

Department of Defense

Military Construction Program



FY2013 BUDGET

*North Atlantic Treaty Organization
Security Investment Program*

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Justification Data Submitted to Congress

NATO SECURITY INVESTMENT PROGRAM (NSIP)

Budget Justification for FY 2013 President's Budget

NATO's Roles and Missions:

Over the last three decades, the United States government, through its representatives at the North Atlantic Treaty Organization (NATO), has 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. Further, in response to the global economic crisis, NATO has accomplished considerable reform over the last three years that will result in a much more intensive management of the NSIP to ensure that only the highest priority projects are funded, and that NATO uses its limited funds to maximum effectiveness.

NATO is a collective security organization of twenty-eight sovereign nations. The NSIP budget decisions are based on consensus decision-making among the 28 member nations. Procedures and project execution decisions are likewise arrived at by consensus. Absent U.S. agreement, NATO projects will not be approved or executed. Currently, the military planning staffs of the Allied Command, Operations (ACO), and the Allied Command, Transformation (ACT), 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 nations' governments. In addition, ACO military staff screen urgent theater operational requirements for ongoing military operations and submit them to NATO headquarters for approval using special expedited procedures.

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.

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.

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 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.

Overall Program Requirements:

General:

NATO Security Investment Program 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.

Given the tight fiscal environment, NATO has had to postpone many long-term defense investments requirements, focusing instead on requirements for active Operations and Missions (notably Afghanistan) and focusing in on its highest priority, most urgent capability requirements. At the Lisbon Summit in November 2010, Heads of State and Governments approved the Lisbon Critical Capabilities Commitment which was based on a U.S. initiative to redirect the NSIP to concentrate the limited funding on capabilities of greatest benefit to the Alliance. For example, the NSIP will focus on funding operational facilities supporting the Alliance Global Hawk unmanned reconnaissance aircraft and coherent, interoperable command and control systems within the Afghanistan theater of operations. NATO deployment of this system would take some burden off of U.S. reconnaissance assets in Afghanistan.

The FY 2013 budget of \$254.2 million supports the U.S. share of the NSIP program. The FY 2013 funding requirement for NSIP takes into account ongoing military operations, 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, 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 2013 U.S. Budget Requirements:

Based on the existing cost sharing agreement and budgeted exchange rates, the U.S. cost share of the NSIP for fiscal year 2013 is \$264.4 million. Approximately \$10.2 million of the total fiscal year 2013 program is expected to be available from recoupments of prior year work funded by the U.S. Applying this amount toward the requirement of \$264.4 million decreases the need for appropriation in fiscal year 2013 by a corresponding amount since this is an alternate source of funds. The fiscal year 2013 request for new appropriation is \$254.2 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 and in forward-deployed locations such as Afghanistan.

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 operational facility requirements will continue to be eligible for NATO funding.

The highest Alliance priority is to support on-going military operations in Afghanistan and the Balkans. In 2005, NATO agreed to expand the common funded eligibility rules to include NSIP funding for key operational enabling capabilities in-theater such as medical facilities, fuel depots, and airfields. Projects for ongoing military operations in Afghanistan and the Balkans are a substantial portion of the NSIP today. NATO common funding for such projects generally increases Alliance burden sharing for projects that would otherwise go unfunded (to the detriment of U.S. objectives in these three areas of operations), or be funded by the U.S.

Program and Project Approval Procedures:

Under the current NSIP programming procedures, U.S. construction requirements are an integral part of the NATO Military Commanders' Capability Packages. With the exception of ongoing military operations requirements, all NSIP project requirements are stated in terms of Capability Packages, assembled, reviewed and approved by the NATO Military Authorities (NMAs). Individual projects within capability packages are stratified (prioritized) by the NMAs in accordance with their criticality to enable the Strategic Commanders to meet NATO's military Level of Ambition. Due to limited funding levels, lower priority procurement and construction requirements have been deferred. 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.

For each military operation, ACO develops an Alliance Operation and Mission (AOM) Requirements and Resource Plan (ARRP) which identifies all unfulfilled and potential new requirements that should be included in NATO's medium term resource planning. These plans are updated biannually and reflect any changes approved through the periodic mission reviews. However, NATO procedures allow for emergency submissions in order to address new priorities that arise for urgent projects to support ongoing military operations and in response to unexpected threats. All projects for ongoing military operations are considered in an expedited manner by the Investment Committee (IC) based upon the military advice of the ACO staff and agreed NSIP eligibility criteria for the operation, including deployed headquarters facilities,

aerial ports of disembarkation, theater medical support, engineering, fuel depots, and theater communications equipment and assets.

Capability packages can be categorized in the following six areas:

- Deployable Capabilities. Deployable equipment and assets to support NATO military operations such as ground based sensors for air surveillance, communications and information systems, and command and control assets.
- Capabilities in Support of Deploying Forces. Logistics support for NATO deployments and long-term operations, including ammunition and fuel depots; fuel pipelines; and facilities for the reception and staging of reinforcement forces from the U.S.
- Training, Exercise, and Education in Support of Deployable Forces. Restoration and upgrade of facilities to support NATO interoperability training for deployable forces, and improvements at existing NATO joint training areas, firing ranges, and facilities for computer-assisted training.
- Command, Control and Communications (C3). Upgrades to equipment and software for NATO core communications network and automated information systems; air command and control systems, radars, adaptation of NATO C3 and air Command and Control (C2) systems in support of theater missile defense, and alliance ground surveillance.
- Maintain the NATO Command Structure. Costs associated with the implementation of the new command structure, construction of new military headquarters buildings, and expansion of existing HQ facilities.

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

U.S. Requirements:

The NSIP remains a key source of funding for U.S. infrastructure requirements in the U.S. European Command (USEUCOM) Theater, restoring and upgrading existing NATO operational facilities, and providing new operational facilities at U.S. enduring locations. The NSIP investments contribute to providing U.S. forces operational benefits, whether stationed in Europe, transiting to other regions or forward deployed in support of NATO operations. NSIP is also a key source of funding for operations in the U.S. Central Command (USCENTCOM) theater, enabling critical command and control in Afghanistan.

Since the mid-1990's NATO has approved and funded infrastructure projects benefiting several key U.S. operating locations. Two significant examples of NSIP investment supporting U.S. requirements can be found at Aviano Air Base, Italy and at Ramstein Air Base, Germany. At Aviano, NATO funded over \$465 million for the bed down of 2 fighter squadrons. The projects include both operational and community support facilities, the latter being a special exception to

ensure the maintenance of a permanent fighter aircraft presence in northern Italy. At Ramstein, NATO has invested over \$210 million to provide strategic air transport infrastructure to include parking aprons, freight and passenger terminal facilities, and a C-5-capable hangar.

Another notable example of NATO investment can be found at Naval Station Rota, Spain, where NATO has invested \$151 million in port infrastructure upgrades to provide logistics support and resupply facilities for NATO maritime forces. Additional NSIP investment at Rota will manifest itself through the approved NATO capability package for strategic air transport. This NATO capability package includes nearly \$83 million for infrastructure upgrades and recoument eligibility to support NATO's Southern European Strategic Air Transport requirements.

Allied agreement to fund the unique U.S. requirements noted above is particularly significant given that the allies must 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, information management equipment and associated software, and other advanced technology also continues to favor U.S. companies who have been highly successful in NATO's international competitive bidding process.

As of November 2011, the U.S. has received NATO funded infrastructure support of about \$2.9 billion for its ongoing military operations in Afghanistan, the Balkans, and Iraq to include over \$2.0 billion in Afghanistan. Much of this has funded International Security Assistance Force Joint Command headquarters construction, airfield improvements, 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 which 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.
- New or expanded/renovated facilities to support the new NATO command structure.
- Interconnecting systems of early warning, coastal, and air defense radar.
- Cross-border pipeline systems supporting military petroleum, oil, and lubricants 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 contributions.

NSIP funded facilities and airfield improvements at Ramstein Air Base, Germany; Incirlik Air Base, Turkey; Aviano Air Base, Italy and RAF Mildenhall, United Kingdom play a key role in supporting the ongoing operations in Afghanistan and the Balkans. In the event of a Major or Lesser Regional Conflict, NATO airfields, bulk fuel storage and pipeline systems, 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.

NSIP funding for facilities and improvements in the theater of operations is also necessary to support NATO's expanded roles. The NATO Operation in Afghanistan covers the entire country with troop strengths exceeding 130,000 from 49 nations. In Afghanistan, NATO is committed to ensuring the security of the Alliance by engaging with forces who threaten peace. This operation continues to require greater funding from the NSIP. With the development and construction of headquarters, airfields, and lines of communication, the NSIP is called upon to resource these current and emerging military requirements.

At one time, NATO had over 50,000 troops in Kosovo, however, substantial improvements in security, government stability and the stand-up of the Kosovo Security Force, has enabled NATO to reduce its troop strengths and presence, thus new NSIP funded improvements are now primarily force protection requirements due to troop consolidation. Further NATO troop withdrawals are contingent upon stability and security throughout the country. NSIP funded improvements are critical to the success of these operations, but are also contingent upon the U.S. meeting its contribution obligations.

Summary and Budget Request:

In summary, the Department's FY 2013 NSIP budget request of \$254.2 million provides support for the planned FY 2013 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 amount for fiscal year 2013 of \$264.4 million is the sum of the fiscal year 2013 request for new appropriation of \$254.2 million, and \$10.2 million expected to be available from recoupments of prior year work funded by the U.S.