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HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF  
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COMMANDER, NAVY INSTALLATIONS COMMAND  
BEFORE THE  
MILITARY PERSONNEL SUBCOMMITTEE  
OF THE  
HOUSE ARMED SERVICES COMMITTEE  
ON  
MORALE, WELFARE AND RECREATION (MWR)  
APRIL 2005

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## **Opening Remarks**

Mr. Chairman and subcommittee members, thank you for this opportunity to update you on the Navy's Morale, Welfare and Recreation (MWR) program. Since last addressing this committee, many exciting, rewarding and challenging conditions have occurred. MWR professionals aboard ships, on installations, and at the headquarters continue to help active and reserve Sailors and their families sustain good morale and a high level of personnel readiness in the midst of the challenges posed by the Global War on Terrorism.

I would like to share with you some of the initiatives and achievements in support of Sailors and their families.

## **Organizational Developments**

At the beginning of FY04 the Navy shifted to a single claimant worldwide shore installation management structure. This streamlined the ashore management infrastructure support under Commander, Navy Installations (CNI) Command and presented opportunities to facilitate greater efficiency, accountability, responsibility and communication in the delivery of shore-based services such as MWR and Child Development and Youth Programs (CYP).

During FY04 we refined the management infrastructure. First, we successfully aligned MWR, Child Development, and Fleet and Family Support program management functions from the Chief

of Naval Personnel (CNP) into CNI as a single Personnel Support Programs department. The alignment further streamlined operational management, while maintaining a policy arm within CNP for MWR, CYP, and Fleet and Family Support Programs. Second, a partnership in the form of the MWR/Navy Exchange (NEX) Board of Directors (BOD) was enhanced to facilitate collaboration of resource planning by both of these critical quality of life organizations. Third, MWR and CYP Integrated Process Teams, or IPTs, were reinvigorated to provide a forum for regional program management to address operational issues, and develop and refine program standards directly with their CNI counterparts.

The transition was transparent to customers and field activities with no disruption in services provided. Some of the results of those actions include the alignment of back of the house support functions such as fiscal, marketing, and acquisition at all CONUS regions. Overseas regions are now in the planning process to create similar organizational structures by the end of FY 06. MWR/NEX BOD meetings have provided leadership with macro-performance metrics and participation in facilities and fiscal planning to ensure the right resources are available at the right place at the right time. IPTs are identifying requirements and efficiencies as a single enterprise-wide unit.

Much remains to be done to improve these transformational efforts and work through today's balancing of resources.

However, I am confident that our team will follow through and ensure our Sailors and their families receive the level of programs and service they deserve while optimizing taxpayer dollars for the benefit of the overall Navy mission.

A great deal of energy has been expended on organizational development but we have still kept our eye on our customer. As mentioned, we have directed the vast majority of our efficiencies and savings at support functions vice customer program delivery to minimize the impact on patrons. We have not allowed the closing of any facilities that were actively supported by patrons. As a result, in FY04 only 21 of the over 4,000 facilities that we operate were closed, mostly due to low patron usage levels. These efficiencies have resulted in a reduction of required APF with very little impact on program delivery. Our customer survey systems have reported that 76% of those surveyed are satisfied with the products and services that are provided. This compares favorably with the other services but does not mean it is good enough. Continued emphasis on applying best business-like practices, employee training, and the refinement of customer service will hopefully yield improved satisfaction during FY 05 and beyond.

At the onset of FY 05 we had to make some tough choices and balance appropriated fund resources with other Navy needs. As a result, a strategy to vigorously employ nonappropriated fund (NAF) resources provided a short-term solution to ensure well utilized programs remain available to our customers. We do not envision this approach as a long-term practice and are vigorously seeking alternatives. A robust MWR program remains intact today and we are committed to our Sailors' leisure, educational and family requirements for tomorrow. Allow me to elaborate further on our successes in keeping our compact with the Sailor.

#### **MWR Fleet Readiness**

Expanding MWR Fleet Readiness support remained our top priority in FY04. In support of deployed units we used allocations and supplemental funding to enhance our fitness and recreation support to deployed forces at sea and ashore that included the distribution of over 129,500 pieces of recreation and fitness equipment. An additional 1,250 pieces of recreational gear were provided to over 32 command/units in isolated and remote areas of the world to brighten moments when duty and time permitted.

The ongoing changes in the Navy's deployment posture have required us to be more creative and flexible in our abilities to ensure our ships always deploy with a full inventory of

recreation and fitness equipment. The pre-positioning of commonly used equipment at warehouses in major fleet concentration or forward operating areas such as San Diego, Norfolk, and Bahrain has allowed us to rapidly replace or repair worn out equipment for our front line forces.

Our Civilian Afloat Program provides Recreation and Fitness professionals, who live and work onboard our aircraft carriers, amphibious assault ships and submarine tenders to provide positive leisure support. The benefits of these services are reflected in customer surveys and reports from ship commanding officers.

According to a series of Importance-Performance Analysis conducted on the MWR Afloat Program during 2004, the top rated MWR program and service for Fleet Sailors is access to electronic mail (e-mail) and Internet connectivity. The Library Multimedia Resource Center (LMRC) on each ship is the delivery point for this critical service. In FY-04 Navy MWR upgraded two-thirds of the Fleet LMRC's, by purchasing and distributing 2,871 PC's, laptops and printers. The total Fleet LMRC replacement and upgrade will be completed in FY05 with the purchase of an additional 1,950 of those items.

**Fitness Program - Cornerstone of Personal Readiness**

MWR Fitness programs are recognized as vital components of readiness and are essential to the general health of all

personnel. Navy leadership and Sailors consistently rank fitness centers and gyms their top priority and most used MWR program. The Navy Fitness program continues to improve and support the fitness goals of the Chief of Naval Operations by providing ready access for military and family members to high quality fitness programs dedicated to their total fitness needs. MWR maintains 142 fitness centers at 90 bases and supports Naval Reserve Centers and various Defense Attaché Offices in the Pacific AOR.

Our fitness program benefits from DoD fitness standards that are consistent with Navy fitness policy. We perform an annual program assessment against these standards, and of the 143 facilities surveyed in 2004, Navy attained an average overall compliance average of 87%, with 11 facilities meeting 100% of the all core standards. However, facility deficiencies, especially in older fitness structures coupled with availability of trained staff remain challenges to our improvement of meeting DoD fitness standards ashore completely. Key focus areas for the ashore fitness program continue to be on scheduling of trained professional staff, providing the right equipment, and solving facility issues.

#### **Single Sailor - "Liberty Program"**

The Navy's Single Sailor Program, also known as the "Liberty Program" is a core MWR program designed to address the

recreation needs of 18 to 25 year old single Sailors, the majority of whom live aboard ships or in barracks. We have 96 active installation-level programs with 88 in dedicated facilities on or near piers and in barracks areas, making the program readily available to those they are designed for.

Our objective is to provide a recreational environment that promotes a healthy lifestyle and a respite for Sailors to relax, participate in leisure activities like pool, reading a magazine, watching a movie, playing a video game, or communicating with friends and loved ones through Internet and telephone services, or simply enjoying the camaraderie of shipmates.

The Navy gains a return on its investment by providing a positive life experience, which encourages retention of this important target audience - first term Sailors.

#### **Navy Movie Program**

Watching movies is one of the most popular recreational activities for active duty personnel and their families. Navy MWR provides movies and equipment to over 800 sites worldwide, including remotely deployed operational forces, ships of the U.S. Navy, U.S. Coast Guard, Military Sealift Command, and National Oceanic and Atmospheric Administration. We also provide movies to Navy, Marine Corps and Coast Guard bases and many U.S. Missions in foreign countries.



Each ship receives a monthly shipment of at least 16 new movies in 8mm tape format, generally two or more months before they are available stateside for video rental. Ships can maintain a movie library of more than 800 titles. We also provide movies in 35mm format to 45 commands that operate commercial style theaters.

Our "cinema at sea initiative" (CASI) provides equipment that enables Sailors to watch movies as a group event using a large screen located on weather or hangar decks. We also provide plasma screens to smaller units such as submarines, patrol boats, and minesweepers for use in crew messes. Heavy usage coupled with the shipboard environment has required us to replace most of the original CASI systems. With the availability of supplemental funding for our deployed units in FY04, Navy completed replacement of this equipment. Our priority will be to continue providing deployed units with top-notch movie support in cooperation with the major motion picture studios.

### **Entertainment**

This year, the Navy MWR entertainment program focused on delivering entertainment to deployed ships and overseas locations. In FY04, we partnered with Armed Forces Entertainment (AFE) and the United Service Organization (USO) on 8 separate tours (as compared to only 3 joint tours in FY03).

Cooperation and coordination between these agencies allowed us to provide MWR entertainment events aboard 20 deployed ships and numerous ashore locations. Navy-wide, MWR provided 545 shows, attended by 140,332 military and family members. The number of shows represented a 40% increase from FY03 at essentially the same cost.

### **Telecommunications**

For the fourth consecutive year, Navy MWR, worked closely with its partners to ensure continued free, long-distance telephone calling cards were made available to Sailors deployed overseas, easing the challenges of family separation.

In coordination with the "Veterans of Foreign Wars", we distributed 195,000 Military Assistance Communication Kits (MACK) packs containing blank cards, stationary, envelopes, and a prepaid, sixty-minute global long-distance calling card. MACK packs were provided to all naval personnel serving aboard ships, submarines, squadrons, and to each Sailor stationed at an overseas activity during the year-end holidays. Navy Exchange also provided free ship-to-shore calling time for those Sailors and Marines deployed aboard ships serving in the Southwest Asia AOR during the holidays.

During the year, free access to the Internet for e-mail communications continued to be available through MWR-furnished

computers on ships, in youth centers and at Single Sailor Centers worldwide.

**Business Activities (Category C)**

MWR Business Activities provide leisure goods and services at competitive prices. They also produce nonappropriated fund (NAF) revenues that finance capital improvements and support other MWR programs and services. This support includes programs which are not fully funded by appropriated funds (APF) or which cannot be financially self-sustaining such as, community activities, recreational swimming, auto hobby and other recreational programs and program elements not authorized appropriated fund support such as prizes for Single Sailor programs. Core MWR Business Activities include golf, bowling, marinas, recreational lodging, food and beverage services, and gaming and entertainment programs.

MWR Food and Beverage operations consist of over 400 activities worldwide that contribute gross revenues in excess of \$140 million. Food & beverage operations are found in catering/conference centers, recreation centers, golf club houses and bowling centers. Revenue from food and beverage operations accounts for over 50 percent of our total business activity revenues and over 50 percent of profit.

In response to customer preferences, we have installed nationally branded food concepts in 13 of 16 Navy Regions. A&W Root Beer, Mean Gene's Hamburgers, Naps Barbecue, and Noble Roman's Pizza are some of the great offerings. We now have over 100 outlets and are continuing to add 12-15 units per year. To avoid market saturation, CNI has partnered with the Navy Exchange, the Navy Supply Systems Command and Fleet leadership to review food service availability and best practices to optimize the Sailors food offering experience. This collaboration will assist in the delivery of quality products and service in the most efficient manner.

Our strategies to upgrade golf, bowling, marina and recreational lodging programs have been strongly supported by our customer base. The high level of participation is evidence of their satisfaction. Marina managers are making a concerted effort to meet recently announced National Oceanic and Atmospheric Administration guidelines called "Clean Marinas". Participation in this environmental certification program ensures our customers and neighbors see us as good custodians of their trust. We have responded to the national popularity in camping and are developing increased access for Recreational Vehicle enthusiasts. Bowling centers are being modernized with state of the art equipment. Presently, we are exploring a

partnership with the U.S. Army to provide gaming services at some overseas installations.

### **Child and Youth Programs (CYP)**

CYP continues to be an integral support system for the mission readiness and deployment of Sailors. To meet the demand, multiple delivery systems are offered that include child development centers, child development homes, child development group homes, school-age care, and resource and referral. Navy programs care for over 31,000 children ages six months to 12 years in 227 facilities and 3,180 on and off base licensed child development homes.

In FY04 these services achieved 69% of DoD potential need criteria and 100% DoD certification in operational excellence. The National Association for the Education of Young Children (NAEYC) has accredited 95% of our child development centers. Our objective for 2005 is to ensure that all Navy child development centers are accredited by NAEYC. This tells our Navy families that their children are receiving top quality care that equals or exceeds the highest DoD and national standards.

Listening to customers is paramount to our providing needed services. Families attending the 2002 and 2004 Navy Family Team Summits expressed a need for extended hours for childcare to meet the needs of shift workers and watch-standers in support of

the Global War on Terrorism and other military operations. In FY03, the Navy launched pilot programs to meet this requirement in Navy Regions Mid-Atlantic and Hawaii. These pilot programs provide around the clock care in two new child development group homes and in-home care where there previously had been little or no service. The response to these programs has been overwhelmingly positive. The experience affirms the real need for expanding "night shift care." In 2005, we are expanding these programs to Naval Air Station Sigonella and Navy Region Southwest.

We continued to maintain the affordability of childcare, particularly for our junior personnel, by limiting 2004 fee increases to the rate of inflation. Additionally, to take care of our returning deployed customers, we guaranteed child/youth spaces to those who relinquished their spaces due to the activation of their family care plan as a result of deployments.

We continue to operate an extensive summer camp program providing recreational opportunity to over 12,440 youth in the past year. Additionally, more than 200 teens took advantage of employment programs at MWR activities worldwide. The program focused on meaningful, paid employment opportunities that taught job and life skills.

Our objectives this year are to maximize accessibility within available resources, conduct needs-based assessment of

extended care, sustain affordability of care, and ensure continued program quality.

### **Organizational Effectiveness and Efficiency**

The MWR program is fully engaged in a broad scope of initiatives to transform our organization, management processes, support systems, program priorities, resource management and central standards and metrics. Consistent with CNO direction, our challenge is to achieve efficiencies while sustaining quality of life services for Sailors and their families. The CNO's Quality of Service goal recognizes that our Sailors are the capital asset that makes our Navy great. Our challenge is to provide excellent support in program areas and shed inefficiencies wherever possible.

Efficiencies in the management and operational oversight of MWR programs are, in large part, dependent upon a modern, state of the art management information system encompassing accounting, personnel, payroll, and cash management. Our enterprise-wide Accounting and Information Management Systems (AIMS) provides that essential capability. It will be fully operational in CONUS by March 2005 and Navy-wide by the end of FY06. Its open architecture provides the flexibility to accommodate the variations required by a variety of regional operations with different geographic and demographic challenges. The system provides opportunity for significant efficiencies

including elimination of many paper-based processes, accounting applications, and personnel and payroll functions.

We have developed and implemented an extensive system of program-based standards and metrics to quantify resource requirements related to the output of various levels of support. This information provides the backbone needed to implement outcome-based budgets, achieve greater uniformity in funding among bases, and provide data to support important program funding decisions. Our priority in using available resources is to fund core and heavily used programs such as deployment support, fitness, movies, Single Sailor ("Liberty"), childcare, and youth. Lesser-used programs or those capable of self-sustaining operations will receive lower priority in CONUS. In some instances, we have met success with available civilian service providers, reducing our capital outlays while still meeting customer needs. Navy Region Northwest reached an agreement with area ski resorts to provide quality rental ski equipment at rates comparable to what the region had provided. Sailors can now hop in their cars and go directly to the ski slopes without having to stop on base for rental equipment.

#### **Overall Financial Condition of MWR**

The Navy's MWR program financial condition remained strong in FY04. Financial operations totaled \$863 million, which included appropriated funds (APF) (\$391M), internally generated



Nonappropriated Fund (NAF) Revenue, and Navy Exchange dividend distributions. This amount was a decrease of about \$35 million from the previous year, created primarily by a reduction in APF support. In addition, we project an additional \$34 million decline in resources in FY05, primarily due to additional reductions in budgeted APF.

In FY04 we exceeded the DoD minimum standards for APF support in Category A (mission essential progress) (85 percent), achieving 86.6 percent in APF support. In category B (community support programs), we received 66.8 percent of APF support for these programs compared to the DoD minimum requirement of 65 percent. We expect a slight decline in both the Category A and B percentages in FY05, however both should remain at or above the DoD minimum levels.

As a result of continued APF challenges in FY05 and beyond, we have been implementing a strategy that guarantees priority for afloat recreation, movies, fitness, Single Sailor, and childcare/youth and other programs in overseas and isolated and remote areas. Stateside, we will continue with programs of high customer value while seeking alternative delivery in the civilian community or at other military installations in proximity to Navy bases.

The MWR NAF system remains financially sound despite the many pressures placed on it. Our Category C Business Operations

are expected to retain their vitality but as our force becomes smaller, our ability to generate NAF resources will add new complexities in providing services and a well-rounded MWR program. As I mentioned earlier, we are committed to providing quality, accessible and affordable MWR and CYP alternatives to our Sailors and their families and will make every effort to meet our commitments.

### **Facilities**

In FY04 the MWR program invested \$47.6 million in NAF capital improvements that include facility construction and renovation, equipment, and management information systems. Of this amount, Regions provided approximately \$32.6 million while the central capital program funded \$15 million. Navy MWR plans to invest approximately \$50 million for NAF capital improvements in FY05. The MWR/NEX BOD Facilities Committee, which I chair, reviews Major NAF capital improvements and recommendations provided to the MWR/NEX BOD for inclusion in future years planning. Where required, projects will be forwarded through OSD for Congressional review and approval before execution.

As CNI continues forward, we see opportunities for future facilities to have multiple services consolidated under one roof for customer convenience and long-term sustainment cost avoidance. We continue to benefit from our streamlined NAF

project execution process with construction contracting authority of up to \$5 million dollars per project. We have also completed standardized facility criteria for Military Recreation Centers, Outdoor Adventure Centers, Rental Accommodations, and Youth Centers.

### **Summary & Conclusion**

The Navy MWR program remains heavily focused on supporting deployed units and their family members. We have proactively delivered programs and services to meet the needs of our forces and their families wherever they may be, ashore or at sea. The choices made in balancing our war fighting capabilities and needs of those who operate them have caused us to stretch our own talents, challenge traditional assumptions, and take risks.

We are engaged in a number of important initiatives, consistent with Chief of Naval Operations guidance, to become more efficient and effective by implementing modern business processes and systems, adopting business-based standards and metrics and seeking opportunities to streamline and improve program alignment. I recognize the importance our Sailors and this committee places on quality of life initiatives and am committed to continuously improving our internal organization and delivery processes in a way that maintains quality service and program offerings at the best possible price.

Looking ahead to 2005, CNI will focus on human capital development for its workforce; continued progress in standardization in delivering common outputs across the Navy shore establishments to mission customers; optimal execution of the resources we are provided to deliver those common outputs; continued emphasis on communications, especially with our mission customers; improved linkage of shore support resource models to mission support outputs; and continued efforts with the other military services to derive common base support operating models. The elimination of layering and duplication increases resources available to our Sailors and continues to be a guiding business principal for CNI. A long-range goal is to accelerate transformation of the shore domain enterprise to support a "surge" Navy in the twenty-first century.

We thank you for your continued strong support as we pursue the common goal of ensuring Sailors and their families are offered programs that provide high levels of morale, enhance their military readiness and strengthen their commitment to serving the nation.