

**HOUSE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS,
AND INTERNATIONAL RELATIONS**

Christopher Shays, Chairman
Dennis Kucinich, Ranking Member

TESTIMONY OF

MAJOR GENERAL (RET.) CHARLES E. WILLIAMS

Director and Chief Operating Officer
Overseas Buildings Operations Bureau
United States Department of State

on

**THE PRESIDENT'S MANAGEMENT AGENDA:
RIGHTSIZING U.S. PRESENCE ABROAD**

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Room 2154
Rayburn House Office Building

Thank you Mr. Chairman and Members of the Subcommittee, for this opportunity to discuss with you the role of the Overseas Buildings Operations Bureau (OBO) in implementing the President's Management Agenda directive on rightsizing the U.S. presence abroad.

OBO's mission, reshaped by the 1998 bombings of the U.S. Embassies in Dar Es Salaam and Nairobi, and reinforced by the events of 9/11, is to accelerate the construction of new facilities that can satisfy the Department's stringent security standards and provide our diplomatic personnel safe, secure, and functional office and residential environments. Rightsizing the U.S. presence overseas will help OBO ensure that we have the right facilities in the right places to conduct an effective U.S. foreign policy.

As you know, Congress and the Executive Branch have identified OBO in the Department of State as the single property manager for diplomatic, consular, and other related civilian support properties of the United States Government overseas.¹ I want to again thank the Congress for its recent efforts to reinforce OBO's role as the single real property manager, as recommended by the GAO, both in the Foreign Relations Authorization Act in the 107th Congress and in the Omnibus Appropriations Act in the 108th Congress.² Managing the U.S. Government's overseas properties is a delicate and complex set of responsibilities, involving properties with a value of approximately \$12

¹ GAO Report, entitled Current Law Limits the State Department's Authority to Manage Certain Overseas Properties Cost Effectively, July 11, 2002, lays out the origins of this arrangement, from Congressional Report language, to OMB direction, to Department guidance documents. See page 2 of the Report.

² Section 213 of the Foreign Relations Authorization Act, 2003, Pub. L. 107-228, reversed section 738 of the USDA Appropriations Act, which conflicted with the Department of State's role as the single real property manager. GAO Report GAO-02-790R had included in its recommendations, "Congress may wish to consider repealing section 738." More recently, section 215 of the Omnibus Appropriations Act, Pub. L. 108-7, modified an earlier appropriations act (Section 220, Pub. L. 106-554 App. A) that gave the Centers for Disease Control independent authority to lease real property overseas, restoring that authority to the Secretary of State.

billion, and the centralization of this function in the Department of State allows for professional, business-like management of these assets.

When I joined Secretary Powell's transition team in December of 2000 to evaluate the Department's overseas facilities status and program, I reviewed the Inman Report, the Crowe Report, the Overseas Presence Advisory Panel (OPAP) Report, and various GAO reports on the challenges facing our government in providing secure, safe, functional facilities from which to conduct our foreign policy mission. The OPAP Report stated flatly that "The condition of U.S. posts and missions abroad is unacceptable. . . . [I]nsecure and often decrepit facilities . . . threaten to cripple our nation's overseas capability." And GAO reported in January 2001 that "The need to adequately protect employees and their families from threatened terrorist attacks overseas may very well be the single most important management issue facing the State Department."

Our Government currently employs almost 60,000 people, representing over 30 agencies, at over 260 overseas posts. The Diplomatic Security Bureau of the Department has concluded that at least 160 of those posts do not meet current security standards and should be replaced with new embassy compounds. Yet our Government was building new embassies at the rate of about one a year – a "business as usual" approach that could never catch up to the needs identified by OPAP and GAO. Inadequate funding was defended in part on the ground that the Department did not have the capacity to build more rapidly even if it were given the funds.

Secretary Powell persuaded me to take on the task of reshaping the Department's overseas buildings operations so it could handle the task that needed to be done. With strong support and encouragement from Secretary Powell, I instituted significant

organizational and management reforms in the structure and operations of what is now OBO. Over the last two years, we have already seen significant successes in cutting costs, putting in place standard designs and an integrated design review process, and reducing the construction period for new embassies through a “fast track” process. Congress has rewarded OBO with increased support and flexibility to carry out our mission, for which we are very thankful. In Fiscal Year 2002 we demonstrated the capacity to manage \$1.8 billion. The capacity-building task is not complete, and I am determined to continue working to improve our operations.

Let me briefly address the reforms I have instituted with respect to managing the process of constructing secure new diplomatic facilities and improving security at existing facilities, so the Committee can see why I believe OBO is now capable of handling the tasks that need to be done.

Restructuring OBO. My first order of business as Director and Chief Operating Officer of OBO was to take advantage of its elevation to Bureau status as the occasion for a comprehensive reorganization. The new organizational structure reflects the life cycle of our properties: Planning and Development, Project Execution, Operations and Maintenance, and Real Estate and Property Management.

Equally fundamental is a new organizational philosophy: every employee at OBO must be accountable, just as the organization as a whole must be held accountable for performance, and both senior management and staff must focus on results, not just business as usual.

To this end I have put in place performance measures and a number of specific management tools that improve OBO’s ability to accomplish its mission:

- We set up a systematic process to gather the most accurate information possible about long-term staffing plans not only of the Department of State, but also of other agencies and departments, including Treasury, Justice, and Defense, who occupy many of the Department's facilities.
- We prepared and published a Long-Range Overseas Buildings Plan to establish construction priorities among posts, based on a weighing of security risks and practical capability to execute projects. The LROBP sets out in detail how the Department will address its many competing facilities requirements over the next six years, and it is the linchpin to State's Overseas Buildings Operations. The first Plan, prepared in July 2001 and revised in April 2002, encompasses 72 security capital projects estimated at more than \$6.2 billion, 9 other regular capital projects totaling \$1.6 billion, 70 major rehabilitation projects estimated at \$436 million, general maintenance and repair needs of over \$500 million, and real estate acquisitions and disposals. The first annual revision and update is in the process of being finalized.
- We established an Industry Advisory Panel to take advantage of industry expertise and best practices.
- We chartered an Interagency Facilities Committee, which met for the first time in July, 2002 and will meet quarterly, to provide a forum for all agencies that occupy Department facilities overseas to discuss their needs and concerns.
- We have adopted a holistic, business-case approach to evaluating real property acquisition, lease-purchase, management, and disposal decisions.

- We use Standard Embassy Designs for the first time in the Department's history, and modular construction where appropriate, both of which can improve quality, reduce costs, and shorten design and construction duration.
- We conduct Integrated Design Reviews and interagency coordination to ensure that our designs will meet applicable health, safety, security, and functional standards and serve the needs of all of the agencies that will be using the facilities.
- We have put in place the first completely secure system for handling sensitive documents with designers and contractors.
- I personally conduct monthly accountability and performance reviews of every OBO Division and project.

Getting Results. These changes have produced results. OBO's increased capacity has gone hand-in-hand with a dramatic increase in funding requested by the Administration and appropriated by Congress. As a result, OBO is currently planning and executing new facilities on a larger scale than the Department has ever managed before. As of today, OBO has 22 New Embassy Compound (NEC) projects underway, involving \$1.5 billion, and we intend to obligate funds for another 9 NEC projects involving \$883 million in Fiscal Year 2003.

Over the course of 2003, OBO expects to break ground for New Embassy Compounds in Abuja, Nigeria; Beijing, China; Cape Town, South Africa; Conakry, Guinea; Dushanbe, Tajikistan; Kabul, Afghanistan; Phnom Penh, Cambodia; Tashkent, Uzbekistan; Tbilisi, Georgia; and Yaounde, Cameroon.

I am even more pleased to say that we will be cutting ribbons to open New Embassy/Consulate Compounds in Istanbul, Turkey, and Zagreb, Croatia. Last month Under Secretary Grant Green and I had the pleasure of presiding over the dedication of our New Embassy Compounds in Nairobi, Kenya and Dar Es Salaam, Tanzania, replacing the embassies that were destroyed in 1998.

I want to assure you that all of these new facilities are secure, safe, functional, and aesthetically appropriate to their surroundings. They will provide excellent diplomatic platforms for the execution of U.S. foreign policy for decades to come.

In addition, we have 68 major rehabilitation projects underway and expect to initiate another 42 such projects with Fiscal Year 2003 funds, for a total of \$576 million in rehabilitation and security upgrade projects in process. I believe that OBO has the capacity to manage \$1.8 billion in NEC projects on an annual basis.

Frankfurt Regional Center. One particularly successful FY 2002 project was the acquisition of the former 469th Contingency Hospital in Frankfurt, Germany, referred to as Creekbed, for use as a regional center and Consulate General offices. When completed, this 23-acre complex of buildings will provide secure, consolidated office facilities for over 800 U.S. and FSN employees of the Consulate, including the U.S. personnel who will shortly lose their facilities at the Rhein Main base. The Creekbed site will also provide space for over 40 State and regional law enforcement personnel who will be relocated from Berlin when the New Embassy Building opens at Pariser Platz. Finally, it will facilitate the relocation of a small number of regional activities from Paris and Abidjan.

The U.S. Government currently operates out of six locations in Frankfurt, the Department's primary regional operations center in Europe. None of these facilities meets current security standards. The Department's European Bureau has identified the primary regional activities as the Regional Procurement and Support Office (RPSO), the Regional Support Center (RSC), 40 Diplomatic Couriers, 88 State regional communications and security personnel, and 40 FAA/TSA personnel. Acquiring this facility allows projected growth by law enforcement agencies like the U.S. Secret Service and U.S. Customs Service, now part of the Department of Homeland Security, at a single location, avoiding a further scattering of U.S. activities in Europe.

The provision of these facilities is being accomplished at a cost to the taxpayer that OBO estimates is about a quarter of the cost of comparable new facilities. While Creekbed was a unique opportunity that is unlikely to be replicated anywhere else in the world, its timely acquisition is a measure of the current State Department's determination to manage its resources in the most efficient manner possible.

Incentives for Rightsizing. Rightsizing the U.S. presence overseas is a vital precondition for the achievement of OBO's mission. Our goal is to build facilities of the right size and configuration in the right locations, and accomplishing that objective requires that the Government make thoughtful decisions about what level of staffing should be located at each post. This need is particularly important at those posts where the Department is scheduled to construct New Embassy Compounds, which will be designed to serve U.S. Government needs for the next half-century.

Over the last two years the Department has made substantial efforts to develop accurate information about projected staffing levels for all agencies from posts where NECs are scheduled. Unfortunately, as the GAO Report indicates, post personnel do not always recognize the significance of the projections they are asked to assemble. To address this gap, the Department is developing a formal guide for Chiefs of Mission and Country Teams on the process for developing their projections, which we will share with other agency headquarters. The guide will emphasize that thorough consultation among all U.S. agencies is an essential element in planning for an NEC. As GAO acknowledges, however, projecting staffing levels five to seven years in the future is difficult at best. Even the most carefully constructed estimate can become obsolete in the face of changing international circumstances and emerging policy priorities. Two recent examples are the new requirements of the Homeland Security Department and the additional needs for visa application processing personnel.

Over the past two years we have also become aware of a structural difficulty with asking representatives of other agencies at post to provide staffing projections for out-years. The tendency is for post personnel to base their projections on the assumption that expanded staffing will be funded in a near future budget. The Department of State does not determine the staffing levels other agencies need to perform their missions, but we are taking certain steps to encourage careful, realistic projection of facilities needs at posts where NECs are scheduled:

First, OBO is instituting a new approach to projecting future staffing that we believe is more in line with the existing Federal budgetary realities. In the FY 2005 update of the Department's Long-Range Overseas Buildings Plan, OBO will assume a

staffing baseline of existing levels plus a 10% margin for growth. If the Regional Bureau or another agency believes that building a New Embassy Compound based on that estimate will not provide it with sufficient space to conduct its business, it will be asked to provide a full justification explaining the need for an exception. This justification must include reason to believe that funding and personnel will actually be available, not just that a policy need exists. The agency or Bureau must be prepared to brief the Office of Management and Budget (OMB) and the Congress with regards to staffing increases over the current authorized levels. OBO will ask the agency's headquarters and OMB to verify that the projections are plausible.

Second, over the last two years the Department and OMB have been developing a Capital Security Cost-Sharing Program that will dramatically accelerate our embassy construction program and encourage agencies to right-size their overseas presence. This Program implements the OPAP Report recommendation for a new financing mechanism for embassy construction and supports the President's Management Agenda item on rightsizing. The initiation of this Program was announced in the President's Budget for Fiscal Year 2004, and each agency will begin paying its share in FY2005.

As it is being developed by the Department, the Capital Security Cost-Sharing Program will ensure that all agencies and departments share in the cost of new, secure diplomatic and consular facilities. When fully implemented, it will allocate funding on the basis of each agency's overseas presence in classified and unclassified space. We will seek a Program at the Washington level that will result in minimal administrative burden and controversy over agency shares. This proposed structure for the program reflects the advice we received from the Department's Industry Advisory Panel, which

thoroughly examined various structures and alternatives, and consultations with the OMB and other agencies. The Department and OMB will be consulting further with all affected agencies over the coming months.

In addition to funding the urgent needs for secure facilities, this capital cost-sharing arrangement will encourage each agency to right-size its staffing, by reflecting more closely the true cost of stationing employees overseas and encouraging agencies to think through their overseas staffing requirements annually. The Cost-Sharing charge will apply to all personnel under Chief of Mission authority, other than those granted waivers, whether coming from the U.S. or locally hired. The overall effect on agency budgets could add about 10%-15% to what agencies now report as their total cost of stationing an American U.S. Government employee overseas.

Third, we are contemplating incorporating into the Capital Security Cost-Sharing Program an additional adjustment to address projected staff growth at posts where NECs are being planned. The Cost-Sharing charge allocated to each agency will include in the count all projected positions at those posts where the staffing level has been used as the basis for determining the size, configuration of space, and budget for a New Embassy Compound. Thus, for example, if the FBI, with a staff of 10 at a post slated for an NEC, projects that it will need space for 15 in the NEC, those additional positions will be added to the count of FBI positions overseas when the FBI's cost share is calculated for the next fiscal year, even before the NEC is complete. If it reduces its presence, it will pay less overall. The Department and OMB believe that attaching this financial consequence to the projected level of staffing will encourage all agencies to conduct more careful reviews of projections to assure their feasibility and accuracy.

The combination of administrative reforms in the planning, design, and construction of new embassy compounds and the implementation the cost-sharing program and related rightsizing incentives will go a long way toward implementing recommendations of OPAP and GAO for long term planning and construction of new facilities and for proper operation and maintenance of existing facilities.

I hope this testimony demonstrates the efforts we are making to rationalize and rightsize the overseas presence of the U.S. Government. OBO and the Department are committed to achieving the goal of ensuring that every U. S. Government employee overseas has secure, safe, and functional facilities in which to conduct the foreign policy of the United States. We believe that getting the right size facilities in the right locations is a crucial element in achieving that goal.

Thank you for your interest and attention. I will be happy to address any questions you may have.