANN: It would be great to get him a  
9 package on the CHAMPUS reform. You know the cutoff to the  
10 problems that they face to go on that.

11 SENATOR EAGLETON: He would be a smart man if he had  
12 to read anything. No he is not out of the military.

13 MR. HOFFMANN: He is a civilian guy and it would be  
14 so valuable to have a three-page analysis of what they are  
15 trying and where they want to go so they can at least get a  
16 discussion going. Boy would that be good.

17 SENATOR EAGLETON: Okay.

18 CHAIRMAN RIBICOFF: Well, okay we will adjourn until  
19 8:30 tomorrow morning.

20 (Discussion off the record, following which at  
21 5:00 p.m. the meeting was adjourned)

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