

Department of Defense

Military Construction Program



FY2004 BUDGET

*North Atlantic Treaty Organization
Security Investment Program*

January 2003

Justification Data Submitted to Congress

NATO SECURITY INVESTMENT PROGRAM (NSIP)

Budget Estimate Submission for FY 2004 President's Budget

NATO's Roles and Missions:

The United States government, through its representatives at the North Atlantic Treaty Organization (NATO), worked vigorously to reform and revise the infrastructure program. In 1991, in response to the fall of the Berlin Wall and dismantling of the Warsaw Pact, the NATO Secretary General called for a Fundamental Review of the NATO Infrastructure Program with the objective of downsizing, streamlining and updating the program to conform to new security realities. The review culminated in 1993 with the formal adoption of new rules and procedures for the program. The resulting NATO Security Investment Program (NSIP) procedures were carefully recast under extensive United States guidance to: (1) allow our forces to obtain the maximum operational benefit, whether stationed in Europe or transiting to other regions; and (2) to position U.S. contractors to be competitive when bidding on project solicitations.

NATO is a collective security organization of nineteen sovereign nations (in November 2002, NATO invited Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia to join the Alliance; however, they are not yet members). The NATO Security Investment Program and budget decisions are based on consensus decision-making among the member nations. Procedures and project execution decisions are likewise arrived at by consensus. Currently, the military planning staffs of the Supreme Allied Command, Europe, and the Supreme Allied Command, Atlantic, develop all NSIP construction and procurement projects based on prioritized and accepted requirements to support the Alliance's war-fighting capabilities. These projects are bundled in Capability Packages, which NATO military and civilian decision-makers review in detail based on guidance from the member nation's governments.

Continuing U.S. Commitment to NATO:

The U.S. has an abiding national security interest in a stable, integrated European Region. Our political and military presence there fosters the conditions necessary to ensure democratic and market-based institutions take root throughout the region.

The United States' representatives on NSIP decision-making committees at all levels of review and approval are well-aware of United States' interests in achieving a new European security environment in which NATO continues to play a key role, both in its current and future enlarged configuration. NATO resource managers, in coordination with national representatives, will

continue to monitor European security developments and ensure that NATO common budget programs both anticipate and respond to new mission requirements.

Despite the promising developments in Europe since the end of the Cold War, there remain a wide range of other threats to peace and stability in Europe and adjacent regions: dangers posed by global terrorist attacks; nuclear weapons and other weapons of mass destruction; regional conflicts which have surfaced absent the centralized control of the former Soviet Union; hostile governments and political unrest in the Middle East; and various other economic and environmental dangers to U.S. national security interests. The existence of these threats to regional stability and U.S. interests there serves to underscore the need for a continued U.S. political and military presence in Europe, and the need for a robust, proactive North Atlantic Treaty Organization, serving as the essential defense and security organization in Europe. From a strategic standpoint, NATO is the only forum enabling the U.S. and its European Allies to consult and develop common views and solutions to security challenges, not only in Europe, but also on a global scale.

Overall Program Requirements:

General:

NATO Security Investment projects meet Alliance military requirements for a wide range of facilities and capabilities. Projects include effective surveillance and intelligence capabilities, flexible command and control systems (including secure and reliable communications), mobility within and between regions, adequate logistics and transportation support, and the infrastructure to support both forward deployed and reinforcing forces. Humanitarian and peacekeeping initiatives also receive NATO Allied-nation support. In addition, the 1994 NATO Summit identified several new regional initiatives, including the Partnership for Peace Program, the Combined Joint Task Force concept, and the European Security and Defense Identity, which could benefit from (and be eligible for) funding support through this program.

The FY 2004 budget requirement of \$183.7 million supports the U.S. share of the NSIP program, taking account for the changing and continuing threat to peace, the revised NATO funding eligibility criteria, maximum use of existing inventory, and national political and economic realities. This is also considered an adequate funding level to cover restoration and upgrade requirements for existing facilities and systems, recoupments for pre-financed projects, payments for incrementally funded projects, minor works, new requirements, and recurring administrative and other program support costs (audits, cost overruns, and cancellation fees).

NATO Security Investment Program: FY 2004 U.S. Budget Requirements:

Based on the existing cost sharing agreement and budgeted exchange rates, the U.S. cost share for fiscal year 2004 is \$183.7 million. Approximately \$2.8 million of the total fiscal year 2004 program is expected to be available from recoupments of prior year work funded by the U.S. In addition, \$11.6 million from available prior year funds can be used to satisfy FY 2004 requirements. Applying those amounts (\$14.4 million) toward the requirement of \$183.7 million decreases the need for appropriation in fiscal year 2004 by a corresponding amount since these are

an alternate source of funds. The fiscal year 2004 request for new appropriation is therefore \$169.3 million.

The U.S. national contribution to NSIP serves multiple political purposes, allowing the U.S. to play a major leadership role in transatlantic affairs. Our active participation in the NSIP assures the United States of a continuing front-line role in shaping and influencing the collective defense posture of the Alliance, and works produced by the program provide direct, on-the-ground benefits to U.S. military service personnel across the European continent.

Of course, the opposite is also true when the contribution is diminished or constrained. Nowhere has this been more clearly evident than our inability to use NSIP funds to support Partnership for Peace (PfP)-related projects. Both the FY 2001 and FY 2002 Military Construction Appropriations Acts, section 124, bar the U.S. from supporting PfP-related projects with NSIP funds in countries that were part of the former Soviet Union. This prohibition continues to have considerable negative political consequences – proving the practical axiom that without sustained U.S. support and participation in all aspects of NSIP, the U.S. misses opportunities to shape regional stability and influence the development and entrenchment of democratic institutions and market reforms so vital to this area. Similarly, the use of NSIP funding to support enlargement-related projects is a practical expression of our military and political commitment to an expanded alliance and the successful integration of former adversaries into the family of western democracies. Now that the Alliance has agreed to enlargement, the NSIP will play a central role in consolidating NATO's collective defense capability and actualizing NATO's revised Strategic Concept.

Program Priorities and Eligibility Criteria:

In procedures adopted in May 1993, the program's funding criteria for facilities construction and restoration all but eliminates NATO facility funding for the European allies but continues full support for U.S. requirements at European bases. With few exceptions, funding is no longer programmed in any NATO country for the construction, restoration, or upgrade of facilities that are used specifically for that nation's NATO-assigned forces (this applies principally to most European allies and has the practical effect of disqualifying their facility requirements for NATO funding). However, projects will still be funded to support operational facility requirements for those NATO-assigned forces deployed outside of their national borders. As a result, U.S. European facility requirements will continue to be eligible for NATO funding. Also, Stateside facilities for the support of U.S. NATO-assigned reinforcement forces (e.g. embarkation and outload facilities) remain eligible for NATO funding.

Program and Project Approval Procedures:

Under the current programming procedures, U.S. construction requirements are an integral part of the NATO Military Commanders' "Capability Packages." All NSIP project requirements are stated in terms of "Capability Packages," assembled, reviewed and approved by the NATO Military Authorities. The overall NATO priority of specific operational capability packages determines the priority of the individual projects included - both procurement and construction. In the absence of adequate funding levels, lower priority requirements are deferred - both

procurement and construction. In some instances, projects for the restoration and upgrade of existing facilities are funded as “stand alone” projects but are still subject to a NATO priority analysis.

While the capability package process does provide a great deal of insight into specific projects, the Department is unable to guarantee to the Congress that all projects will be executed within a given budget. The budget is prepared 10 months prior to the start of the fiscal year and, additionally, forecast in detail for an additional 12 months. NATO planners must propose projects that meet anticipated operational requirements needed to sustain alliance military capabilities.

The NATO CP procedures allow for emergency submissions in order to address new priorities that arise in response to unexpected threats. For example, if U.S. components feel there is a need for force protection projects as a result of the recent terrorist attacks, such requests may be handled under the NATO CP emergency provisions.

NATO authorities have approved 79 capability packages with an additional 6 formally under review at NATO headquarters, along with numerous addendum and revisions to previously approved CPs. Approved capability packages can be addressed in the following four categories:

- Command and Control. Upgrades to equipment and software for NATO headquarters; replacement/upgrade of maritime communications for both surface and subsurface units; procurement of transportable command and control communications equipment for NATO contingency operations; upgrade and enhancements to hardware and software systems supporting the NATO Nuclear Planning System.
- Replenishment and Supply. Logistics support for NATO deployments and long-term operations, including ammunition and fuel depots; embarkation facilities in the U.S.; and facilities for the reception and staging of reinforcement forces.
- Training and Exercises. Improvements at existing NATO joint training areas, firing ranges, and facilities for computer-assisted training.
- Maritime Surveillance and Amphibious Warfare. Restoration and upgrade of facilities at maritime bases, sea and air embarkation facilities, depot storage, and battle damage repair facilities.

U.S. Requirements:

U.S. forces in Europe have been reduced to approximately 100,000 permanently stationed military personnel and the U.S.-European base structure reduced by 66% from the pre-1990 inventory. These reductions were achieved with full congressional support. The NATO Security Investment Program (NSIP) remains the primary source of funding for several U.S. construction priorities: restoration and upgrade of existing NATO operational facilities at U.S. European Command bases; construction required for new missions and the consolidation of U.S. forces; embarkation facilities under the U.S. Atlantic Command in the United States to support the mobilization and

movement of U.S. NATO-assigned reinforcement forces and equipment; and storage in Italy for Army pre-positioned war reserve materiel.

NATO has approved and funded eighty infrastructure projects, totaling over \$330M, for the bed down of 2 fighter squadrons at Aviano Air Base, Italy. These projects are in various stages of design and construction and include both operational and community support facilities. At Aviano AB, NATO is funding community support facilities (e.g., child care center, dining facilities, post office, youth center, etc.) as a special exception in order to maintain a fighter aircraft presence in the southern region.

Allied agreement to fund the unique U.S. requirements noted above is particularly significant given that the cost share percentage of the European nations has not changed. However, under the new criteria, the allies must now shoulder the bulk of the costs of NATO-required construction and facility restoration within their own borders, while NATO support for U.S. facility requirements in Europe remains unchanged. The shift in the principal focus of the program to NATO-wide requirements such as command and control, communications, management information equipment and associated software, and other advanced technology also continues to favor U.S. companies who have been highly successful in winning competitive NATO bids.

NATO approved and is funding a number of projects providing for defensive air assets in NATO's central region (roughly \$131 million in restoration projects at Ramstein and Spangdahlem Air Bases). The projects are currently in various stages of implementation. In addition, almost \$70 million in NATO funding is planned for 36 projects at Incirlik Air Base, Turkey, to support air immediate reaction forces for conflict prevention. Projects costing about \$32 million are planned at RAF Fairford, UK including aircraft parking ramps, squadron operations facility, roads and ammunition storage facilities. These projects are in addition to the \$147 million airfield reconstruction effort already in progress at RAF Fairford, making it the premier bomber bed down location in the European theater.

Thus far, the U.S. has received NATO infrastructure Allied-nation support of about \$381 million for its humanitarian and peacekeeping initiatives in Kosovo and Bosnia. Much of this has funded supply routes, communications systems, and force protection.

In addition to U.S. specific requirements, there are a number of theater-wide and common-use systems and facilities in which the U.S. has a vested interest and must be maintained and upgraded. These facilities are essential for the conduct of military operations and political consultations. U.S. forces, as well as other allied units and the NATO command structure are dependent on the availability of properly functioning systems and facilities with:

- Secure and reliable communications networks linking NATO static and mobile command centers with the national headquarters of NATO member nations.
- Other specialized strategic and tactical communications systems for the control of military operations.

- NATO command headquarters, equipped with modern management information systems, updated hardware and software.
- Interconnecting system of early warning, coastal, and air defense radar.
- Cross-border pipeline systems supporting military POL requirements that connect refineries, fuel depots, airfields, and other major NATO bases.
- Fuel and ammunition depots, storage for pre-positioned equipment and materiel, and air/sea embarkation and reception facilities for use by U.S. and allied reinforcement forces.
- Joint training facilities and ranges.

Funding Issues:

U.S. credibility, as well as the ability for NATO to make payments to U.S. contractors for NATO-awarded projects and urgently needed U.S. operational support facilities, is directly related to the Department's ability to secure appropriations that will satisfy its prorated share of NATO contribution. Heavy and continuous air operations in support of DENY FLIGHT, JOINT GUARD, JOINT GUARDIAN, ALLIED FORCE, PROVIDE COMFORT, NORTHERN WATCH, and ENDURING FREEDOM have placed a severe strain on NATO airfield facilities at Incirlik Air Base, Turkey; Aviano Air Base, Italy and RAF Mildenhall, United Kingdom. In the event of a major or Lesser Regional Conflict, NATO airfields and access through the Alliance will play a pivotal role in deployment; sustainment and redeployment of U.S. based forces. Readiness and availability of the facilities at these and other locations is contingent on the U.S. meeting its contribution obligations.

The Department's FY 2004 NSIP budget request provides support for the planned FY 2004 program, and is based on NATO resource requirements for the NSIP program, the existing cost sharing agreement, and budgeted exchange rates. The U.S. cost share for fiscal year 2004 is \$183.7 million, of which about \$2.8 million is expected to be available from recoupments of prior year work funded by the U.S. In addition, \$11.6 million from available prior year funds will be used to meet FY 2004 requirements. Applying those \$14.4 million toward the requirement of \$183.7 million decreases the need for appropriation in fiscal year 2004 by a corresponding amount since these are an alternate source of funds. The fiscal year 2004 request for new appropriation is therefore \$169.3 million.