

July 2004

DEFENSE
INFRASTRUCTURE

Factors Affecting U.S.
Infrastructure Costs
Overseas and the
Development of
Comprehensive
Master Plans



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-04-609](#), a report to congressional committees

Why GAO Did This Study

Since the end of the Cold War, U.S. military overseas presence has changed dramatically. The Department of Defense (DOD) has been reexamining overseas basing requirements, and it expects to make a number of changes to provide greater flexibility for U.S. forces in Western Europe and Northeast Asia. Concerns over the potential use of funds for what may soon be obsolete basing projects prompted congressional action directing DOD to prepare and submit with next year's budget request comprehensive master plans for changing infrastructure requirements under each overseas command. GAO was also directed to report on the development and implementation of these plans. GAO completed an advance review to identify opportunities to make the plans more informative for Congress and DOD in their oversight responsibilities. This report addresses: (1) the development of overseas regional commands' comprehensive master plans, and (2) the factors affecting U.S. infrastructure costs overseas and the development and implementation of comprehensive master plans.

What GAO Recommends

GAO recommends that overseas regional commands identify several specific factors, such as residual property value and environmental issues, when developing and reporting to Congress on their master plans. DOD partially concurred.

www.gao.gov/cgi-bin/getrpt? -GAO-04-609.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry W. Holman at (202) 512-8412 or holmanb@gao.gov.

DEFENSE INFRASTRUCTURE

Factors Affecting U.S. Infrastructure Costs Overseas and the Development of Comprehensive Master Plans

What GAO Found

At the time of our review, overseas regional commands had not yet begun developing the comprehensive master plans required to be submitted with the fiscal year 2006 budget submission in early 2005, but are working on creating and implementing plans for installations that they believe will have an enduring presence. According to command officials, the development of the master plans depends upon the outcome of the not-yet-completed DOD effort to develop an Integrated Global Presence and Basing Strategy, as well as guidance that the Office of the Secretary of Defense (OSD) is finalizing for the regional commands. In March 2003, the Secretary of Defense requested that the Under Secretary of Defense for Policy and the Chairman, Joint Chiefs of Staff, develop an Integrated Global Presence and Basing Strategy that may change the global positioning of forces and the supporting infrastructure overseas. Until results of the strategy are released and OSD guidance is finalized, command officials are limiting their development and implementation of the master plans to installations that they believe will have an enduring presence. These plans include moving military personnel from near the demilitarized zone to other sites in South Korea; reducing U.S. forces' land use by over 12,000 acres in Okinawa, Japan; and consolidating 13 installations into a single location near Grafenwöhr, Germany.

Various factors can affect U.S. infrastructure costs overseas and the development and implementation of the overseas regional commands' comprehensive master plans. These factors include cash and other cost burden-sharing contributions from host nations; property returns to host nations; the environmental remediation of property returned to host nations; and the receipt of residual value from host nations for returned property. The extent to which these factors affect costs can vary by regional command and by international agreements reached with host nations. Furthermore, overseas commands have several U.S. sources to help fund ongoing and future infrastructure changes, including operation and maintenance and contingency operations appropriations in addition to military construction appropriations, which includes exercise-related construction. GAO agrees that OSD's preliminary guidance—directing the overseas regional commands to address the precise facility requirements, properties being returned to host nations, funding requirements, and the division of funding responsibilities between the United States and cognizant host nations in their comprehensive master plans—is appropriate. However, the extent to which the commands' plans and status reports will address other factors—such as residual property value and environmental remediation issues, and multiple U.S. funding sources—that are not clearly specified by congressional or OSD's preliminary guidance remains unclear. Addressing the applicability of these factors in the development of the master plans and annual status reports would make them more useful to the services and overseas regional commands in managing U.S. military infrastructure and associated costs overseas, and provide Congress and OSD with more complete information for their oversight responsibilities.

Contents

Letter		1
	Results in Brief	4
	Background	10
	Overseas Regional Commands Have Not Yet Begun Development of the Comprehensive Master Plans	14
	Various Factors Can Affect Infrastructure Costs Overseas and the Development and Implementation of Comprehensive Master Plans	16
	Conclusions	25
	Recommendations for Executive Action	26
	Agency Comments and Our Evaluation	26
	Scope and Methodology	27
Appendix I	GAO Briefing Slides	30
Appendix II	Comments from the Department of Defense	60
Figure		
	Figure 1: PACOM, EUCOM, and CENTCOM Geographic Areas of Responsibility	11

Abbreviations

AAFES	Army and Air Force Exchange Service
CENTCOM	Central Command
DOD	Department of Defense
EUCOM	European Command
NATO	North Atlantic Treaty Organization
OSD	Office of the Secretary of Defense
PACOM	Pacific Command
SOCOM	Special Operations Command
USFK	United States Forces Korea

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



July 15, 2004

Congressional Committees

Since the end of the Cold War and the fall of the Berlin Wall in 1989, U.S. military overseas presence has changed dramatically. Force structure has been reduced in some commands, and the number of overseas military installations has decreased. The U.S. European Command alone has closed about 560 installations over the last decade. New threats, new deployment concepts, and geopolitical realities have emerged, yet much of the Department of Defense's (DOD) overseas infrastructure—installations and facilities used to support U.S. forces overseas—remains organized around Cold War strategic concepts. Consequently, in recent years the department has been examining the potential for additional changes in overseas basing. In September 2001, DOD issued the *Quadrennial Defense Review Report*,¹ which indicated the need to reorient U.S. global military posture to develop a basing system that provides greater flexibility for U.S. forces in critical areas of the world, placing emphasis on additional bases and stations in Western Europe and Northeast Asia. Subsequently, DOD initiated several basing studies including the Overseas Basing and Requirements Study, the Overseas Presence Study, and the U.S. Global Posture Study, as well as initiating some recent changes. For example, as we previously reported, U.S. military officials and the Republic of Korea (hereafter referred to as South Korea) entered into an agreement² in March 2002 to reduce the number of U.S. installations from 41 to 23 and provide new infrastructure and facilities funded primarily by the Government of South Korea.³ The initial Land Partnership Plan was predicated on continuing to maintain U.S. bases and facilities north of Seoul (near the demilitarized zone that separates North Korea and South Korea). However,

¹ U.S. Department of Defense, *Quadrennial Defense Review Report* (Washington, D.C.: Sept. 30, 2001).

² The agreement, known as the Land Partnership Plan, is a cooperative U.S. and South Korean effort to consolidate U.S. military installations and training areas, improve combat readiness, enhance public safety, and strengthen the U.S.-South Korean alliance by addressing some of the causes of periodic tension and discontent among South Koreans regarding the U.S. presence in South Korea.

³ U.S. General Accounting Office, *Defense Infrastructure: Basing Uncertainties Necessitate Reevaluation of U.S. Construction Plans in South Korea*, [GAO-03-643](#) (Washington, D.C.: July 15, 2003).

changing conditions caused significant revisions to that plan before its implementation, including new plans to reposition U.S. forces from areas north, to south of Seoul. In March 2003, the Secretary of Defense requested that the Under Secretary of Defense for Policy and the Chairman, Joint Chiefs of Staff, pull together existing studies and develop an Integrated Global Presence and Basing Strategy that may result in the global repositioning of U.S. forces and the supporting infrastructure overseas. The results of this effort may cause additional changes affecting U.S. basing in South Korea, Europe, and other locations overseas. The full results of these studies and related negotiations may not be available for several months; consequently, sufficient information is not currently available to determine the full magnitude of modifications to existing basing arrangements that will be required.

For several years, the Senate Appropriations Committee has expressed concern that the overseas basing structure has not been updated to reflect the new realities of the post-Cold War world.⁴ The Committee also expressed concern about the use of military construction budget authority for projects at bases that may soon be obsolete due to changes being considered in overseas presence and basing. Consequently, the conference report⁵ accompanying the fiscal year 2004 military construction appropriation bill directed DOD⁶ to prepare detailed comprehensive master plans for overseas infrastructure requirements for U.S. military facilities⁷ and provide a baseline report with the fiscal year 2006 military construction budget submission and annual reports on the status of those plans and their implementation with each military construction budget submission through fiscal year 2009—usually in February each year. In addition, a Senate report⁸ accompanying the fiscal year 2004 military

⁴ S. Rep. No. 108-82, at 10 (2003).

⁵ H.R. Conf. Rep. No. 108-342, at 17 (2003).

⁶ Although not specifically requested in the conference report, the Office of the Secretary of Defense has asked the overseas regional commands to prepare comprehensive master plans for their areas of responsibility.

⁷ For the purposes of this report, we focused our analysis on the activities of U.S. Forces Korea, Pacific Command, European Command, and Central Command. We were also requested to review Special Operations Command. We did not include Northern Command or Southern Command in our analysis because these commands have significantly fewer facilities overseas than the other regional commands in the Pacific, Europe, and Central Asia.

⁸ S. Rep. No. 108-82, at 13-14 (2003).

construction appropriation bill requires the plans to identify precise facility requirements, the status of properties being returned to host nations, and the funding requirements as well as the division of funding responsibilities between the United States and cognizant host nations.

The Senate report also directed us to monitor the comprehensive master plans being developed and implemented for the overseas regional commands and to provide the congressional defense committees with an assessment report by May 15 of each year through fiscal year 2008. Our reports are to include an assessment of the status of the plans; the associated costs; host-nation burden-sharing⁹ implications; and other relevant information involving property returns to host nations, including residual values and environmental remediation issues.¹⁰ As requested, we completed an advance review to identify opportunities to make the plans more informative for Congress and DOD in their oversight responsibilities. We recently provided your offices with information summarizing our preliminary observations in a briefing format (see app. I). This report summarizes and updates our observations contained in the briefing materials in the following two areas: (1) the status of development of overseas regional commands' comprehensive master plans and (2) an assessment of factors—such as burden-sharing implications, planned property returns, residual property values, environmental remediation issues, and the associated U.S.-funded costs—that can affect U.S. infrastructure costs overseas, the development and implementation of comprehensive master plans, and how these factors can vary by individual overseas regional command.

To address our objectives, we obtained information from overseas regional commands—U.S. Forces Korea (USFK) and U.S. Forces Japan within the Pacific Command (PACOM) area of responsibility, European Command (EUCOM), Central Command (CENTCOM), and Special Operations Command (SOCOM)—to identify the status of their comprehensive master plans, including associated U.S.-funded costs the commands may incur, burden-sharing implications, property returns to

⁹ “Burden-sharing” refers to cash and other contributions that the host-nation government provides to support U.S. troops in the host nation.

¹⁰ Residual value is the negotiated dollar value of U.S.-constructed or improved facilities that are turned over to host nations. DOD policy is to obtain the maximum residual value permissible. Often, actual or anticipated environmental remediation costs incurred by the host nation for DOD-caused contamination may be offset against the residual value of the facilities turned over to the host nation.

host nations, environmental remediation issues, and residual value available from property returns to host nations. We also met with officials of the Office of Secretary of Defense (OSD) to determine the guidance and criteria provided to overseas regional commands for the development of comprehensive master plans. Through our review of the data, examination of specific data elements, and discussions with DOD officials, we believe the data gathered are sufficiently reliable for the purposes of this report, except for data generated by CENTCOM. Because of ongoing operations, we were not able to meet with CENTCOM officials to discuss the development of comprehensive master plans, factors that can affect U.S. costs or data reliability. However, we obtained written responses to questions on overseas presence and basing, U.S.-associated costs, burden-sharing implications, property returns to host nations, potential U.S. liability for environmental remediation, and residual value likely for property returns to host nations.

We conducted our work from November 2003 through April 2004 in accordance with generally accepted government auditing standards. Details about our scope and methodology appear at the end of this report.

Results in Brief

At the time of our review, overseas regional commands had not yet begun to develop comprehensive master plans that, consistent with the conference report, are due with the fiscal year 2006 budget submission. While overseas regional commands are awaiting decisions on the Integrated Global Presence and Basing Strategy and receipt of OSD final guidance for developing detailed comprehensive master plans, they have been working with OSD on the Integrated Global Presence and Basing Strategy and developing and implementing plans for installations they believe will have an enduring presence¹¹ in future years (see app. I, slide 9). According to command officials, development of the master plans is dependent upon the completion of the ongoing Integrated Global Presence and Basing Strategy. In addition, OSD is finalizing guidance for the overseas regional commands to use in developing these master plans, including a template to ensure consistency across commands, to be issued later this year. OSD has provided preliminary guidance to the overseas regional commands that specifies that plans must identify precise facility requirements, funding requirements, the division of funding

¹¹ “Enduring presence” refers to installations the overseas commanders consider vital to the execution of their mission and worthy of regular funding and improvement.

responsibilities between the United States and host nations, and the status of properties being returned to host nations—the same requirements outlined in the Senate report accompanying the fiscal year 2004 military construction appropriation bill. Until the global basing strategy is released and the guidance is finalized, the overseas regional commands cannot complete their comprehensive master plans and are continuing to develop and implement plans for installations they believe will have an enduring presence. For example, USFK has developed a plan to consolidate forces currently located near the demilitarized zone to Camp Humphreys south of Seoul,¹² and EUCOM has a plan to consolidate 13 Army installations into one near Grafenwöhr, Germany.

In addition to the results of the Integrated Global Presence and Basing Strategy, various factors can affect U.S. infrastructure costs overseas and the development and implementation of the overseas regional commands' comprehensive master plans—factors that can vary significantly by individual overseas regional command and by agreements with host nations. Several of these factors depend largely on the economic conditions and political environment in host nations that can decrease host nations' overall support to U.S. forces and increase U.S.-funded costs for future infrastructure changes. These factors include the following:

- *Burden-sharing contributions from host nations.* The extent to which overseas regional commands and their component commands¹³ rely on direct or indirect burden-sharing contributions¹⁴ from host nations varies by country and can affect the amount of military construction funding requested by overseas commands (see app. I, slides 11 and 12). The amount of host-nation funding has varied by agreement with individual host nations in the past and can be subject to changing economic

¹² United States Forces Korea, *Camp Humphreys, Korea, Real Property Master Plan Future Development Framework* (Mar. 2004).

¹³ “Component commands” refers to the military services (i.e., the Army, the Navy, the Marine Corps, and the Air Force) that support the overseas regional commands.

¹⁴ Direct contributions consist of cash payments for U.S. stationing costs to be used at the discretion of overseas regional commands and their components, including cash for renovation and construction of facilities. Indirect contributions are noncash contributions—often land and facilities provided free of charge by the host nation—as well as the host-nation sharing expenses, such as administration, planning, design, and associated overhead for construction, maintenance, and repair of new or existing facilities. Other examples of indirect contributions include cost avoidance or waivers of taxes, fees, and rents, and host nation-funded labor support.

conditions. Historically, little or no U.S. military construction funding was needed in Japan, although the Government of Japan is expected to reduce its contribution level because of recent budgetary concerns. In addition, the extent to which host-nation funding would be available to support new basing requirements in any countries not currently hosting U.S. forces remains to be seen.

- *Property returns to host nations.* Property returns are expected to be an integral part of future overseas basing changes and, depending on the circumstances, may or may not require replacement facilities overseas (see app. I, slide 13). For example, overseas regional commands have agreed to significant property returns to host-nation governments in South Korea, Japan, and Europe in response to force structure changes, new threats, and political and diplomatic considerations. For example, USFK plans to return 31 installations to the Government of South Korea, and U.S. forces in Japan plan to return over 12,000 acres of land to the Government of Japan. Also, EUCOM has closed over 560 installations and returned the property and facilities to host nations over the last decade. However, as a result of potential changes in overseas basing identified in the ongoing Integrated Global Presence and Basing Strategy, more or less property may be returned to host-nation governments.
- *Receipt of residual value for returned property.* The extent to which overseas regional commands and their component commands obtain residual value for properties returned to each host nation varies by status of forces agreements and other agreements between the U.S. and the host nation. This can affect the amount of military construction funding requested by overseas commands (see app. I, slides 16 and 17). In PACOM's area of responsibility, there is no need for international agreements to provide for residual value, because host nations provide replacement facilities. For instance, the South Korean government is expecting to sell property returned by USFK to raise capital to help finance the cost of moving U.S. forces south of Seoul. In EUCOM, international agreements have resulted in the receipt of approximately \$175 million for property returned to nine countries since the early 1990s. Arrangements vary by country in CENTCOM, where six host nations have agreements to allow for residual value negotiations and nine countries have no such agreements. However, the amount of residual value the commands can expect to obtain in the future depends on how the host nation views the value of the returned property. Because of economically depressed markets—such as some countries within the EUCOM area of responsibility—coupled with reduced defense spending by some host nations and closure of their own military facilities, the market for property

from closed U.S. military installations has dwindled, resulting in little, if any, residual value for returned properties.

- *Returned property environmental remediation.* The extent to which overseas regional commands and their component commands incur costs for environmental remediation as a result of these property returns has varied by country, depending on agreements with individual host nations, and can affect U.S. infrastructure costs overseas (see app. I, slides 14 and 15). Historically, overseas regional commands have incurred limited costs for environmental remediation as a result of these property returns. For example, the component commands in South Korea and Japan have incurred limited costs to date, while EUCOM currently estimates its potential costs for environmental remediation at about \$90 million, regardless of whether the property is returned in the future. However, in the future, there is less certainty regarding potential costs for environmental remediation because these issues are becoming an increasing concern in South Korea and Japan. For example, according to PACOM officials, South Korea has established procedures for addressing environmental remediation, and the Government of Japan is enacting more stringent environmental laws.
- *Multiple U.S. funding sources available to support future infrastructure changes.* The level of U.S. funding required for overseas infrastructure costs varies by country-specific factors and can affect the development and implementation of comprehensive master plans (see app. I, slide 10). Overseas regional commands and their component commands historically have relied on funding through multiple U.S. organizations to pay for the costs associated with the planned infrastructure changes.¹⁵ In addition to military construction appropriations,¹⁶ these funding sources include operation and maintenance¹⁷ and contingency operations appropriations to

¹⁵ However, not all future infrastructure changes are yet known. Until the Integrated Global Presence and Basing Strategy is completed, the overseas regional commands will remain uncertain of all future infrastructure changes. Also, without the approval and identification of all future infrastructure changes, the overseas regional commands will remain unable to identify all associated costs.

¹⁶ Military construction, as defined in 10 U.S.C. §2801 (2003) “includes any construction, development, conversion, or extension of any kind carried out with respect to a military installation.”

¹⁷ As defined in 10 U.S.C. §2805 (2003), operation and maintenance appropriations may be used for unspecified minor military construction projects costing no more than \$1.5 million and intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening, or \$750,000 for any other unspecified minor military construction project.

fund ongoing and future infrastructure changes. Also, under Title 10 United States Code Section 2805, exercise-related construction authority is available for construction projects outside the United States of not more than \$5 million as directed by the Joint Chiefs of Staff. For example, EUCOM uses exercise-related construction authority, generally in small amounts, for training exercises—such as constructing a refueling facility in Tunisia. CENTCOM has used operation and maintenance funds through its contractors, as well as military construction funds, to finance facility requirements for ongoing operations. The commands also have nonappropriated funds, such as Army and Air Force Exchange Service funding sources, to fund the construction of military exchange stores. Other funding sources include the DOD Medical Command, the Defense Logistics Agency, and the Defense Commissary Agency. However, given current budget constraints and other defense priorities, the ability of the overseas regional commands and their component commands to obtain the required U.S. funding levels for future infrastructure changes overseas may change.

We agree that OSD’s preliminary guidance—directing overseas regional commands to address the precise facility requirements, properties being returned to host nations, funding requirements, and the division of funding responsibilities between the United States and cognizant host nations in their comprehensive master plans—is appropriate. However, the extent to which the commands’ plans will address the applicability of other factors—such as residual property value and environmental remediation issues, and multiple U.S. funding sources—that are not clearly specified in OSD’s preliminary guidance remains unclear. Without descriptions of the extent to which residual value issues are likely to be applied to properties returned to each host nation and offset environmental remediation costs, the comprehensive master plans and the required periodic reporting on the status of their implementation may not fully identify all the expected capital available to help finance the cost of moving and consolidating U.S. forces overseas and improving their facilities. Also, without identification of potential multiple U.S. funding sources that may be available to support future infrastructure changes, the comprehensive master plans and status reports might not fully identify the extent to which overseas regional commands and their component commands plan to rely on these funding sources compared to host-nation contributions. Addressing the applicability of these additional factors in DOD’s development of its master plans and the required periodic status reports would make them more useful as tools to the services and overseas regional commands in managing U.S. military infrastructure and associated costs overseas, and

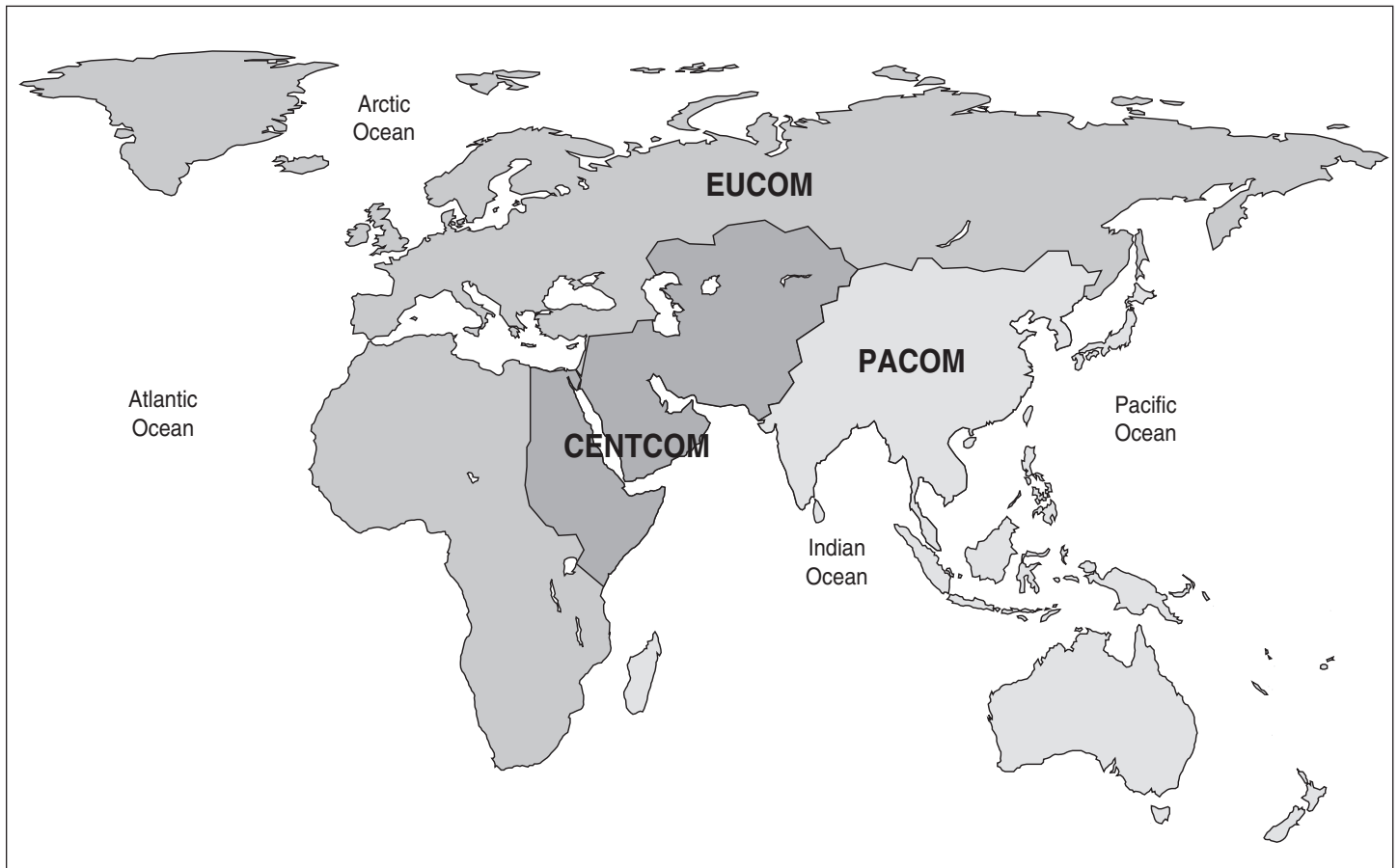
provide Congress and OSD with more complete information for their oversight responsibilities.

To make future comprehensive master plans and periodic reporting to Congress on their implementation more useful in managing U.S. military infrastructure and associated costs and more informative for Congress and OSD in their oversight responsibilities, we are recommending that in developing their master plans overseas regional commands address the extent to which implementation of their plans could be affected by residual property value and environmental remediation issues, as well as multiple U.S. funding sources available to support future infrastructure changes and include this information in their comprehensive master plans. We are also recommending that they provide updated information on these factors in their annual status reports to Congress on the master plans. In comments on a draft of this report, DOD concurred that future comprehensive master plans should address environmental issues, but did not concur that master plans should include assessments of residual value or multiple funding sources. According to DOD, residual value is obtained through negotiations and cannot be predicted and therefore should not be assumed in a master plan. Likewise, master plans should not include multiple funding sources because military construction projects that would be eligible for these alternate funding sources are subject to funding thresholds. While we acknowledge the uncertainties of obtaining residual value for returned property and thresholds for multiple funding sources, we believe overseas regional commands should identify residual property value issues as they evolve, as well as identify multiple U.S. funding sources that may be available in their master plans and annual status reports to Congress. While our recommendations as originally written could have been interpreted as being applicable only to the commands' master plans, we have modified our recommendations to include addressing these factors in their annual status reports to Congress as well as in the master plans. We also modified our language to better recognize that complete information on these factors is likely to evolve over time. The department also provided technical comments, which we incorporated as appropriate.

Background

Military construction appropriations fund the planning, design, construction, alteration, and improvement of military facilities worldwide. As of fiscal year 2003, DOD had over 6,000 installations total, with 702 installations located overseas. Operational control of the U.S. combat forces and installations is assigned to the nation's five geographic unified combatant commands, which are responsible for the security environment as directed by the national security and military strategies. Composed of forces from two or more services, PACOM, EUCOM, and CENTCOM span numerous countries and even continents and encompass areas with economically, politically, and socially diverse regions. (See fig. 1.)

Figure 1: PACOM, EUCOM, and CENTCOM Geographic Areas of Responsibility



Source: GAO generated map based on DOD data.

Note: SOCOM does not have a specific geographic area of responsibility because it is a functional combatant command with responsibility for waging war on terrorism. SOCOM also provides special operations forces to support the geographic combatant commanders' security plans. SOCOM is a tenant unit on bases and funds special operations forces-specific items—such as hangers for aircraft—out of military construction appropriations, and uses operation and maintenance appropriations for support items, such as special-operations-specific computers.

Map does not show Hawaii or Alaska within PACOM's area of responsibility.

The United States has a large portion of its military personnel deployed abroad at any given time; however, this number varies with the frequency and types of military operations and deployment demands. Currently, slightly more than 100,000 troops are stationed in Europe. Most of these are U.S. Army forces stationed mainly in Germany, with smaller numbers elsewhere in Europe and some in Africa. Nearly 100,000 military personnel are located in East Asia, divided between Japan, South Korea, and on the

waters of the Pacific. Additionally, the ongoing global war on terrorism has resulted in the deployment of much larger numbers of troops in theaters of operation in Iraq and Afghanistan.

In September 2001, DOD issued the *Quadrennial Defense Review Report*, which addressed, among other issues, reorienting the U.S. military global posture. During the latter half of the 20th century, the United States developed a global system of overseas military bases primarily to contain aggression by the Soviet Union. U.S. presence is aligned closely with U.S. interests and likely threats to those interests (i.e., Western Europe and Northeast Asia). In recent years, DOD has been undergoing a transformation to meet changing global threats and focus on a defense strategy and force structure to keep the peace and defend freedom in the 21st century. The *Quadrennial Defense Review Report* called for developing a basing system that provides greater flexibility for U.S. forces in critical areas of the world, placing emphasis on additional bases and stations in Western Europe and Northeast Asia, and providing temporary access to facilities in foreign countries that enable U.S. forces to conduct training and exercises in the absence of permanent ranges and bases.

In March 2002, military officials from the United States and the Government of South Korea entered into an agreement, known as the Land Partnership Plan, to consolidate U.S. installations and training areas, improve combat readiness, enhance public safety, and strengthen the U.S.-South Korean alliance. In July 2003, we reported that the ongoing reassessments of U.S. overseas presence and basing requirements could diminish the need for and alter the locations of many construction projects in South Korea, including those associated with the Land Partnership Plan and those unrelated to it.¹⁸ We also identified some key challenges that could adversely affect the implementation of the plan and future U.S. military construction projects throughout South Korea. First, the Land Partnership Plan would rely on various funding sources, including funding realized through land sales from property returned by the United States. The extent to which these sources of funding would be required and available for broader infrastructure changes is not yet clear. Second, a master plan would be needed to guide future military construction to reposition U.S. forces and basing in South Korea. Subsequent to the original Land Partnership Plan, DOD initiated the Integrated Global Presence and Basing Strategy that builds upon multiple DOD studies,

¹⁸ See [GAO-03-643](#).

including the Overseas Basing and Requirements Study, the Overseas Presence Study, and the U.S. Global Posture Study. The completion of the Integrated Global Presence and Basing Strategy will likely change the number and locations of U.S. military bases in South Korea and in other overseas commands.

Congressional Requirement for Detailed Comprehensive Master Plans

For several years, the Senate Appropriations Committee has expressed concern that the overseas basing structure has not been updated to reflect the new realities of the post-Cold War world. The committee also expressed concern about the use of military construction budget authority for projects at bases that may soon be obsolete due to changes being considered in overseas presence and basing. Consequently, in the Senate report accompanying the fiscal year 2004 military construction appropriation bill, the Senate Appropriations Committee directed DOD to prepare comprehensive master plans for the changing infrastructure requirements for U.S. military facilities in each of its overseas regional commands. Subsequently, similar action was directed by the conference report accompanying the 2004 military construction appropriation bill. Within the department, the Under Secretary of Defense for Acquisition, Technology and Logistics has been tasked to respond to this legislative requirement; in turn, he has asked the overseas regional commands to prepare detailed comprehensive master plans for their area of responsibility. At a minimum, under the Senate Appropriations Committee mandate, the plans are to identify precise facility requirements, status of properties being returned to host nations, and funding requirements and the division of funding responsibilities between the United States and cognizant host nations. The conference report also required DOD to provide a report on the status and implementation of those plans with each yearly military construction budget submission through fiscal year 2009.

The Senate Appropriations Committee also directed GAO to monitor the comprehensive master plans being developed and implemented for the overseas regional commands and to provide the congressional defense committees with a report by May 15 of each year giving an assessment of the status of the plans; associated costs; burden-sharing implications; and other relevant information involving property returns to host nations, including environmental remediation issues and residual values.

Overseas Regional Commands Have Not Yet Begun Development of the Comprehensive Master Plans

At the time of our review, the overseas regional commands had not yet begun development of the comprehensive master plans, which are due with the fiscal year 2006 budget submission. Master plans are dependent upon the outcome of the not-yet-completed DOD Integrated Global Presence and Basing Strategy. While awaiting decisions on the Integrated Global Presence and Basing Strategy, the overseas regional commands have been working with OSD to implement plans for enduring installations in accordance with the global basing strategy. In addition, OSD is finalizing guidance for the commands to use in developing these master plans, including a template to ensure consistency across commands, that it expects to issue later this year. In February 2004, OSD provided preliminary guidance to the overseas regional commands that specified that plans must identify (1) precise facility requirements, (2) funding requirements, (3) the division of funding responsibilities between the United States and host nations, and (4) the status of properties being returned to host nations. In addition, OSD provided a proposed format for the master plans, which is still under review by the department. Until the Integrated Global Presence and Basing Strategy is released and OSD's guidance is finalized, the overseas regional commands have limited efforts under way to address the requirement for comprehensive plans.

At the same time, overseas regional commands and their component commands are continuing to develop and implement plans for facilities they believe will have an enduring presence. For example:

- USFK has an ongoing initiative to move military personnel located near the demilitarized zone to Camp Humphreys, South Korea (see app. I, slide 21). This initiative will reduce major installations from 41 down to 10 and provide new infrastructure and facilities funded primarily by the Government of South Korea, pending ratification by the South Korean National Assembly and completion of the Future of the Alliance talks.¹⁹ Under a unique self-funding strategy, USFK will return 31 major installations, which will enable the Government of South Korea to sell land and fund the relocation and construction of new facilities at Camp Humphreys. In addition, USFK is studying options for relocating the units stationed at Yongsan Army Garrison in Seoul; however, specific timelines

¹⁹ In December 2002, the U.S. Secretary of Defense and the Defense Minister of South Korea agreed to conduct a Future of the Alliance study to assess the roles, missions, capabilities, force structure, and stationing of U.S. forces, including having South Korea assume the predominant role in its defense and increasing both South Korean and U.S. involvement in regional security cooperation.

have not been finalized. Two enduring installations being considered for these units are Osan Air Force Base and Camp Humphreys.

- U.S. Forces Japan has an ongoing initiative to return over 12,000 acres of land to reduce land use by U.S. forces in Okinawa under *The Special Action Committee on Okinawa Final Report*²⁰ (see app. I, slide 24).²¹ In exchange for this land, the Government of Japan will fund relocation of housing, communication sites, training areas, a hospital, the Marine Corps Air Station Futenma, and land at the Naha Port, in addition to other support facilities. The estimated cost of relocating the Air Station Futenma is more than \$3 billion.
- The U.S. Army Europe has an ongoing initiative—Efficient Basing Grafenwöhr—to consolidate 13 installations into one single location near Grafenwöhr, Germany (see app. I, slide 26). Efficient Basing Grafenwöhr is an initiative to enhance readiness, gain efficiencies, and improve the well being of approximately 3,500 soldiers and 5,000 family members. According to EUCOM officials, this initiative will facilitate command and control, lower transportation costs, enable better force protection, improve access to training areas, eliminate over 5 million square feet of excess inventory, and reduce base operations costs by up to an estimated \$19 million per year. In addition, U.S. Navy Europe is moving its headquarters south, from London in the United Kingdom, and consolidating with three subordinate staffs at Naval Support Activity Naples, Italy, to reduce costs while increasing operational effectiveness (see app. I, slide 27). The Navy is also planning several different initiatives to consolidate missions in the Mediterranean and downsize Naval Air Station Keflavik in Iceland. U.S. Air Force Europe has an ongoing transition from Rhein-Main Air Base, Germany, to Ramstein and Spangdahlem bases, which is funded by various sources, including the North Atlantic Treaty Organization (NATO) and the Government of Germany (see app. I, slide 28). U.S. Air Force Europe received a reported \$62.5 million for the return of some land based on an agreement signed in 1993 and is receiving an additional \$425 million as a result of an agreement signed in 1999 for complete closure of Rhein-Main Air Base.

²⁰ The Ministry of Foreign Affairs of Japan, *The Special Action Committee on Okinawa Final Report* (Dec. 2, 1996).

²¹ In addition to the land return initiatives, *The Special Action Committee on Okinawa Final Report* includes 16 initiatives in the areas of noise reduction, operations and training, and Status of Forces Agreements procedures.

Various Factors Can Affect Infrastructure Costs Overseas and the Development and Implementation of Comprehensive Master Plans

Various factors can affect U.S. infrastructure costs overseas and the development and implementation of the overseas regional commands' comprehensive master plans. The extent of their effect can vary by regional command as well as host-nation agreement. Several of these factors depend largely on the economic conditions and political environment in host nations that can decrease host nations' overall support to U.S. forces and increase U.S.-funded costs for future infrastructure changes. The level of burden-sharing contributions provided by host nations can affect the amount of military construction funding requested by overseas commands. In different instances, property returns may or may not require replacement facilities overseas, and the residual value that the United States receives from property returned to host nations varies by country and also can affect U.S.-funded infrastructure costs. Additionally, the United States could potentially incur costs for environmental remediation of returned property before the host-nation government will accept it. In addition to host-nation funding, overseas commands have multiple U.S. funding sources to support future infrastructure changes. As noted earlier, we agree that OSD's preliminary guidance—directing overseas regional commands to address the precise facility requirements, properties being returned to host nations, funding requirements, and the division of funding responsibilities between the United States and cognizant host nations in their comprehensive master plans—is appropriate. However, the extent to which the other relevant factors discussed previously will be addressed in these plans and the required periodic reporting on their implementation is not yet clear. More specifically, neither the Senate report nor OSD's preliminary guidance requires the plans to address residual property value and environmental remediation issues, or multiple U.S. funding sources compared to available host-nation funding for future infrastructure changes. Addressing the applicability of these factors would make the comprehensive master plans and periodic status reports on their implementation more useful as tools in managing U.S. military infrastructure and associated U.S.-funded costs, and provide Congress and OSD with more complete information for their oversight responsibilities.

Overseas Regional Commands Benefit from Burden-Sharing Contributions

Commands benefit from burden-sharing contributions provided by host nations, which in turn can reduce the commands' need for military construction appropriations (see app. I, slides 11-12). The extent to which overseas regional commands and their component commands rely on burden-sharing contributions from host nations varies by country and directly affects U.S. infrastructure costs overseas and the development and implementation of comprehensive master plans. Historically, overseas

regional commands have relied on both types of contributions—direct and indirect burden sharing. For example, two countries in PACOM’s area of responsibility—South Korea and Japan—provide about 73 percent of the total worldwide burden-sharing contributions to support U.S. troops, while countries within EUCOM’s area of responsibility provide about 21 percent of total burden-sharing contributions worldwide. In CENTCOM’s area of responsibility, countries only fund about 6 percent of U.S. contributions worldwide.²² However, the extent to which this will continue is uncertain because the level of contributions from some host-nation governments may change in the future.

According to USFK officials, under the terms of the 2002-04 Special Measures Agreement, South Korea provides logistics, labor support, and host nation-funded construction valued at about \$593 million for fiscal year 2004. Two programs that provide host nation-funded construction are the Combined Defense Improvement Projects and Republic of Korea Funded Construction. Under the Combined Defense Improvement Projects Program, South Korea supports facility requirements that are directly related to the combined U.S. and South Korean warfighting capabilities. The Republic of Korea Funded Construction Program is a cash contribution program where funds are transferred to the U.S. government for quality of life infrastructure, as well as warfighting facilities. This program is restricted from funding clubs, golf courses, theaters, and bowling alleys. In addition to the Special Measures Agreement, USFK expects the Government of South Korea to provide funds to replace facilities and land for the amended Land Partnership Plan before it relocates troops stationed near the demilitarized zone to the south at Camp Humphreys. Also, USFK expects the Government of South Korea to provide funds to relocate and replace facilities and land before it moves its personnel from the Yongsan Army Garrison to south of Seoul. Both of the planned troop relocations are not yet approved by the Government of South Korea and are pending approval through a vote by the South Korean National Assembly.

U.S. Forces Japan, within PACOM’s area of responsibility, and the Government of Japan have three burden-sharing programs that provide support to U.S. military personnel stationed there. First, according to PACOM officials, the Special Measures Agreement provides financial

²² U.S. Department of Defense, *Allied Contributions to the Common Defense* (Washington, D.C.: July 2003). Data are from calendar year 2002.

support for labor (salaries for Japanese nationals working on U.S. bases), utilities (electricity, gas, water, sewage, and heating fuels), and rent. Second, the Japan Facilities Improvement Program provides in-kind construction support,²³ such as family housing and other service initiatives. The type of facility projects that cannot be supported are religious facilities, additional fuel and munitions storage, chemical and biological protection, facilities that Japan's government considered luxuries (i.e., bowling centers and golf courses), and some types of maintenance and repair services or facilities identified in the Status of Forces Agreement. Third, the Special Action Committee on Okinawa will fund replacement facilities when U.S. forces return over 12,000 acres of land in Okinawa, including the Marine Corps Air Station Futenma and land at the Naha Port. The Japanese relocation funding process is another source of host-nation support, separate and distinct from the above two programs. Japanese-funded relocation projects are provided on a quid pro quo basis; that is, the projects are provided in exchange for something else (e.g., returned land). While the relocation program is also a Government of Japan initiative to reduce U.S. presence on Okinawa and strengthen the U.S.-Japanese alliance, its funding is voluntary. In addition, according to PACOM officials, the relocation funding process in Japan requires municipal approvals at both the returned and acquired locations.

In EUCOM's area of responsibility, many European countries provide various types of host-nation support. For example, during calendar year 2001, Germany and Italy provided the largest contributions—a reported \$862 million and \$324 million, respectively. In addition, the NATO Security Investment Program—which is dependent upon the diplomatically agreed upon financial contributions of member nations—provides funds for the construction of military facilities, upgrade and restoration of military facilities, acquisition of common-use systems and equipment, and other related programs and projects required by NATO to carry out its mission requirements. According to EUCOM officials, it is their policy for construction managers at all levels to review construction projects for NATO eligibility before committing U.S. funds. The program does not fund personnel support facilities such as barracks, family housing, or gymnasiums, all of which are considered the responsibility of individual member nations. Exceptions have been made to this policy to meet

²³ In lieu of cash payments, a country may choose payment-in-kind—such as construction of facilities for U.S. forces provided by the host nation—which, in turn, reduces U.S. expenditures.

specific U.S. needs at Aviano Air Base, Italy. For example, since 1995, the program has provided a reported \$195 million to upgrade support facilities at Aviano Air Base, Italy, to include providing a hospital, school, theater, post office, commissary, exchange, and child development centers. However, the extent to which contributions will continue is uncertain because of the economically constrained markets in some NATO countries, coupled with reduced defense spending by some host nations.

In CENTCOM's area of responsibility, there are fewer burden-sharing contributions from host nations compared to EUCOM and PACOM. For example, prior to fiscal year 1999, the Kingdom of Saudi Arabia provided facility and assistance-in-kind support. However, according to CENTCOM officials, Saudi Arabia no longer provides any support. Currently, Qatar, Kuwait, and the United Arab Emirates either verbally or by signing an agreement have provided an estimated \$534 million in support of U.S. facilities for fiscal year 1999 through the second quarter of fiscal year 2004. However, the extent to which such contributions may continue in the future is unknown and varies because of changing regional alliance considerations.

Property Returns Are an Integral Part of Planned Overseas Basing Changes

Property returns are expected to be an integral part of future overseas basing changes and, depending on the circumstances, may or may not require replacement facilities overseas. Over the past decade, overseas regional commands and their component commands have agreed to significant property returns to host-nation governments in South Korea, Japan, and Europe in response to force structure changes, new threats, and political and diplomatic considerations (see app. I, slide 13). However, the ongoing Integrated Global Presence and Basing Strategy may provide more changes in overseas basing that could result in additional property being returned to host-nation governments which, in turn, could affect future infrastructure requirements.

In South Korea, USFK has two initiatives that will result in property being returned to the host nation (see app I, slides 18-22). First, as part of the amended Land Partnership Plan and U.S. plans to relocate troops from near the demilitarized zone to Camp Humphreys, USFK will reduce the number of major installations in South Korea from 41 down to 10. The property and facilities on the 31 installations will be returned to the Government of South Korea for its use or disposition. Second, at the request of South Korea, USFK plans to move its personnel stationed at Yongsan Army Garrison and return the associated property and facilities; however, timelines have not been finalized. Two enduring installations

being considered for these units are Osan Air Force Base and Camp Humphreys. It is too early in the process to know when all of the many different USFK units located on Yongsan Army Garrison will be relocated.

In PACOM's area of responsibility, U.S. forces in Japan plan to return over 12,000 acres of land on Okinawa, including the Marine Corps Air Station Futenma and land at Naha Port, to the Government of Japan after replacement facilities are constructed (see app. I, slide 24). As of April 2004, there were 10 remaining land transfers pending and 47 military construction projects to be completed—all to be funded by the Government of Japan.

In EUCOM's area of responsibility, commands have closed over 560 installations and returned the property and facilities to host nations over the last decade. In addition, U.S. Army Europe plans to close 13 installations and facilities located throughout Germany—consisting of family housing, barracks, and training facilities—and consolidate them into a single location near Grafenwöhr under its Efficient Basing Grafenwöhr project (see app. I, slide 26). U.S. Navy Europe is planning to reduce overall facility requirements by consolidating its mission to its enduring bases in the Mediterranean Sea and at Naval Station Rota, Spain (see app. I, slide 27). For example, it plans to move the Command Navy Region Europe from London, United Kingdom, to Naples, Italy. The future disposition of the facilities in London has not yet been determined. Also, three parcels of land in Iceland have been nominated by U.S. Navy Europe for return to the host nation and are currently in the property return process.

Also in EUCOM, U.S. Air Force Europe, at the request of the Government of Germany, plans to return all of the Rhein-Main Air Base to Germany (see app. I, slide 28). The base had been a co-use airfield with the Frankfurt International Airport, which the Germans wanted to expand. In order to satisfy the Frankfurt International Airport's requirement for additional land, a portion of the U.S. Air Force's mission was relocated to Ramstein Air Base, Germany, based on an agreement signed in 1993. This partial return moved the C-130 mission from Rhein-Main Air Base to Ramstein Air Base and returned 94 hectares of land to the Frankfurt International Airport. The facilities returned were valued at an estimated \$62.5 million, and in exchange, U.S. Air Force Europe received the same value—\$62.5 million—for 12 projects at Ramstein Air Base funded by the Frankfurt International Airport. In 1999 an agreement was signed transferring the strategic airlift mission to Ramstein and Spangdahlem air bases to allow the complete closure of the Rhein-Main Air Base and return

the remaining 188 hectares of property to the Frankfurt International Airport. U.S. Air Force Europe will return a reported \$166.8 million in facilities in exchange for 37 projects (plus some minor replacement facility projects) worth an estimated \$425 million. Of the \$425 million, approximately \$92 million is anticipated to come from NATO, while the Frankfurt International Airport, the Government of Germany, two German states, and the city of Frankfurt will fund the balance.

Residual Value for Returned Property Varies by Country

Residual value is dependent on the property returned to host-nation governments, which varies by status of forces agreements and other agreements between the United States and host nations. This can affect U.S. funding requirements overseas and the development and implementation of comprehensive master plans (see app. I, slides 16-17). Overseas regional commands can seek residual value for properties returned based on bilateral or supplementary international agreements with each host nation. However, the amount of money received from residual value programs has little to do with the amount originally invested; rather, proceeds are a function of current market conditions. The actual value of the returned property depends upon its reuse. As we previously reported, some countries approach residual value calculations differently than the United States, and unfortunately, in many cases there is not much of a market for operational military facilities, such as ammunition dumps.²⁴ On the other hand, family housing may be reused and often results in residual value for the United States. The process must allow time for the marketing and sale of the properties, and as discussed previously, the residual value of the property returned may be offset by the cost of environmental remediation.

In PACOM's area of responsibility, the agreements with South Korea and Japan differ from the agreements used in some other locations—such as Germany—in that South Korea and Japan are not obliged to compensate the United States for any improvements made in facilities or for the buildings and structures returned. According to PACOM officials, because South Korea and Japan generally provide replacement facilities, there is no need for international agreements to provide for residual value. For example, the South Korean government is expecting to sell property

²⁴ U.S. General Accounting Office, *European Drawdown: Status of Residual Value Negotiations in Germany*, [GAO/NSIAD-94-195BR](#) (Washington, D.C.: June 23, 1994) and *Overseas Installations: Efforts to Recoup Residual Value of Closed Facilities*, [GAO/NSIAD-96-35](#) (Washington, D.C.: Jan. 26, 1996).

returned by USFK to raise capital to help finance the cost of moving U.S. forces near the demilitarized zone to areas south of Seoul and relocating the military personnel located at Yongsan Army Garrison.

In EUCOM's area of responsibility, since the early 1990s, officials have reportedly recouped approximately \$175 million in cash through negotiated settlements with nine European countries and returned these funds to the U.S. Treasury. EUCOM, in cooperation with the Department of State and its embassies, is currently involved in residual value negotiations with the German, Greek, British, Dutch, Belgian, Turkish, and Italian governments. However, these negotiations can take a long time. For example, in Germany negotiations usually take between 4 to 8 years in order for the Government of Germany to market and sell a facility. In Italy, the bilateral agreement states that if the Government of Italy reuses the returned property within 3 years, the United States may negotiate for residual value. EUCOM may be able to recoup residual value for parcels of land in Iceland; however, due to their military nature, they may not have any reuse value. DOD officials expressed concern about the likelihood of obtaining any significant residual value for future property returns.

In CENTCOM's area of responsibility, arrangements vary by country—six host nations have agreements to allow for residual value negotiations, and nine countries have no such agreements. To date, CENTCOM has not recouped residual value from property returns.

However, the amount of residual value the commands can expect to obtain in the future depends on how the host nation reuses the returned property. As with the level of burden-sharing—economically constrained markets, such as for some countries in EUCOM's area of responsibility, coupled with reduced defense spending by some host nations and closure of their own military facilities—the market for property from closed U.S. military installations has dwindled, which may result in little, if any, residual value for returned properties.

United States May Incur Costs for Environmental Remediation of Property Returned to Host Nations

In some instances, the United States could potentially incur costs for environmental remediation before the host-nation government will accept the returned property (see app. I, slides 14-15). The extent to which overseas regional commands incur costs varies by country and can affect U.S.-funded infrastructure costs and the development and implementation of comprehensive master plans. Historically, overseas regional commands have incurred limited costs for environmental remediation as a result of these property returns. DOD Instruction 4715.8 establishes policy and

provides guidance for environmental remediation of overseas facilities.²⁵ Under this instruction, DOD components may be required to remediate property designated for return or returned to host nations if DOD-caused environmental contamination poses “known imminent and substantial endangerments to human health and safety” or there is a requirement by international agreement.

Overseas commands’ remediation experience varies by country. Environmental remediation has become a more important issue in recent years in some Asian countries, unlike countries in the EUCOM area of responsibility where environmental remediation has been an ongoing issue since at least the early 1990s. For example, the component commands in South Korea and Japan have incurred limited costs to date, while in EUCOM potential costs for environmental remediation are estimated at about \$90 million, regardless of whether the property is returned. In the future, greater negotiations may be required to address environmental remediation, because environmental issues are becoming an increasing concern in South Korea and Japan. For example, the United States and South Korea recently set procedures for addressing environmental remediation,²⁶ and the Government of South Korea is updating its environmental governing standards. In addition, according to PACOM officials, the Government of Japan is enacting more stringent environmental laws.

Commands Have Multiple U.S. Funding Sources to Support Future Infrastructure Changes

The level of U.S. funding required for overseas infrastructure costs varies by country-specific factors, and overseas commands have historically used various options to fund future infrastructure requirements, in addition to available host-nation funding (see app. I, slide 10). If history is a guide, once the Integrated Global Presence and Basing Strategy is complete and future infrastructure changes are fully identified, the overseas regional commands can be expected to use operation and maintenance and contingency operations appropriations, in addition to military

²⁵ DOD Instruction 4715.8, *Environmental Remediation for DOD Activities Overseas* (Feb. 2, 1998).

²⁶ Environmental Subcommittee under the United States and the Republic of Korea Status of Forces Agreement, *Memorandum for the Joint Committee: Procedures for Environmental Survey and Consultation on Remediation for Facilities and Areas Designated to Be Granted or Returned* (May 30, 2003).

construction appropriations, including exercise-related construction authority, to fund ongoing and future infrastructure changes.

In USFK, military infrastructure funding flows through nine organizations—the Army, the Navy, the Marine Corps, the Air Force, Special Operations, the Army and Air Force Exchange Service, the Defense Logistics Agency, the DOD Medical Command, and the Defense Commissary Agency. USFK plans to use military construction funds to upgrade a sewer system. It is also exploring “build to lease” housing at Camp Humphreys and other enduring installations in South Korea. Also, in PACOM’s area of responsibility, little or no U.S. military construction funding is needed in Japan, because the Government of Japan historically funds most facility requirements. In EUCOM, the military components plan to fund a series of smaller forward-operating bases and forward-operating locations strategically located throughout their area of responsibility. For example, EUCOM plans to begin the \$285,000 first phase of a five-phase exercise reception facility complex in Azerbaijan, using exercise-related construction authority. Also, EUCOM uses exercise-related construction authority, generally in small amounts, to set up training exercises at locations where the United States may not have permanent facilities, such as renovating a camp in Albania, repairing training bases in Bulgaria, and constructing an exercise refueling facility in Tunisia. In CENTCOM, the military components use operation and maintenance funds through contractors to finance facility requirements for ongoing operations in Iraq.

Given current budget constraints and other defense priorities, the ability of the overseas regional commands and their component commands to obtain the required U.S. funding levels for future infrastructure changes without tradeoffs in other areas is unclear. To illustrate, the Comptroller General stated in the March 2004 updated strategic plan²⁷ for GAO that events over the past 2 years have placed even greater strains on limited national resources. The long-range fiscal outlook appears to be unsustainable, given existing federal commitments. Policymakers are, therefore, increasingly being called on to distinguish wants from needs and to judge what the nation can afford and sustain, both now and in the longer term.

²⁷ U.S. General Accounting Office, *Strategic Plan 2004-2009* (Washington, D.C.: March 2004).

Opportunity to Strengthen Overseas Regional Commands' Comprehensive Master Plans and Periodic Status Reports

While OSD's preliminary guidance directs the overseas regional commands to address the precise facility requirements, properties being returned to host nations, funding requirements, and the division of funding responsibilities between the United States and cognizant host nations in their comprehensive master plans, the extent to which the commands plan will address other factors—such as residual property value and environmental remediation issues, and multiple U.S. funding sources available to support future infrastructure changes—that are not clearly specified in OSD's preliminary guidance remains unclear. Continued monitoring and identification of these additional factors would make the comprehensive master plans and the required periodic report on the progress of their implementation more useful as tools to the services and overseas regional commands in managing U.S. military infrastructure and associated costs overseas, and provide Congress and OSD with more complete information for their oversight responsibilities.

Conclusions

While overseas regional commands are working on developing and implementing plans for installations they believe will have an enduring presence, they have limited efforts under way to address the requirements to develop comprehensive master plans as defined by the Senate report. Rather, they are awaiting the completion of the Integrated Global Presence and Basing Strategy and the receipt of OSD's finalized guidance for developing these plans. OSD's preliminary guidance directs the overseas regional commands to address several key factors—the precise facility requirements, properties being returned to host nations, funding requirements, and the division of funding responsibilities between the United States and cognizant host nations—in their comprehensive master plans. However, the extent to which the commands plan to address residual property value and environmental remediation issues and U.S.-funded costs associated with future infrastructure changes remains unclear. However, including information on these factors could be important to ensuring more complete comprehensive plans. First, without addressing the extent to which DOD expects to obtain residual value for properties returned to each host nation, if any, and offset environmental remediation costs, the comprehensive master plans would fail to identify all the expected capital available to help finance the cost of moving and consolidating U.S. forces overseas and improving their facilities. Second, without addressing the potential for multiple U.S. funding sources available to support future infrastructure changes, the comprehensive master plans might not fully identify the extent to which overseas regional commands and their component commands plan to rely on these funding sources compared to host-nation contributions. Continued monitoring and

identification of these factors would make the comprehensive master plans and the required periodic status reports more useful as tools to the military services and overseas regional commands in managing U.S. military infrastructure and U.S.-funded associated costs overseas, and more informative for Congress and DOD in their oversight responsibilities.

Recommendations for Executive Action

To make future comprehensive master plans and periodic reporting to Congress on their implementation more useful in managing U.S. military infrastructure and associated costs and more informative for Congress and OSD in their oversight responsibilities, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics to require that overseas regional commanders (1) address the extent to which implementation of their master plans will be affected by residual property value and environmental remediation issues, as well as multiple U.S. funding sources available to support future infrastructure changes and include this information in their comprehensive master plans, and (2) provide updated information on the applicability of residual property value and environmental remediation issues and multiple U.S. funding sources in their annual status reports to Congress on the master plans.

Agency Comments and Our Evaluation

In commenting on a draft of this report, the Principal Assistant Deputy Under Secretary of Defense (Installations and Environment) partially concurred with our recommendations. While DOD concurred that future comprehensive master plans should address environmental issues, the department did not concur that master plans should include assessments of residual value or multiple funding sources. According to DOD officials, residual value is obtained through negotiations and cannot be predicted and therefore should not be assumed in a master plan. Likewise, master plans should not include multiple funding sources because military construction projects that would be eligible for these alternate funding sources are subject to funding thresholds and should not appear on a master plan. While we acknowledge the uncertainties of obtaining residual value for returned property and thresholds for multiple funding sources, we believe overseas regional commands should identify residual property value issues as they evolve, as well as identify multiple U.S. funding sources that may be available to support future infrastructure changes, and include that information in their annual status reports to Congress on their master plans. Our recommendations as originally written could be interpreted as being applicable only to the commands' master plans. Instead, we have modified our recommendations to identify the extent to

which implementation of their master plans will be affected by these factors as they evolve in DOD's annual status reports to Congress and to recognize that information on these issues may evolve over time. DOD's comments are included in this report as appendix II. DOD also provided technical changes, which we incorporated as appropriate.

Scope and Methodology

To determine the status of development of overseas regional commands' comprehensive master plans, we visited USFK, PACOM, EUCOM, and Socom to discuss the development of comprehensive master plans. We reviewed and analyzed policies, directives, reports, briefings, and information and guidance on overseas military construction. To assess the level of guidance available to the commands on development and implementation of comprehensive master plans, we met with OSD officials to discuss the status of guidance distributed to the commands.

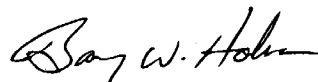
To assess factors—such as associated costs, burden-sharing implications, planned property returns, environmental remediation issues, and residual values—that can affect U.S. infrastructure costs overseas and the development and implementation of comprehensive master plans, we reviewed and analyzed available reports, documents, policies, directives, host-nation international agreements, and information and guidance on each of the above factors. We also discussed the effect of each of these issues on command master plans with USFK, PACOM, EUCOM, and Socom officials as well as officials at each of the component commands and agencies we visited—Eighth Army, South Korea; Army Installation Management Agency, South Korea Regional Office; Army Corps of Engineers, South Korea; 7th Air Force, South Korea; and U.S. Naval Forces, South Korea; U.S. Army, Pacific; U.S. Pacific Air Force; U.S. Pacific Fleet; U.S. Marine Forces, Pacific; U.S. Army, Europe; Army Installation Management Agency, Europe Regional Office; U.S. Air Force, Europe; and U.S. Navy, Europe. At each command, we discussed potential U.S.-associated costs for implementing such master plans, burden-sharing implications, property returns to host nations, the potential U.S. costs for environmental remediation, and residual value likely to be obtained by the United States as a result of those property returns. In South Korea, we met with the Deputy Chief of Mission at the U.S. Embassy South Korea to discuss the U.S. diplomatic perspective on potential basing changes in South Korea, burden-sharing implications, and the political sensitivities of environmental impacts. We also met with an official from the Republic of South Korea Ministry of National Defense to obtain a host-nation perspective on the status of implementation of master plans and burden-sharing implications for relocation of U.S. facilities in South Korea and to

discuss funding and time frames for decisions by the Republic of South Korea. We also discussed, from the host-nation perspective, potential U.S. costs for environmental remediation of property returns to the host nation. To obtain the DOD perspective on issues in South Korea and Japan, we met with officials in the Office of the Secretary of Defense, Asian-Pacific Affairs Office. We also met with officials in the Office of the Secretary of Defense to determine the guidance and criteria provided to overseas regional commands for development of comprehensive master plans. Through our review of the data, examination of specific data elements, and discussions with DOD officials, we believe the data gathered are sufficiently reliable for the purposes of this report, except for data generated by CENTCOM. Because of ongoing operations, we were not able to meet with CENTCOM officials to discuss the development of comprehensive master plans, factors that can affect U.S. costs or data reliability. However, we obtained written responses to questions on overseas presence and basing, U.S.-associated costs, burden-sharing implications, property returns to host nations, potential U.S. liability for environmental remediation, and residual value likely for property returns to host nations.

We conducted our work from November 2003 through April 2004 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Secretaries of Defense, the Army, the Navy, and the Air Force; the Commandant of the Marine Corps; and the Director, Office of Management and Budget. Copies will be made available to others upon request. In addition, this report will be available at no charge on our Web site at <http://www.gao.gov>.

Please contact me at (202) 512-8412, or my Assistant Director, Mark Little, at (202) 512-4673 if you or your staff has any further questions regarding this report. Major contributors to this report were Donna Rogers, Nelsie Alcoser, Ella Mann, and R.K. Wild.



Barry W. Holman, Director
Defense Capabilities and Management

Congressional Committees

The Honorable John W. Warner
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Kay Bailey Hutchison
Chairman
The Honorable Dianne Feinstein
Ranking Minority Member
Subcommittee on Military Construction
Committee on Appropriations
United States Senate

The Honorable Duncan L. Hunter
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

The Honorable Joe Knollenberg
Chairman
The Honorable Chet Edwards
Ranking Minority Member
Subcommittee on Military Construction
Committee on Appropriations
House of Representatives

Appendix I: GAO Briefing Slides



Review of Comprehensive Master Plans for Overseas Military Facilities

Preliminary Observations

April 2004
(Updated July 2004)

Preliminary Observations

1

Outline



- Objectives
- Background
 - Scope
 - Definitions
- Results in brief
- Part I: Master plans (overall)
 - Implementation status
 - Associated costs
 - Burden-sharing implications
- Returned property
 - Property returned
 - Environmental remediation
 - Residual value
- Part II: Details by individual overseas regional commands

Preliminary Observations

2

Objectives



- Senate Report 108-82 directed GAO to monitor the infrastructure master plans being developed and implemented for the overseas regional commands and provide an assessment of the
 - implementation of plans, plan costs, and host nation burden-sharing implications, and
 - issues related to property returned to host nations, environmental restoration, and residual values of returned property.
- GAO's assessment is required to be completed by May 15 of each year through fiscal year 2008.

Scope



- We visited the following overseas regional and component commands:
 - U.S. Forces Korea Command (USFK)
 - Eighth Army
 - Installation Management Agency--Korea Regional Office
 - 7th Air Force
 - Commander, U.S. Naval Forces Korea
 - U.S. Army Corp of Engineers
 - U.S. Embassy in Korea
 - Republic of Korea, Ministry of National Defense
 - U.S. Pacific Command (PACOM)
 - U.S. Army Pacific
 - U.S. Pacific Fleet
 - U.S. Marine Forces Pacific
 - U.S. Pacific Air Force
 - U.S. European Command (EUCOM)
 - U.S. Army Europe
 - Installation Management Agency--Europe
 - U.S. Navy Europe
 - U.S. Air Force Europe
 - U.S. Special Operations Command (SOCOM)
- We discussed infrastructure master planning with and collected data from U.S. Central Command (CENTCOM).

Preliminary Observations

4

Background



- Senate Appropriations Committee expressed concern about the use of military construction budget authority for projects at bases that may soon be obsolete due to changes being considered in overseas presence and basing.
- The conference report accompanying the fiscal year 2004 military construction appropriation bill directed the Department of Defense (DOD) to prepare detailed comprehensive master plans for changing infrastructure requirements for U.S. military facilities within each of its overseas regional commands.
- In addition, the conference report directed DOD to provide a base report with the fiscal year 2006 military construction budget submission with annual updates on the status of master plans and their implementation with each of the military construction budget submissions for fiscal years 2006-2009.

Preliminary Observations

5

Definitions



- **Master Plans:** As defined in Senate Report 108-82, master plans should include, at a minimum,
 - precise facility requirements,
 - status of property being returned to host nations,
 - funding requirements, and
 - division of responsibilities between the United States and host nations.
- **Burden-sharing:** Amount and type of contributions from host nations to assist with changing infrastructure requirements.
 - **Direct:** Payments of certain U.S. stationing costs by a host nation (e.g., cash).
 - **Indirect:** Cost deferrals or waivers of taxes, fees, rents and other charges, such as forgone revenues (e.g., rent-free, various tax exemptions, and reduced-cost services).
 - **Payment-in-Kind:** Host nation-funded construction, logistics, and labor support.

Definitions (cont.)



- **Associated Costs:** U.S. funding requirements to implement master plans.
- **Environmental Remediation:** Actions taken to remove or lower an environmental soil or ground water contamination to levels below a certain threat level.
- **Residual Value:** Negotiated dollar value of U.S.-constructed or –improved facilities that are returned to host nations for their use or disposal.

Results in Brief



- **Master plans:** Commands we reviewed have not prepared master plans as defined by Senate Report 108-82; however, planning efforts are underway.
 - Office of the Secretary of Defense (OSD) developing guidance including template to ensure consistent master plans. Until OSD issues guidance, commands developing plans for enduring bases.
 - Master plans dependent upon outcome of Integrated Global Presence & Basing Strategy.
- **Associated costs:** Level of U.S. funding required will vary depending upon host-nation support.
- **Burden-sharing:** Contributions from Japan and Korea exceed what countries within EUCOM or CENTCOM contribute.
- **Property returns:** Significant property returns pending for Korea, Japan, and EUCOM.
- **Environmental remediation:** Ongoing issue within EUCOM; increasingly becoming a concern in Korea and Japan.
- **Residual value:** Issue within EUCOM; not Korea, Japan (host nation funds relocation).

Part I: Master Plans Implementation Status



- Neither USFK, PACOM, EUCOM, nor CENTCOM have prepared comprehensive master plans as defined by Senate Report 108-82; however, numerous planning efforts are underway (additional details provided in part II).
 - OSD has developed preliminary guidance for comprehensive master plans, which will include a template to ensure all overseas combatant commands provide consistent master plans.
 - Until OSD guidance is issued, commands are developing plans for enduring bases (i.e., bases the commands believe will remain in the master plans on a long-term basis).
 - Master plans are dependent upon the outcome of DOD's Integrated Global Presence & Basing Strategy scheduled to be completed by the end 2004.

Part I: Master Plans Associated Costs



- U.S. costs associated with ongoing and planned infrastructure changes are funded in various ways, such as with military construction, including exercise-related construction, operation and maintenance, and nonappropriated funding (e.g., Army and Air Force Exchange Service (AAFES)). Other sources of funding may include Department of Defense Dependents Schools, Medical Command, Defense Logistics Agency, and Defense Commissary Agency.
- For example
 - **Korea:** U.S. expects to fund a limited portion out of military construction funds.
 - **Japan:** Little or no U.S. military construction funds needed in Japan.
 - **EUCOM:** U.S. funds majority of costs from military construction and exercise-related funding.
 - **CENTCOM:** U.S. funds costs from ongoing Operations Iraqi and Enduring Freedom contingency operation funds.

Part I: Master Plans

Burden-sharing Implications



- The burden-sharing contributions from Japan and Korea exceed what countries within the EUCOM or CENTCOM area of responsibility contribute. For example, Japan and Korea contributed about 73 percent of the total host-nation support for U.S. military personnel stationed overseas in 2001 (most recent data available) as reported in DOD's July 2003 *Report on Allied Contributions to the Common Defense*. NATO allies within the EUCOM area of responsibility and countries within the CENTCOM area of responsibility contributed about 21 percent and 6 percent, respectively, of total burden-sharing contributions worldwide for 2001.
- For example
 - **Korea:** According to USFK officials, Special Measures Agreement provides logistics, labor support, and host nation-funded construction (valued at \$593 million in fiscal year 2004). In addition, the United States expects Korea to provide funds to replace facilities and land pending Korean National Assembly vote in June 2004 on amended Land Partnership Plan and Yongsan Relocation.
 - **Japan:** According to PACOM officials, Special Measures Agreement provides financial support for labor, utilities, and training relocation. Japan's Facilities Improvement Program provides in-kind construction support. Government of Japan funds facilities realignment under *The Special Action Committee on Okinawa Final Report*.

Part I: Master Plans Burden-sharing Implications (cont.)



- **EUCOM:** Many European countries provide various types of host-nation support; however, as reported in DOD's July 2003 *Report on Allied Contributions to the Common Defense*, Germany and Italy have been the largest contributing European nations, providing support valued at \$862 million and \$324 million for calendar year 2001, respectively.
 - NATO Security Investment Program provides construction funds to support approved NATO military commander's requirements.
- **CENTCOM:** United Arab Emirates, Qatar, and Kuwait currently provide or have agreed to provide \$534 million in support of U.S. facilities for fiscal year 1999 through the second quarter of fiscal year 2004. According to CENTCOM officials, the Kingdom of Saudi Arabia provided facility and assistance-in-kind support prior to fiscal year 1999.

Part I: Returned Property

Property Returned



- Significant property returns pending for Korea, Japan, and EUCOM.
- Property returns planned or underway:
 - **Korea:** Planned consolidation of 41 major installations down to 10 (3-acre taxi annex in Seoul returned and sold by Republic of Korea government for \$40 million).
 - **Japan:** Ongoing return of 12,361 acres in Okinawa from various Army and Marine Corps camps and training areas under *The Special Action Committee on Okinawa Final Report*.
 - **EUCOM:** Return of facilities planned under Efficient Basing Grafenwöhr—U.S. Army Europe planned consolidation of about 13 locations throughout Germany to Grafenwöhr.
 - NATO Security Investment Program-funded properties are handled by NATO and the host nation.

Part I: Returned Property Environmental Remediation



- In Korea and Japan, environmental remediation has become an issue in recent years.
 - Status of Forces Agreements in Korea and Japan provide procedures for the return of land, including provisions for environmental issues.
- Environmental remediation has been an ongoing issue with countries within the EUCOM area of responsibility.
- DOD Instruction 4715.8 directs the components, subject to the availability of funds, to remediate property designated for return or returned to host nations if
 - The environmental damage poses “known imminent and substantial endangerments to human health and safety.”
 - There is a specific requirement by international agreement.

Part I: Returned Property Environmental Remediation (cont.)



- Overseas commands' remediation experience varies by country:
 - **Korea:** Environmental issues of increasing concern.
 - The United States and Republic of Korea recently set procedures for addressing environmental remediation.
 - Korea is updating its Environmental Governing Standards.
 - **Japan:** Environmental issues of increasing concern.
 - Polychlorinated biphenyl problems.
 - AAFES gasoline leak.
 - **EUCOM:** Environmental remediation has been an issue since the United States began returning property in early 1990s.
 - **Germany:** Current estimate to clean up German sites in future is \$90.1 million.

Part I: Returned Property Residual Value



- Residual value varies by Status of Forces Agreements and other agreements between the U.S. and host nations.
- Since the early 1990s, EUCOM has recouped approximately \$175 million from 9 European countries and returned it to the U.S. Treasury.
 - The United States can seek residual value for properties returned based on international agreements with each host nation (i.e., bilateral agreements, supplementary agreements, etc.).
 - Residual value depends on the reuse of the returned properties (e.g., family housing will more likely result in residual value than ammunition storage sites).
 - Residual value may be offset by environmental remediation costs.

Part I: Returned Property Residual Value (cont.)



- Within EUCOM:
 - Interim settlement for Frankfurt Hospital, Bitburg and Sembach air bases, and multiple small sites in Germany.
 - Negotiations underway for 36 installations in Germany, Herndon Housing in the United Kingdom, multiple radar sites in Turkey, and Hellenikon and Iraklion air bases in Greece.
 - **Germany:** Negotiations take about 4-8 years in order for the German government to market and sell a facility.
 - **Italy:** Bilateral agreement states that if the Government of Italy reuses returned property within 3 years, the United States may reopen residual value negotiations.
- **CENTCOM:** U.S. compensation for residual value of returned properties within CENTCOM's area of responsibility varies based on negotiated country agreements (e.g., 6 countries allow residual value negotiations while 9 countries have no residual value agreement or provision). Also, some Central Asian states of the former Soviet Republic have signed Partnership for Peace agreements that may address claims of residual value.

Part II: Overseas Regional Commands

U.S. Forces Korea



- **Master Plan:** No comprehensive master plan as defined by Senate Report 108-82; however, there are various limited master planning efforts underway for enduring bases.
- **Associated Costs:** Planned U.S.-funded military construction for enduring bases Army—\$40 million (fiscal year 2004), \$108 million (fiscal year 2006), and \$64 million (fiscal year 2007).
- **Burden-sharing Implications:** Republic of Korea estimated contributions valued at over \$4.7 billion (combination of cash and payment-in-kind) during fiscal years 2004 through 2008.
- **Property Returns to Host Nation:** Plan to reduce major installations from 41 down to 10 assuming revision of Land Partnership Plan based on the Future of the Alliance talks.
- **Environmental Remediation Issues:** Status of Forces Agreement provides procedures for returning land including provisions for environmental issues.
- **Residual Value:** Not applicable.

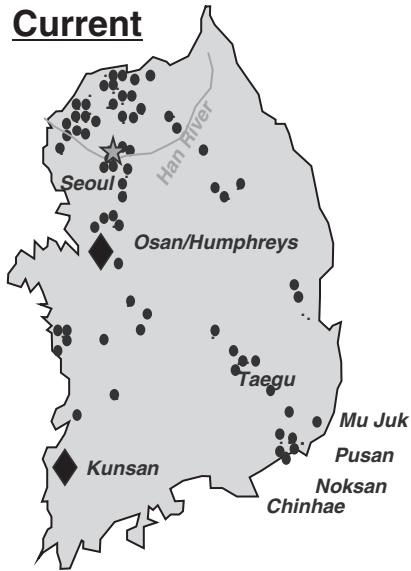
Preliminary Observations

18

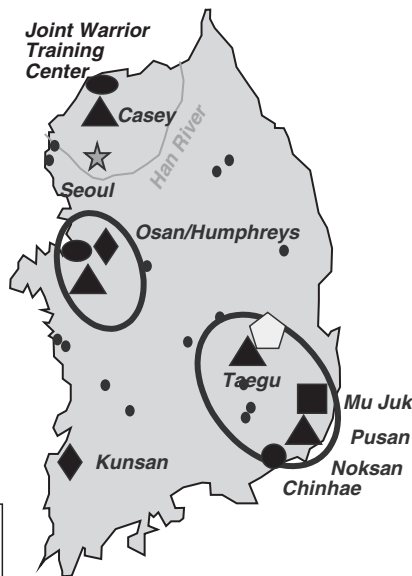


Part II: USFK Alignments

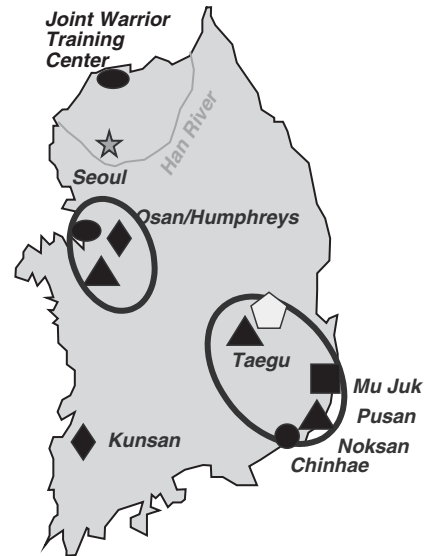
Current



Interim ~2005



Future ~2008



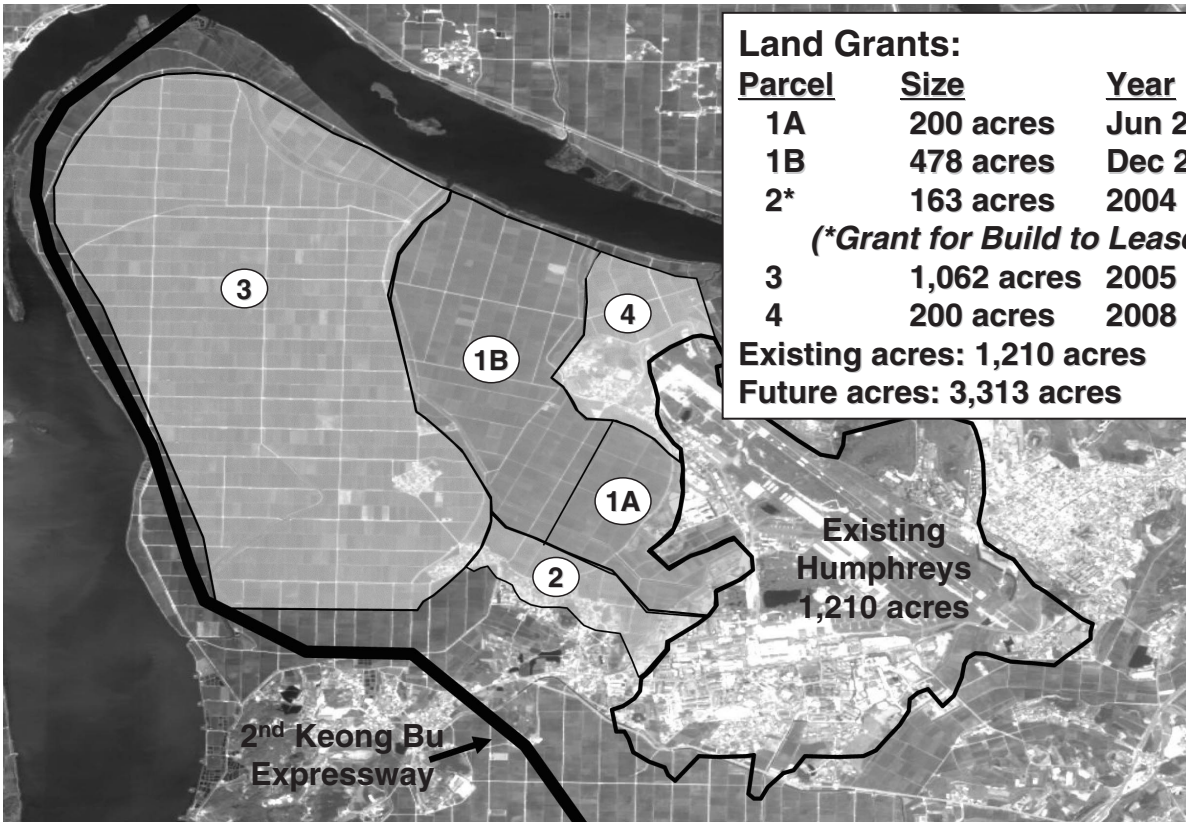
LEGEND

- | | | | |
|---|-------------------------|---|-----------|
| ● | Current installations | ▲ | Army |
| ● | Joint Headquarters | ● | Navy |
| ◊ | Prepositioned equipment | ◆ | Air Force |
| | | ■ | Marines |

Source: USFK.

Preliminary Observations

Part II: Camp Humphreys Land Grants (2004-2008)

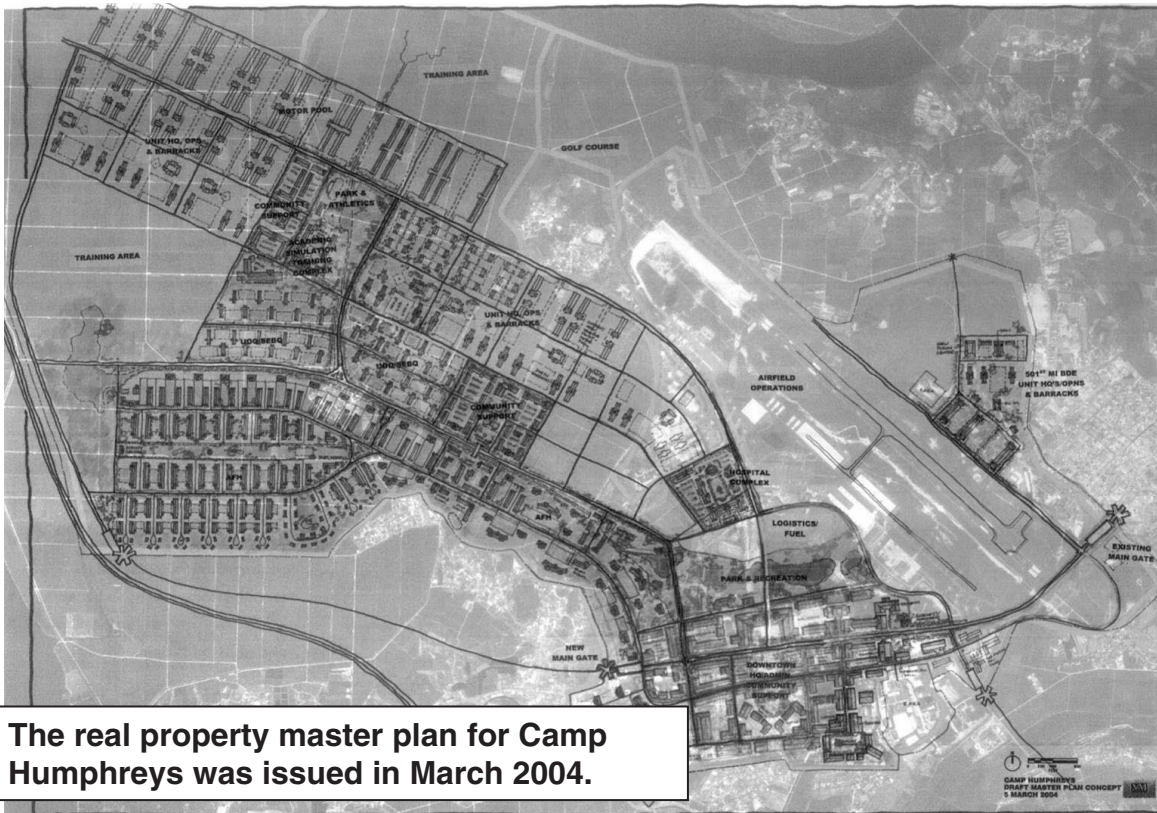


Source: USFK.

Preliminary Observations

20

Part II: Concept Master Plan for 2nd Infantry Division—Relocation to Camp Humphreys

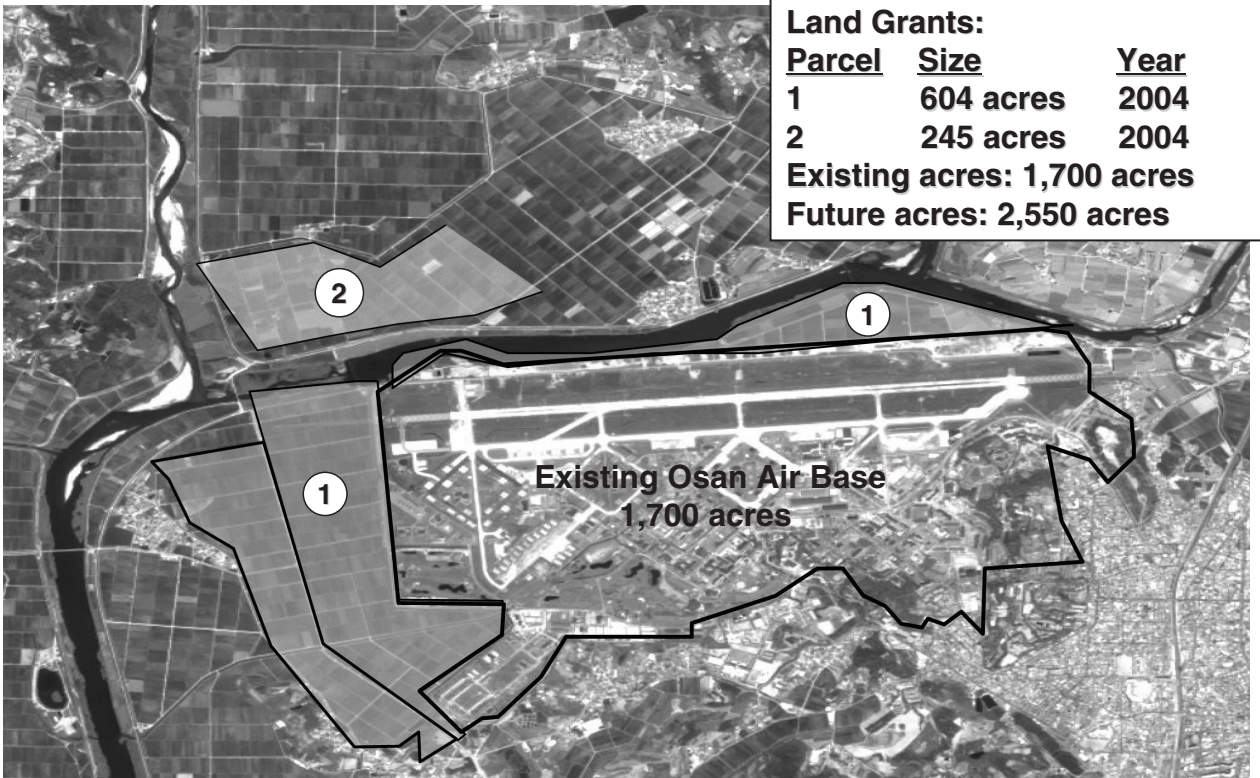


Source: USFK.

Preliminary Observations

21

Part II: Osan Air Force Base



Source: USFK.

Preliminary Observations

22

Part II: Overseas Regional Commands

U.S. Forces Japan



- **Master Plan:** No comprehensive master plan as defined by Senate Report 108-82; however, component commands have ongoing planning efforts for enduring bases.
- **Associated Costs:** Not applicable.
- **Burden-sharing Implications:** Total host-nation support valued at \$3.7 billion (projected fiscal year 2004), Japan Facilities Improvement Program to U.S. Forces Japan—expected to decrease to about \$650 million per year, in comparison to an average \$744 million from fiscal years 2000-2004.
- **Property Returns to Host Nation:** *The Special Action Committee on Okinawa Final Report* reduces U.S. land use 21 percent or 12,361 acres.
- **Environmental Remediation Issues:** More stringent environmental laws, updating Environmental Governmental Standards, polychlorinated biphenyl problems, and AAFES gas leak.
- **Residual Value:** Not applicable.

Part II: Special Action Committee on Okinawa (SACO)



SENAHA COMMUNICATIONS SITE
(Relocate to Torii Station)

SOBE COMMUNICATIONS SITE
(Relocate to Camp Hansen)

YOMITAN AUX AIRFIELD
(Relocate to Ie Jima)

CAMP KUWAE
(Relocate to Camp Zukeran)

FUTENMA
(Relocate off Camp Schwab)

MAKIMINATO SERVICE AREA
(Partial release)

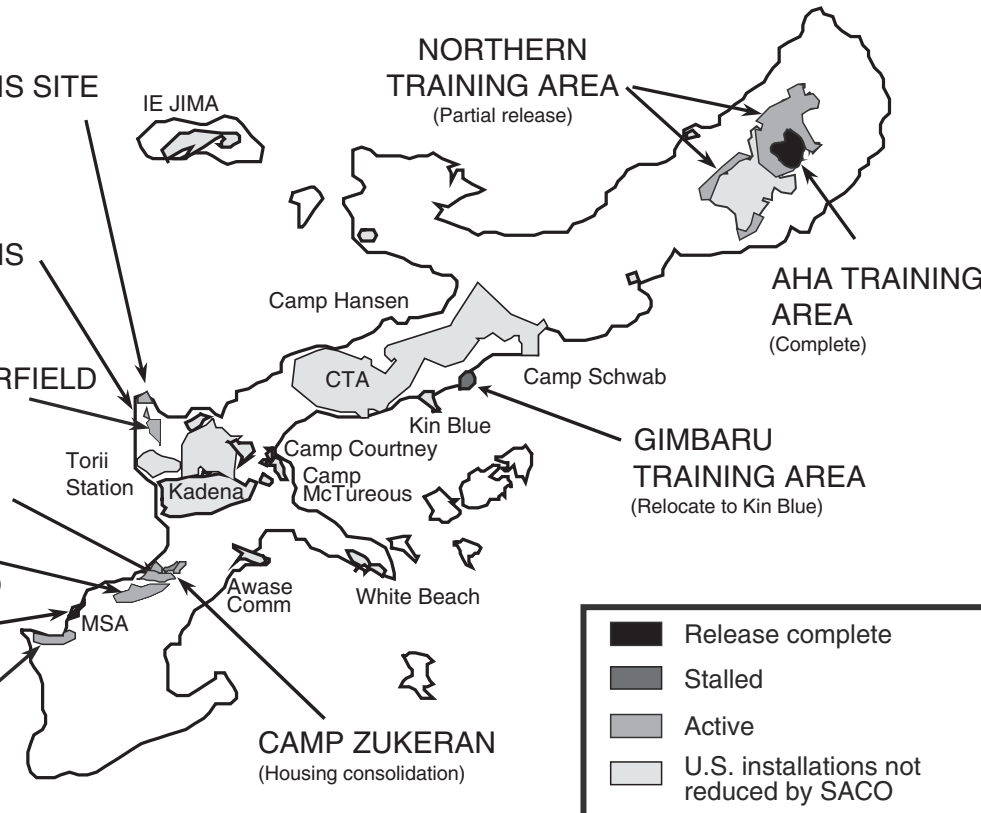
NAHA PORT
(Relocate off MSA)

NORTHERN TRAINING AREA
(Partial release)

AHA TRAINING AREA
(Complete)

GIMBARU TRAINING AREA
(Relocate to Kin Blue)

CAMP ZUKERAN
(Housing consolidation)



Source: Pacific Command.

Preliminary Observations

24

Part II: Overseas Regional Commands

European Command



- **Master Plan:** No comprehensive master plan as defined by Senate Report 108-82; however, component commands have ongoing planning efforts for enduring bases.
- **Associated Costs:** Fiscal year 2004 military construction projects total \$458.3 million and include 30 projects from various services and agencies, as well as the Army initiative—Efficient Basing Grafenwöhr.
- **Burden-sharing Implications:** The level of support during calendar year 2002 is valued at \$1.56 billion, with Germany and Italy contributing the majority (valued at \$861.6 million and \$324 million, respectively). Of Germany's contribution, \$365.3 million was payment-in-kind for military construction projects at a number of U.S. facilities, including Ramstein, Mannheim, Baumholder, Stuttgart. Future burden-sharing is undetermined.
- **Property Returns to Host Nation:** Under the Efficient Basing Grafenwöhr initiative, 13 locations have already been marked for return, time frame pending full funding of relocation.
- **Environmental Remediation Issues:** Services remediate sites to meet appropriate bilateral or supplementary agreement requirements or DOD policy (4715.8). Estimate to clean German sites in future is \$90.1 million.
- **Residual Value:** Approximately \$175 million has been recouped in cash from 9 countries since the early 1990s.

Part II: Overseas Regional Commands European Command Efficient Basing Grafenwöhr



- Efficient Basing Grafenwöhr
 - Army to consolidate 3,500 soldiers and dependents from 13 locations in Germany to a single location at Grafenwöhr.
 - Locations due to consolidate are in and around the cities of Friedberg and Giessen:
 - Friedberg: Alvin York Village Family Housing, McArthur Place Family Housing, Roman Way Village Family Housing, Schloss Kaserne, Friedberg Training & Storage Area, Ray Barracks Troop Support.
 - Giessen: Butbach Training & Range Area, George Gershwin Family Housing, George C. Marshall Village Family Housing, Community Support Giessen, John F. Dulles Village Family Housing, Pendleton Barracks, Giessen General Depot (partial).

Consolidation Site Grafenwöhr, Germany



Source: GAO and CIA.

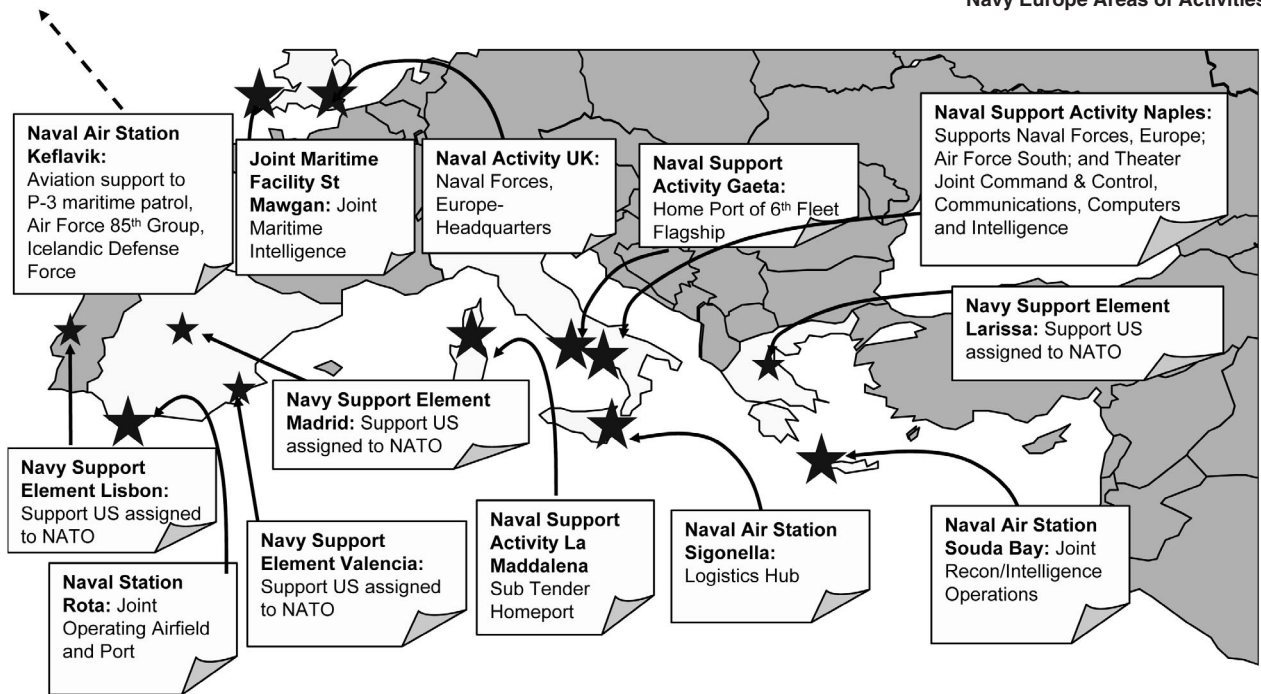
Preliminary Observations

26

Part II: Overseas Regional Commands European Command Current Navy Locations



Navy Europe Areas of Activities



Source: U.S. Navy Europe.

Preliminary Observations

Part II: Overseas Regional Commands European Command Air Force Transition



- At the request of the Government of Germany, Air Force agreed to move its air base from the Rhein-Main airport to Ramstein Air Base.
- During two phases, approximately \$487.5 million in construction has been realized in lieu of cash recoveries via payment-in-kind or quid pro quo arrangements:
 - In 1993 Rhein-Main Ramstein Air Base Benefit funded a partial pullout from the airport—\$62.5 million.
 - In 1999 a full pullout was negotiated resulting in funding to replicate Rhein-Main and Spangdahlem Air Base Strategic Capabilities—\$425 million.

Rhein-Main Air Base Move to Ramstein Air Force Base



Source: GAO and CIA.

Preliminary Observations

28

Part II: Overseas Regional Commands

Central Command



- **Master Plan:** No comprehensive master plan as defined by Senate Report 108-82; however, component commands have submitted contingency construction requirements in support of ongoing operations.
- **Associated Costs:** \$531 million for contingency construction requirements. **Burden-sharing Implications:** United Arab Emirates, Qatar, and Kuwait have agreed or currently provide support valued at over \$534 million from fiscal year 1999 through second quarter fiscal year 2004 for U.S. facility requirements (Air Force—valued at \$301 million, Army—valued at \$213 million, and Navy—valued at \$20 million). According to CENTCOM officials, the Kingdom of Saudi Arabia provided support prior to fiscal year 1999 with facility and assistance-in-kind.
- **Property Returns to Host Nations:** Once DOD approves CENTCOM's basing strategy, CENTCOM can identify the number of installations to be returned to host nations.
- **Environmental Remediation Issues:** Not available.
- **Residual Value:** Varies by country; 6 countries have agreements to allow negotiations for residual value; 9 countries have no agreements or provisions to negotiate residual value for returned properties. Some of the former Soviet Republic Central Asian states of Kyrgyzstan, Kazakhstan, Turkmenistan, Uzbekistan, and Tajikistan have signed or ratified Partnership for Peace agreements and other agreements with the United States. Some of these agreements may address claims of residual value; others may not.

Part II: Overseas Regional Commands

Special Operations Command



- **Master Plan:** SOCOM has not prepared a master plan. SOCOM plans support geographic combatant commanders and funds only special operations forces specific facilities (e.g., hangers for special operations forces aircraft and training ranges).
- **Associated Costs:** Integrated Global Presence & Basing Strategy may result in some repositioning of SOCOM forces. According to SOCOM officials, the current military construction budget of \$80 million would not be sufficient for such repositioning of forces.
- **Burden-sharing Implications:** Base executive agents (military services) will handle these issues. SOCOM is a tenant and does not own facilities.
- **Property Returns to Host Nations:** Base executive agent will handle these issues.
- **Environmental Remediation Issues:** Base executive agent will handle these issues. According to OSD officials, in some cases, executive agents have been appointed for property returns as well as environmental issues and are not always the same service that is responsible for base operations.
- **Residual Value:** Base executive agent will negotiate residual value.

Appendix II: Comments from the Department of Defense



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

JUN 28 2004

Mr. Barry W. Holman
Director, Defense Capabilities and Management
United States General Accounting Office
Washington, DC 20548

Dear Mr. Holman:

Enclosed is the Department of Defense (DoD) response to the GAO draft report, DEFENSE INFRASTRUCTURE: Factors Affecting U.S. Infrastructure Costs Overseas and the Development of Comprehensive Master Plans," May 14, 2004 (GAO Code 350457/GAO-04-609).

Enclosed is the Department's specific response to the recommendation of the draft GAO report. Technical comments were provided in a separate submission to the GAO staff to incorporate into the final report. Thank you for the opportunity to provide comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip W. Grone".

Philip W. Grone
Principal Assistant Deputy Under Secretary of Defense
(Installations & Environment)

Enclosure:
As stated



GAO CODE 350457/GAO-04-609

“DEFENSE INFRASTRUCTURE: Factors Affecting U.S. Infrastructure
Costs Overseas and the Development of Comprehensive Master Plans”

DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATION

RECOMMENDATION: The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics to require that overseas regional commanders include assessments of residual property values, environmental restoration or remediation issues, and multiple U.S. funding sources available to support infrastructure changes in their plans. (Page 25/Draft Report)

DoD RESPONSE: Partially concur.

- a. Nonconcur that future comprehensive master plans should include residual value as an assessment factor. Residual value is recouped through intensive negotiations over several years, and is highly dependant on outside factors such as the current market, politics, and economy of the host nation. Thus, it cannot be effectively predicted and should not be assumed. Any estimate provided would simply be a guess, would paint a false picture of any presumed benefit, and would not constitute prudent fiscal planning.
- b. Concur that future comprehensive master plans should contain environmental issues in accordance with the requirements of the Status of Forces Agreements with the countries involved. The U.S. has always recognized its environmental responsibilities, and these can be identified in the master plans. However, plans should be careful about definitions, responsibilities, and costs.
- c. Nonconcur that future comprehensive master plans should include multiple funding sources.
 - There are strict rules governing use of the different funding sources, and the implication they can be used at each military site is erroneous. For example, exercise related construction can only be used at locations where a sanctioned Joint Chiefs of Staff exercise occurs.
 - For certain types of construction in contingency situations, Operations and Maintenance funds may be used. These requirements may be immediate in nature, and would not arise during advance planning. Consequently, the projects would not appear on a master plan.
 - Funding sources would not be identified for projects below MILCON funding thresholds, as the source may depend on funding availability at the time the project is ready to start. Alternate funding sources are considered when the funding is not available from the requested source, and the project is urgently needed. Host Nation agreements and treaties can also affect the source of funds and their availability/timing.

GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, JarmonG@gao.gov (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, D.C. 20548

Public Affairs

Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, D.C. 20548

**United States
Government Accountability Office
Washington, D.C. 20548-0001**

**Presorted Standard
Postage & Fees Paid
GAO
Permit No. GI00**

**Official Business
Penalty for Private Use \$300**

Address Service Requested

