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# DEPARTMENT OF DEFENSE APPROPRIATIONS FOR 2013

# HEARINGS

BEFORE A

## SUBCOMMITTEE OF THE

## COMMITTEE ON APPROPRIATIONS

## HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON DEFENSE

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# DEPARTMENT OF DEFENSE APPROPRIATIONS FOR 2013

WEDNESDAY, FEBRUARY 8, 2012.

## MILITARY HEALTH SYSTEMS GOVERNANCE REVIEW

**WITNESSES**

**LIEUTENANT GENERAL (DR.) CHARLES B. GREEN, SURGEON GENERAL OF THE AIR FORCE**

**LIEUTENANT GENERAL PATRICIA D. HOROHO, SURGEON GENERAL OF THE ARMY**

**VICE ADMIRAL MATTHEW L. NATHAN, SURGEON GENERAL OF THE NAVY**

**VICE ADMIRAL JOHN M. MATECZUN, COMMANDER, JOINT TASK FORCE, NATIONAL CAPITAL REGION MEDICAL**

### OPENING STATEMENT OF CHAIRMAN YOUNG

Mr. YOUNG. The committee will come to order. This morning the committee will hold an open hearing on the Governance Review of the Military Health System.

I would like to welcome the new Surgeon General of the United States Army, Lieutenant General Patricia Horoho, who has not been here in that official capacity before, so we are very happy to have you. Although we have known you and all of the others for quite some time, we welcome to your first visit, official visit to this committee.

And the new Surgeon General of the United States Navy, Vice Admiral Matthew Nathan, same story. We have known him for years. We met him first during a big hurricane down in Pensacola when his hospital was nearly blown away, and his time at command at Bethesda. But again, Admiral, in your first official visit before this subcommittee, so welcome to you, sir.

And, General Green, you are the old timer, you have been here before and we always look forward to your testimony, and we look forward to it again today.

Admiral Mateczun has been before the committee on a number of occasions, and we have had some interesting discussions during those periods, and we welcome him back for this general overview of the governance of our military health system, a health system that is just extremely important.

I just want to make a, just a couple of quick comments before I yield to Mr. Dicks and then we will go to the witnesses.

In today's world, our soldiers, sailors, airmen, marines, Coast Guardsmen are getting hurt really bad. But because of the advances in new medicines, because of the better training for our

medics and corpsmen, because of the ability to move from the battle zone quickly to a field hospital or to a hard hospital, and then quickly on to a hospital like Landstuhl and then back to the U.S., we are saving soldiers who would have died in previous conflicts.

Because of that, we have a tremendous obligation to them, and that obligation is going to last for a long time because these injuries, as we see them, and we encourage as many of our colleagues as we can to visit the hospital at Walter Reed Bethesda so that they can see firsthand what it is that this war is actually costing us, not the cost in dollars, but it is a big cost, and it is a big obligation.

But, anyway, we—I read this Department of Defense task force or Military Health System governance several times, and I will tell you it is really interesting reading. And you have to read it several times to fully understand it. And I am not sure that I fully understood it yet, but it is really good reading and creates a lot of questions, and we will be discussing some of those things.

But before we go to your testimony, let me yield to my friend and my former chairman, Mr. Dicks.

REMARKS OF MR. DICKS

Mr. DICKS. Thank you, Mr. Chairman. We want to welcome all of our witnesses today, and the subcommittee has had a history of championing for the soldiers, sailors, airmen and, marines that willingly serve and are truly at the heart of what services do. We know that taking care of our servicemembers and ensuring that they, as well as their dependents, receive world class medical care, is at the heart of what you do.

We also know that governance and military health is a topic that has been widely studied and discussed, but is difficult to change. Today we want to discuss governance of the Military Health System, and we are interested in hearing each of your thoughts on how the task force on governance proposed structure will enable you to provide the best care possible as well as what proposals may create obstacles to overcome.

We are also interested in hearing how implementing recommendations for better governance can create efficiencies within the system and highlight opportunities for new partnerships, not only between the services, but with local communities and the Department of Veterans Affairs.

As for the National Capital Region we are interested in hearing how the new Walter Reed National Military Medical Center at Bethesda is operating and with an integrated staff, resulting from the merging of the Navy and Army cultures. Each brings their own unique capabilities to the mission to provide care and help to servicemembers and their family heal.

We now eager to hear from the new Fort Belvoir Community Hospital that is operating.

We have also seen a dramatic rise in the need for behavioral health services for our wounded warriors returning from war and assimilating back into their services, their home life, and in the case of the Guard and Reserve, their towns and cities. These invisible wounds have been called the signature wound of this generation. I believe the health care issue will be one of the greatest chal-

lenges for personnel who are correctly serving and for veterans as well.

We thank all of you for your service, and we look forward to hearing your views on governance.

Thank you, Mr. Chairman.

Mr. YOUNG. Yes. Mr. Dicks, thank you very much.

We understand that you don't have prepared statements, which is certainly not necessary, because I know that you all know your issues extremely well, and so we will just, we will hear from you, whatever you want to tell us, tell us and we are going to listen patiently. We will do our best not to interrupt you as you proceed, but then you are fair game after you have finished your opening statements.

Let me start with General Horoho. General—and we will go to all four of you before we do open up for questions.

## SUMMARY STATEMENT OF GENERAL HOROHO

General HOROHO. Okay, thank you, sir.

Chairman Young, Ranking Member Dicks and distinguished members of the committee, thank you for providing me the opportunity to talk with you today about the future of the Military Health System.

I am convinced that we must pursue the most effective and efficient command structures to support the strategic goal of the Military Health System, the services and the combatant commanders. There are many ways to realign and consolidate the Department of Defense common medical functions to enhance performance, reduce costs and increase efficiencies. The Army's position is to organize military health system under a unified medical command or move towards a unified effort in synchronizing the delivery of health care.

As the task force on Military Health System Governance reports highlights, there have been numerous studies supporting the establishment of a unified medical command or some variation aimed at optimizing the health of the force and the health care outcomes: Standardizing health care metrics, reducing redundancy among the services, and reducing unwarranted clinical and administrative variation.

I believe there is a strong collaborative effort between all three of our surgeon generals as well as the JTF commander. Our commitment is to ensure we optimize the delivery of health services to ensure our medical support to each of our services while reducing redundancy, while maintaining unity of effort, and focusing on health.

I look forward to the dialogue that will follow and appreciate the opportunity to respond to any of your questions. Thank you.

Mr. YOUNG. General, thank you very much.

Next we go to Admiral Nathan.

## SUMMARY STATEMENT OF ADMIRAL NATHAN

Admiral NATHAN. Chairman Young, Ranking Member Mr. Dicks and the committee. Again, thank you for the opportunity to discuss these issues. Also, as the previous commander at the National

Naval Medical Center and then the Walter Reed National Medical Military Center, my thanks to all of you for your personal interest. I remember seeing many, if not all of you at one time or another coming out to the campus to survey the situation on behalf of the interests of the men and women who we take care of.

I thank the committee also for the funding and the stewardship you provided to allow this magnificent facility to be built. That said, it represents an icon and a new change in the way we do business in the Military Health System. We have taken the two flagship hospitals of the Army and the Navy, and we have combined them into a premier institution, certainly not without growing pains, but I am a witness to the synergy that is created when we collaborate and we bring the best of the services together to find best practices.

That momentum is carrying on now as we look for better ways to create efficiencies, transparencies, and remove redundancies all in the name of finding best value while maintaining best care for the most precious resource in America, the men and women who serve in the Armed Forces and their families and those who came before.

So I look forward to your questions and the discussion. I recognize that we are in somewhat uncharted waters, as we say in the Navy, as we look for a new footing and a new landscape to find a governance structure that will accommodate these efficiencies and these transparencies, and at the same time, preserve the amazing combat war fighter support that has been evident over this last decade, resulting in the greatest survival rates and the lowest disease nonbattle injury rate in military history.

Thank you, sir.

Mr. YOUNG. Thank you, Admiral.

Mr. YOUNG. General Green.

SUMMARY STATEMENT OF GENERAL (DR.) GREEN

General GREEN. Mr. Chairman, Representative Dicks and esteemed members of the committee, thank you for inviting me here today to discuss the way ahead for the governance of the military health system (MHS). This is an important issue that is appropriately addressed jointly by all of us here today as the stakes for our military mission and for our beneficiaries are very high.

The MHS Governance Task Force recommendations are important, because they represent the intense and informed deliberation of both line and medical professionals who are seeking the best solutions to maintain exceptional care to our servicemembers while finding more effective and efficient ways to deliver that care. We believe that efficiency and cost containment are best obtained through an agency construct. I applaud the 2012 NDAA language that requires thorough cost analysis and review by the GAO to ensure we have it right. I am confident that a comprehensive business case analysis will support the conclusions and recommendations of the task force. Today's military departments' oversight of medical assets created the most effective system for treatment of casualties with the lowest died of wounds rates and the lowest disease non-battle injury rates in history.

Our highly capable and efficient expeditionary medical support platforms and aeromedical evacuation operations would not exist without the close alignment of our Air Force medics to the Line of the Air Force operational missions. Deployed to our theater hospitals and supporting our aeromedical evacuation system, Air Force medics have safely returned 93,000 U.S. casualties to their families from Iraq and Afghanistan. Every day our medics are saving the lives of Soldiers, Sailors, Marines, Airmen, civilians, coalition forces, friend and foe alike, under the watchful eye of Air Force commanders.

Implementation of the task force recommendations will ensure the sustainment of this high level of mission success. It is an imperative for the MHS to have a single financial accounting system to ensure transparency and promote trust and accountability between the services. We believe that a more effective and efficient joint medical solution can be attained without the expense of establishing a unified medical command.

The Services should and will continue integrating common medical platforms to reduce redundancy and lower costs. The task force recommendations will move us quickly to a construct that curtails expenses and achieves savings to the greatest extent possible while meeting our mission.

In conclusion, the Air Force Medical Service remains committed to working with Health Affairs and our sister Services to ensure the Military Health System is organized in the most effective manner to provide quality care to military members and their families while also being good stewards of American taxpayer dollars.

I thank you for your continued support and look forward to your questions.

Mr. YOUNG. General, thank you very much.

SUMMARY STATEMENT OF ADMIRAL MATECZUN

Mr. YOUNG. And, Admiral Mateczun, we are happy to hear from you now, sir.

Admiral MATECZUN. Thank you, Chairman Young, Ranking Member Dicks, and other distinguished members of the committee for inviting me today.

I first appeared before this committee in 2009. This will be my last opportunity to testify before this distinguished panel in my role as the commander of the Joint Task Force National Capital Region Medical or JTF CapMed. Secretary Panetta has approved my request to retire from active duty after 4½ years executing the BRAC projects and achieving unity of effort in the National Capital Region.

I would like to thank this committee for providing the Department the critical support over the past 4½ years that was necessary to be able to finish the largest and most complex BRAC project, medical realignment project, in the history of the Department.

As you know, Secretary Gates established JTF CapMed in 2007 after The Washington Post articles about the Walter Reed Army Medical Center to ensure the effective and efficient delivery of world class military health care in the National Capital Region. In fact, world class is not just an aspiration for us, it is a statute. And

so we are required by law for the hospitals in the National Capital Region to be world class. As part of our mission, we oversaw the closure and relocation of the Walter Reed Army Medical Center to Bethesda and to Fort Belvoir where the Fort Belvoir Community Hospital was established.

Those projects included, and I will just give you a few statistics here, construction and renovation of over 3 million square feet of space, the footprint of the Walter Reed National Military Medical Center is the equivalent of the footprint of the Mall of the Americas, the procurement of 160,000 new items of equipment, relocation of 750,000 cubic feet of material, transition of 9,600 staff, including a guaranteed placement program that enabled us to keep the civilian personnel at the Walter Reed Army Medical Center on the job through the heights of the fighting seasons after the BRAC, BRAC law was passed.

We had to reassign 34,000 enrollees in terms of their primary care manager, and our most precious mission, we relocated 400 wounded warriors and their families from Walter Reed and other facilities to the new Bethesda complex, which provides extraordinary lodging for them.

Mr. Chairman, Ranking Member Dicks, I am pleased to report to you, the Department completed all of those tasks, and I am glad to speak about any of the efficiencies that we were able to achieve as we did it.

And I think that the record of the joint task force has illustrated the power of achieving unity of effort through joint command, and I am pleased to answer any of the questions that you may have.

Mr. YOUNG. Admiral, thank you very much.

## COMMAND AND CONTROL OF JOINT TASK FORCE

Mr. YOUNG. Thank you all of you for getting us started here today, and I at one point, I thought it would be appropriate to do an overall governance hearing and then do a separate hearing for the merger of Walter Reed in Bethesda. The more I thought about it, the more I realized you can't do that, it all works together. It is all part of the same system that and we need to make sure that all of it does work.

On the task force study that I mentioned earlier came up with a number of options as to how we should proceed at this merged facility, and I think it has been said numerous times that this is probably the most complex, the largest merger of any medical facilities anywhere, and I can understand that because Walter Reed was in my opinion, a world class military medical facility that took great care of our soldiers.

And I know you mentioned there was a problem with Walter Reed a few years back, and there was, and I will mention that in just a minute. And Bethesda also, a world class—I think I have witnessed miracles at Bethesda and at Walter Reed, people who lived when I don't think anybody really believed they would.

Now, to me, that is a miracle, and I have seen them in both hospitals.

In fact, when the Walter Reed issue, Admiral, that you mentioned, came up, I took a lot of lumps because I took the position that first of all, that problem had nothing to do with medicine. It

was a trashy building that even the then-Army Surgeon General admitted that didn't know that it existed, and it was housing, people on med hold. And so I took the position that that aside, Walter Reed, is a great, military medical facility.

I took some lumps for that because there are some that thought I should have really jumped on the bandwagon and beat up on Walter Reed, which I just wouldn't do. But anyway, the task force came up with a number of options. None of the options got a majority. There were nine members of the task force. One option got five votes, and that is the only option that got five votes.

And the way I read that option and, by the way, the Army and the Navy both supported that option which we referred to as option two, suggested that a Defense Health Agency would be established replacing TMA to consolidate a far broader set of shared health support services. MHS-wide shared services activities include, but are not limited, through the TRICARE health plan.

But basically, without going through the whole language, it basically suggested that the merger should be managed by a joint organization created by, and with the approval of the Army and the Navy. And that is the only one that got five votes. None of the others got five votes, so, and I don't know what the decision at DOD is going to be. But now when I listen to Admiral Mateczun, the joint task force is in addition to the Army and the Navy running the facility. Am I correct there?

Admiral MATECZUN. That is correct, sir. I have command and control over the Walter Reed National Military Medical Center and the Fort Belvoir Community Hospital.

Mr. YOUNG. And so you are telling me that the Army and the Navy, then, they report to you or do they report to their surgeons general?

Admiral MATECZUN. The commanders of those hospitals report to the joint task force, they report to me. There is a relationship to the services that is called AD-CON, administrative control. It is a route through which fitness reports and other administrative matters pass.

Mr. YOUNG. But that system is not what the joint task force, or it is not what the task force voted for; correct? Are you familiar with option 2?

Admiral MATECZUN. No, sir. I was not a member of that working group.

CONTRACTORS ON JTF CAPMED HEADQUARTERS STAFF

Mr. YOUNG. Oh, but I thought you might have read the report. So the decision is still out.

BRAC supposedly is to consolidate and to save money. It seems to me the joint task force becomes a separate layer in addition to the Army and the Navy who have traditionally run those two hospitals, which are now one, and we haven't, we haven't received your budget yet. We haven't received any of the budget for any of the Defense Department yet, and we are anxiously awaiting that.

But I look at the—I look at your budget for fiscal year 2012, and I see that your JTF headquarters staff, the budget is $11,723,000, with 119 full-time employees and X number of contractors.

Do you know how many contractors you have plus your regular staff?

Admiral MATECZUN. Sir, we had a great many during the BRAC processes, a lot of program managers and others and we have attrited most of those now. If I might address the question what is the size, the right size of the staff? An apples-to-apples comparison is necessary to take a look at different governance structures so that when you take a look at running, for instance, a market, as is described in San Antonio, you also have command and control layers and so each of the services has command and control headquarters in San Antonio, for instance.

Here in the National Capital Region, if there is a joint task force—and I think this gets to the point of the GAO studies—if you can reduce those intermediate levels of command, you can find efficiencies. So the only way that the JTF is not efficient is if you take a look at, as a model, if you take a look at what are the command and control costs for the services.

What does it cost to run the North Atlantic Regional Medical Command, Navy Medicine National Capital Area and the 79th wing, and how can something like a JTF with only 117 people reduce that level of effort? I provided information to the chairman of the working group that showed that we would be cost neutral at worst and be able to find efficiencies if you take command and control into account.

Mr. YOUNG. Well, is it, I don't think I see this any place, but I am curious, is it the intention that joint task force will eventually reach out and absorb other military hospitals and clinics that are not presently subject to JTF?

Admiral MATECZUN. That has never been a matter of intent in the Department, to my knowledge.

Mr. YOUNG. Okay. The Army and the Navy coming together there is going to be problems. Any time you have a merger of any kind, there is going to be problems. But my understanding is that your Army and Navy commanders are really working things out fairly well. But I wasn't so sure, I wasn't sure they had the report to JTF, and I don't understand that because BRAC itself, the BRAC law, did not create JTF.

But, anyway, that remained to be seen what the Defense Department is going to decide to do on those various options.

I have a lot of other questions, but I don't want to use up all the time today. And I will get back to you on some other questions, but I want to yield now to Mr. Dicks.

Mr. DICKS. Yes, I want to—is this system on?

Mr. LEWIS. Press the button.

## INTENSIVE OPERATION PROGRAM

Mr. DICKS. I know, I did, but it wouldn't come on. I have never been known not to be able to be heard, though.

Anyway, I wanted to ask Lieutenant General Horoho, who had served as the commanding officer at Madigan Army hospital there has been some pressing accounts of concerns at Madigan. And one of the things that I have just heard about in the last few days is a program that was created at Madigan and operated by Doctor Hicks called the intensive operation program.

And this was extremely successful, but it was cancelled, and I am told by my sources that it was cancelled because they came up with too many recommendations that the patients had post-traumatic stress disorder and that Colonel Kepler and others, you know, were enforcing. I don't know where this came from. But we are enforcing a return to duty standard and, you know, we are not very interested in seeing and characterizing the people who had been diagnosed with post-traumatic stress disorder as malingerers, which I find offensive, and you have taken certain actions here.

But I would like to know why this intensive operation program, which I am told was absolutely a great program of treatment for these soldiers, was cancelled, and I am told, you know, that there has been emails sent to my office about this, I don't know if you have seen them. I guess you have seen them. And I just want to get your take on this, General.

General HOROHO. Yes, sir. Thank you for allowing me to comment on that. Actually, yesterday it came to my knowledge with concerns over that center, and I had already initiated—on Friday—the 15-6 investigation to look into the practices at Madigan Army Medical Center in the Western Region and to look specifically at the variance with forensic psychiatrists and psychologists reviewing behavioral health diagnoses.

In addition to that last night, I actually expanded the investigation to include the intents about patient center so that we can understand why it was actually closed, was there undue command influence in closing of it, has it had any negative impact on our patients?

Since the closure of it, those capabilities in the program have actually not gone away. They have been merged into the other behavior health programs that they have there and so there still is outpatient, intensive outpatient capability. It has just been merged into their primary care behavior health programs that they have.

Having said that, we are going to investigate to make sure that is actually true and that we are providing the best care to our servicemembers.

Mr. DICKS. Is there a standard, is the Army leadership saying, you know, returning to duty is our number one priority and are putting pressure on these doctors, like Kepler, to come in with decisions that, you know, I am told that Kepler would take files and change the diagnosis without talking to the patients. Now, is that acceptable, even for somebody who, with his background, can he just take a file and change the diagnosis——

General HOROHO. Sir, if I can.

Mr. DICKS [continuing]. Without seeing the patient?

General HOROHO. If I can address the first part and then I will address the second part, if you don't mind. Absolutely, the Army is not putting pressure on any of our clinicians.

Mr. DICKS. It really sounds like it and, you know, the Army has had a history here. We have had hearings before where there was analysis done of the Army versus the Navy and the Air Force, and it was found that the Navy, that the Navy and the Air Force had a higher rate of disability than the Army. Now, that is hard to conceive of.

But, I mean, in other words, they were fairer. As you have said, you have got a standard, give them the reason, the benefit of the doubt.

General HOROHO. The benefit of the doubt, sir.

Mr. DICKS. Well, apparently, the Army has had a long history of their being more concerned about money, frankly, than the soldiers. And you know I have great confidence in you, but you have got to get this straightened out. And apparently there is a problem at Landstuhl as well, which is mentioned in this thing.

But, you know, we can't be getting rid of an intensive operations program because they came up with too many diagnoses. Either a person has got post traumatic stress disorder or not, and I don't see how a doctor can change the diagnosis without, without seeing the patient.

General HOROHO. If I could just explain with forensic psychiatrists and psychologists; one, we have administratively removed Dr. Kepler while this investigation is ongoing, and I also have an investigation ongoing into Landstuhl with their behavior health practices across Europe.

INVESTIGATION INTO BEHAVIORAL HEALTH PHYSICIANS

Mr. DICKS. You better look across the whole Army.

General HOROHO. I am, sir. Yes, sir, absolutely. And that is part of what we have ongoing. So I am looking at the entire spectrum. I have a team that is formed. We also have an IG.

I have asked the Department of the Army IG to actually do an evaluation investigation as well on the practices, so we are looking at this from a very strategically—with forensic psychiatrists and psychologists. But that practice that was a variance at Fort Lewis. Because they had that capability there, when they had patients that were going through the integrated disability evaluation system, when they had a diagnosis that the disability evaluator was unsure of whether or not it was PTSD or not, he then would refer the cases to forensic psychiatry.

And then what they do is all administrative, it is not a patient encounter. And they look at all sorts of administrative data, and then they make that diagnosis. So that is why there wasn't a face-to-face encounter because it is actually not treatment. But that variance is not how we handle the disability process across all of Army medicine. And so it was an unfair disadvantage to those servicemembers, so we have suspended that.

BOARD DECISIONS ON PATIENTS

Mr. DICKS. Also, I was told that for a long time, the treating physician would write up a factual paper about the condition of the soldier. That was then taken away from the primary physician and given to a board to do. Why was that?

And the people who were giving these things felt that it was improper to do this, that the physician who had looked at the patient, talked to the patient, diagnosed the patient, should be writing up the report, not some board. Do you know anything about that?

General HOROHO. No, sir. But I will ensure that that gets looked into. You have my pledge that I am looking at this very, very hard. We take it seriously.

Mr. DICKS. I have got to tell you, General, it is hard for me to believe that these doctors are doing this on their own, that there has to be some direction. You know, I am told that your deputy was involved in this, and in changing the way this system was when you were at Fort Lewis. I hope that is not the case and I hope, I hope you didn't know about it.

But that is what we are told.

General HOROHO. Okay. Sorry, I will have all of this evaluated.

Mr. DICKS. Thank you, Mr. Chairman.

Mr. YOUNG. Mr. Lewis.

Mr. LEWIS. Thank you very much, Mr. Chairman, for, first of all, including me in this process as I am progressively on my way out of here. But nonetheless——

Mr. DICKS. You got 1 more year to serve.

Mr. YOUNG. It was pointed out that you served as chairman of the subcommittee for years.

Mr. LEWIS. Thank you.

Mr. YOUNG. As well as chairman of the full committee for a brief period.

Mr. LEWIS. Thank you, Mr. Chairman.

Mr. DICKS. Nice picture on the wall.

Mr. YOUNG. Yes, it is ahead of my own.

## COORDINATION OF CARE

Mr. LEWIS. General Horoho and gentlemen, welcome to the committee and first let me say that we are very proud of the services that you provide to all of our servicemembers across the board and quality has to be our number one objective and I am absolutely convinced that it is.

I will come back to you in a moment, General, to talk to the Army on a more positive note but in the meantime, in many, many years before Congress, I made an honest living in the private sector, and I very early on made the decision not to do business with physicians because they didn't know how to manage their own office, let alone respond sensibly to ideas that were outside of their realm, even though they are considered to be gods once they go through residency, sometimes you have to scratch your head.

So having said that, as we go about reorganizing the way we are managing hospitals and delivering that quality service to these people, I am very concerned that we might have managers who have similar levels of experience that management, trying to make these changes, changed for the sake of change in terms of the way we coordinate service delivery at the hospitals, coordinate a better capability. Delivering care for the physicians ought to be our priority, but a careful, careful examination as we progressively go forward to this, that that might suggest that we undo this idea and start all over again. That should not be beyond the realm of your responsibility either.

Admiral Mateczun, as you are going to be retiring from this, perhaps you will be in a position after that fact to come back and criticize what all of these people have been about. But it is really important that we examine and reexamine and reexamine.

Now, from there, relative to your question, Mr. Dicks as it relates to PTSD, the Army in our own region has an ongoing experiment. It happens in my district at Loma Linda, a university hospital where they are dealing with pain receptors and other elements of PTSD, it is diagnosis, care, et cetera, that apparently the Army is very fascinated with and there is an ongoing relationship that it is expanding that seemingly is producing some positive results.

And I would hope, General Horoho and others, that one would look at those models that are working to help each other better understand what successful avenues we might be following.

Another, this is largely at a rumor level, but it concerns me a lot. Early on, when this Member arrived in the Nation's Capital, it was suggested that if we ever had any serious medical problems ourselves, that we really ought to avoid Bethesda, for Walter Reed was the place to actually get some care in spite some of the controversies we saw relative to personnel, et cetera. I agree with you we ought to be dealing on the positive that was taking place there too.

But that kind of myth around the halls of Congress was a reflection where some concluded that one group, one organizational delivery of health care systems was working better than others. I hope to God that, first of all, that wasn't an accurate reflection.

But secondly, if there was any truth to it, I hope to God we don't bring these two groups together now at the Bethesda location, only to misorganize the whole process. I hear lots of complaints about traffic around Bethesda, but that is almost beside the point when you are talking about high quality care and delivery.

So with that, I appreciate very much your being here and I would love to have your response to know if you are aware of that which is taking place experimentally at Loma Linda. And then beyond that, it seems to me it is important for you to know this committee wants to deliver the money for the best possible care and we will, but we are in it together to make sure that we use the money well. So thank you.

General HOROHO. Thank you, sir. We are actually working aggressively to have collaborative partnerships with a lot of our universities that are out there, both in pain management with PTSD and also traumatic brain injury.

Mr. LEWIS. Correct.

General HOROHO. And the other area that we are looking at is evaluating whether or not tau proteins actually have an impact on PTSD symptoms and the way that we manage concussive care. And so I think there is tremendous opportunities as all of our services together partner with the civilian sector to look at best practices out there. And so that is one of the outreach programs that we are looking at.

And then on the business aspect that you mentioned, one of the moves that we have ongoing right now across Army medicine is moving towards an operating model company. We are working so that we decrease our variance and we make sure that we have standards—not standardization—but standards across all of our military medical treatment facilities in the Army so that we look at outcomes and best practices.

COMMUNICATION BETWEEN WALTER REED NATIONAL MILITARY MEDICAL CENTER AND NATIONAL INSTITUTES OF HEALTH

Mr. LEWIS. Another line of thought if you will, Mr. Chairman, the National Institutes of Health are just down the street from Bethesda's location. I have learned over the years that there truly are some phenomenal people there as well doing all kinds of things that take us right to that cutting edge. I don't know how aggressively or actively that this new coordinated effort at the Bethesda location will institutionalize regular communication that goes both ways between NIH and our new institutions. Could you respond to that, General?

Admiral MATECZUN. Yes, Mr. Lewis, I can speak to that. The National Institutes of Health is literally across the street——

Mr. LEWIS. Correct.

Admiral MATECZUN [continuing]. From this wonderful medical center, America's medical center. And we have already started relationships, for instance with the National Cancer Institute. We have co-located many of the cancer centers of excellence, which were sponsored in the past by this committee and others. We have put them together in a comprehensive cancer center, so it is the first comprehensive cancer center in the Department of Defense.

And we are working with the National Cancer Institute to gain NCI Comprehensive Cancer Center designation. In fact, we are going to expand on that partnership to be able to make the latest in cancer protocols available, not just at Bethesda, but across the entire Military Health System.

Mr. LEWIS. Well, the NIH is really very much on the cutting edge of cancer, identifying the causes of cancer treatment. And indeed it is that sort of coordination that I would very much encourage and appreciate. Thank you.

Mr. YOUNG. Mr. Frelinghuysen.

COMMAND AND CONTROL OF OPERATIONAL ASPECTS

Mr. FRELINGHUYSEN. Thank you, Mr. Chairman. Like other members, I want to pay tribute to the remarkable men and women that work under you that have delivered our wounded from Iraq and Afghanistan and done it in a unified way between the services through Landstuhl and to Walter Reed and to Bethesda, some to Brook and some out to Washington State. It is remarkable what has been done, and I think—we thank you for it.

The task force on Military Health System governance, so three of you have served on this task force, is that correct? This is sort of the focus on our hearing today, so are you intimately familiar with this final report?

Admiral NATHAN. We are familiar with the report, sir, but I don't think we are were members of the task force itself.

Mr. FRELINGHUYSEN. But the Army and Navy have bought into the report, so are we able to talk with you and get some answers to you as to why your services, the Army, Navy, endorsed option 2, or are you prepared to sort of talk about that?

Admiral NATHAN. I think we can speak to——

Mr. FRELINGHUYSEN. This is the future here.

Admiral NATHAN. Yes, sir. I think we can speak to the genesis of the task force and why it was established and then to some degree, as it has not been officially released yet, to some degree as to why certain options appeared better than others.

Mr. FRELINGHUYSEN. Well, under this option, military treatment facilities would remain under a respective service that has historically operated, is that your understanding?

Admiral NATHAN. Yes, sir, the command and control of the operational aspects of the military treatment facilities would remain under their respective services at this time and then there would be an agency that would be created to share administrative services and to co-locate those.

Mr. FRELINGHUYSEN. This is a $50 billion enterprise. It is, I think things, remarkable things that are done each and every day but there is always the constant comment that, you know, that this is the Army medicine, there is Navy medicine. But in reality, we hope that anybody who goes through that door, there would be a commonality of service delivery. Yes, Admiral.

Admiral MATECZUN. Sir, if I can, I believe the part that you are reading, and my understanding was that related to the concept of markets. And so in these markets, where we have multiple service hospitals, they would remain under service control. That is separate from the discussion about what happens in the National Capital Region, just for clarification.

OPTION TO ESTABLISH A DEFENSE HEALTH AGENCY

Mr. FRELINGHUYSEN. Yes, we could be Walter Reed Center Care for quite a long time. I would like for them to get a better idea of the broader picture here. And five of the nine members of the task force voted for the military health system option 2 to establish a defense health agency that would focus on consolidating, delivering a broader set of shared health services and implementing common, clinical and business processes, which, of course, you mentioned.

I just wondered if you—if any of you had any views as to what are the strengths of that recommendation?

General GREEN. Sir, I think I can talk to that.

My secretary actually says it fairly well. When you are dealing with a military treatment facility that has mission problems, you look towards a command. And so basically when you have a very difficult mission, such as the integration of two hospitals, you set up a command to run those two hospitals and ensure that the chain of command is very clear.

But when the mission is actually being accomplished well, and I now point to what we have done with warrior care in terms of bringing people back from the theater—sorry, when the mission is being accomplished well, then the question is if you want to do that mission more effectively, more efficiently, then that is probably the purview of an agency which will focus on the business processes and try to get us to some point standards that basically all of us would then attend to.

UNIFIED MEDICAL COMMAND

Mr. FRELINGHUYSEN. You don't have joint standards now?

General GREEN. No, sir. We tend to execute through Army, Navy and Air Force.

Mr. FRELINGHUYSEN. But I assume—yes. General.

General HOROHO. Sir, if I can comment. When this report went forward, each of the services had the opportunity to comment on it as it went up to our chairman of the joint chiefs.

Army went on record that our preferred course of action was a unified medical command because of the unity of command from continuity of care of the battlefield, to how we deliver care across all of our military treatment facilities. We are very much in support of looking at how do we collaborate and share services to see where we can find efficiencies. But the one concern is that the focus of just being on the delivery of health care and not focusing on the full spectrum of providing care in a war zone or humanitarian effort, because that is the full spectrum of what we provide.

JOINT POLICIES AND STANDARDIZATION

Mr. FRELINGHUYSEN. But if you take, you know, all the servicemen and women who have been subject to TBI, traumatic brain injury, I assume there is not an Army or Navy way of dealing with that.

So if you look at unity of purpose, how we assured, does the new model provide for that or does it exist now?

Admiral NATHAN. It exists now to a great extent and all of us, I believe, speaking for the surgeons general, have a collaborative spirit where we all agree that we need to find efficiencies and joint policies and standardization, both for fiscal conservancy and for quality of care.

The question is how do you get to the final end point of a joint concept, whatever that may look like, ranging from a unified medical command to a joint operating center with components. And the task force looked at ways to methodically reach that in looking at the multiservice market, management areas around the country, coalescing those first using funding and some command oversight and joint business plans in the areas to create jointness in those areas.

It is a little different than the paradigm that exists in the National Capital Region right now. For all intents and purposes, care at Walter Reed in Bethesda and, Mr. Lewis, you brought up was there a distinction between the care and was one better than the other, was really the same. For many, many years, those staffs have been driving back and forth operating at both places, and the physicians who work there and practice there, many of them practiced in both venues.

And so it was a great way to socialize cultural integration and acceptance prior coming together. So the staffs have been working together for years between those two facilities. Now how do we harness that synergy now that we are all together.

Mr. FRELINGHUYSEN. Well, are you all together? You know, I happen to read what is called the MHS stakeholders report. I was struck by the fact that none of your, at least, in your case, your predecessor, that there is any mention of any of the other services in that stakeholder report.

Part of what we are talking about here is overall governance and then the phrase changed, interoperability one day, jointness, you know 2 years ago, unified effort.

I think what we want is actually a unified effort. It isn't reflected in a pretty basic document, which I think most members have here.

Admiral NATHAN. And, sir, I believe we want that too. There are some great examples such as the enlisted training now that occurs in one location in San Antonio. The Navy has folded its tent at Great Lakes, the Air Force at Shepherd. We have relocated all of our training. The majority of our enlisted medical training now occurs together in the same classrooms by tri-service instructors and civilian instructors. And so I think we are seeing the seeds of jointness.

I grant you, sir, the inertia of the system does not lend itself easily to all coming together rapidly. But I think if we can do this methodically and with the collaborative spirit that exists here, we can find the right milestones to get there.

Mr. FRELINGHUYSEN. Thank you, Mr. Chairman. For all that——

Mr. YOUNG. Would you yield just a second?

Mr. FRELINGHUYSEN. Be happy to, Mr. Chairman.

Mr. YOUNG. Admiral, your discussion of how Army and the Navy, Walter Reed, Bethesda worked together for years. And, you know, I think many of us are very aware of that and the fact that it worked very well.

Was there a JTF-type organization over and above your joint operations between—with the Army and the Navy?

Admiral NATHAN. No, sir. The JTF organization came into effect as BRAC was created, to be the oversight agency to help coordinate many of the functions at BRAC.

Mr. YOUNG. So you did a pretty good job without that extra layer of bureaucracy, which I prefer to call it, because that is what it seems like it is to me.

Mr. Visclosky.

## COST ANALYSIS STUDIES

Mr. VISCLOSKY. Thank you, Mr. Chairman, panel, thank you very much for your service.

The task force completed its report review and report of recommendations to the Secretary of Defense in September. One of the assertions is that the task force review lacked cost savings estimate associated with the organizational restructuring. Have your services and organization participated in cost studies regarding the possible implementation of the recommendations, and what are the results of those studies?

Admiral NATHAN. I am not aware of a formal study by the Navy as to delineating savings that are captured in the task force other than evaluating various courses of action as their efficacy and leading to a more unified command and control element.

Mr. VISCLOSKY. The Army——

General GREEN. And the Air Force has not done a formal cost analysis. I think that the only thing that has been looked at is what has been presented with relative numbers of manpower that would be assigned to the various structures that were proposed.

General HOROHO. And that would be the same for the Army, Sir.

OPTION TO STREAMLINE OVERHEAD AND ADMINISTRATIVE COSTS

Mr. VISCLOSKY. On the multiservice market governance models, option three was selected by seven of the nine task force Members, does a governance model effectively streamline traditional overhead and administrative costs or, to use the chairman's words in his closing remarks, are we adding another layer of administration?

General GREEN. Sir, the problem, if I could address the previous question as well as this one, we have very clear clinical guidelines in terms of how we practice the same medicine. But when it comes to business practices, our business practices are aligned by service. Because when you go back to how the joint document was written in Goldwater-Nichols, essentially execution is done by each of the services and so money, for instance, the Defense Health Program starts off as a joint appropriation and then is given to each service where it is then executed by the service through their own financial systems and, therefore, there is not the transparency that is, perhaps, necessary to look at some of the cost cutting and things that need to be done if you were to look across the services in terms of what is expensive and what is not expensive.

And so we have been talking for some time about how do we improve our financial accounting and essentially take a joint appropriation and make it so that it was tracked by a single Service, financial system. But it goes beyond financial systems.

The Air Force is the only Service that doesn't currently have functional commands. And so today I sit before you not as a commander of a medical command, but as a staff officer that works for the chief of staff of the Air Force.

My influence over the various wings and their medical units is through how we basically oversee the money and the transparency of how we basically ensure uniformity in terms of how the Air Force practices is by how we administer money when, on the other side of that, if my counterparts were to talk, they actually have a command and so they have other authorities that they do.

Those differences, in terms of how we administer and do our business processes, are what I think Representative Lewis was referring to when he said he didn't like doing business with doctors. In essence, you know, we tend to align to our line counterparts so that we are basically practicing and trying to be effective, similar to how our line is. That is how we built the aeromedical evacuation systems. We knew that we had to be light, lean and capable and fit on every plane in order to come back.

Some people refer to that as cultural, but it is really not just cultural. Its execution of business plans.

And so when you try and bring those business plans together, the question is are there common services that basically would create efficiencies across the three services, and that is where we were looking in terms of the task force. That is how the task force was looking to see what are those common functions that could be brought together to create better transparency and, therefore, better efficiency.

Mr. VISCLOSKY. So, General, what is your answer, do you think the system will be more efficient because of this, and you mentioned transparency and costs clearly matter but, in this case, we

are specifically talking about people's lives and their health. And so I think everybody on this committee wants to make sure we are spending every nickel we have to or we want to make sure we are spending it as efficiently as probable.

Do you think it is going to lead to efficiency? You have mentioned discussions taking place as far as making sure there is greater transparency. Are those talks ongoing? Will there be recommendations coming back to the subcommittee about that?

General GREEN. Because a decision has not been made, we have not seen anything in terms of the decision on the task force has worked, I can't answer you in all honesty as to what the Department is going to do.

But, from my perspective, if you don't have that transparency, you cannot judge what is effective and what is not in terms of when you compare the programs. It is one of the problems we have today is we compare, we have the same vision for the quadruple aim. We are all working in medical homes. We have done things to equalize the systems, and yet the way it is implemented across the three Services makes it difficult to actually look at which one is most effective and most efficient.

And so in answer to your question, I guess I would tell you that when you look at the joint doctrine, there are many problems associated with whom we talk joint. And I have been in joint positions for 8 of my 34 years. The first joint doctrine starts with Goldwater-Nichols. And basically if you read it, doctors, lawyers and chaplains do not have joint positions. And so that is an oddity, okay, which actually we get to deal with fairly frequently, and so it makes it difficult for people to understand what you even mean when you say joint medical.

Now, getting past that which is simply a legal issue and coming to the next step, we have trained our people in different systems. So stepping into the Medical Education and Training Campus and having our folks in terms of their clinical training, be identical, is going to help us a great deal to understand where we can work together and where, for instance, if you are trying to be interoperable and wanted to send an Air Force medic into an Army 68 Whiskey role, what training would have to be added?

So, I mean, I would not put my people into that role without going through some training that the Army has created for their folks because of the different missions when they are on a helicopter. And so it is those kinds of things.

My answer to you is, that we need to grow into this by looking at those things that are common where we do agree, and then we can build to it. Whether ultimately it is a joint command or a defense health agency, or none of the above and just a collaborative agreement between the surgeons, what we need is ways that we can grow to find things that are more common that we basically run the finance—I believe that the financing is key. If we can get to a common accounting system, we will start seeing the waste. And I am not talking about waste that goes towards patient care, I am talking about waste in terms of administration.

Admiral MATECZUN. I think that the key to evaluating all of the options that are proposed is in relation to authorities. That is one of the keys because—and I think that the care is absolutely phe-

nomenal at both Walter Reed and at Bethesda. We had a great success crossing over staff. However, in business operations, we gained no efficiencies through the market that was in operation in the National Capital Region before the JTF came into existence, and so it is more about business process, and unless you have the authority to consolidate assets, you are not going to be able to find efficiencies, and I will give you two examples of what we have been able to do recently.

As we moved and consolidated call centers and our human resources center, by moving from two or three systems to one, we were able to achieve a cost savings of $830,000 a year just on the civilian human resources center that we use and $240,000 a year on the call center. That comes through being able to direct people into a common location. You have to consolidate if you want to find shared services. And then moving to optimize the operations and the size of the workforce. And you have to have the authority to be able to mold that workforce to find the efficiencies that I think are necessary.

Mr. VISCLOSKY. Thank you very much. Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, Mr. Visclosky. Admiral, you caught my attention there on that last statement. I am curious, what qualifications, what experience, what training do the staff of JTF have that makes them better at this job, this responsibility than the Surgeons General who have been running the military medicine for years?

Admiral MATECZUN. I think we have no different knowledge, skills or experience. What we do have is a command and control authority that allows us to execute, the authorities to execute the mission that we have been given. When you are able to execute across the Army, the Navy, and the Air Force, and do it effectively, you can find efficiencies. We do not have any more knowledge. It is not a special secret. It is purely, I believe, a matter of the authorities and how you exercise them.

Mr. YOUNG. Well, this seems to assume that the Army, Navy, and Air Force cannot do the job, at least not as well as JTF, but they have been doing the job for many, many years, and I have been here in this institution for 41 years, and I am very familiar with the operations at Walter Reed and at Bethesda over those many, many years, and as I said earlier, I believe I have witnessed miracles at those two hospitals. I have not had that much experience with the Air Force hospitals except when my son was there and had to go to the hospital at one point.

Anyway, let me yield to Mr. Kingston.

## COMMAND AUTHORITY

Mr. KINGSTON. Thank you, Mr. Chairman. Admiral, I wanted to follow up on that a little bit, but it is a question for the panel in general. In terms of the command authority, as I understand it, the Joint Task Force CapMed will report to the DoD, the Secretary directly, right?

Admiral MATECZUN. That is correct, our charter has us reporting directly to the Deputy Secretary of Defense for now.

Mr. KINGSTON. Okay, but everybody else would go to their own service Secretary and their Surgeons General?

Admiral MATECZUN. That is correct.

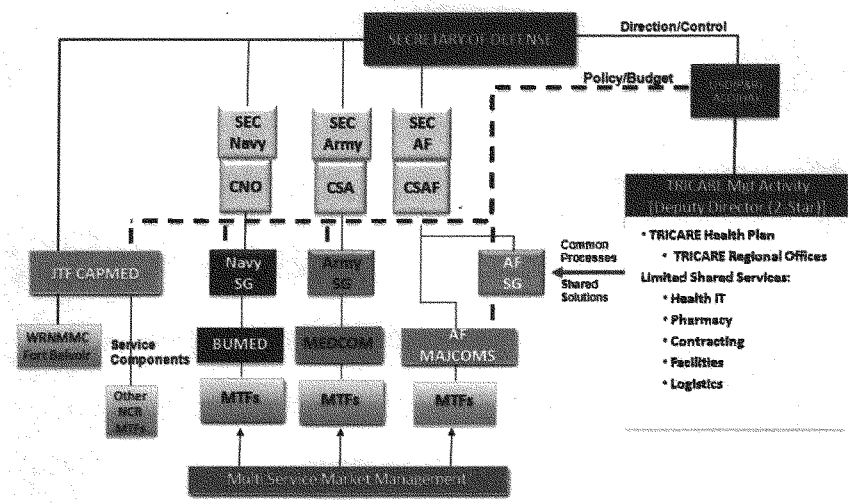
Mr. KINGSTON. Where I am having trouble following things on this hearing and where we are right now is I do not have an organizational chart or a schematic. I think it would be very helpful for members of this committee and also of Congress to understand what is the chain of authority and how does that organizational box look and how will it be changed. Do you have such a document?

Admiral MATECZUN. Sir, I do not, but we will take that request back.

Mr. KINGSTON. I am not just necessarily asking you, but does one exist?

[The information follows:]

The Task Force report documented a current structure and state of the MHS to lay a foundation for comparing options. The current organization and governance structure of the MHS is depicted below.




The Task Force evaluated several options. However, at this time, the recommendations of the MHS Governance Task Force have not been accepted by DoD leadership, so a final structure is not known. The next step in the process will be for the Department to submit a report to the Congressional Defense Committees providing a full discussion of options and the Department's views.

General HOROHO. Sir, we have our own individual organizational structures, but there is not one that shows what is and what will be. That analysis has not been done by the governance task force.

FACILITY CONSOLIDATION AND OVERHEAD COSTS

Mr. KINGSTON. Well, let me put on a different hat. Down the hall I chair the Agriculture Subcommittee, and we are working with the Secretary of Agriculture on reorganization, and he has come up with a whole list of efficiencies, number of offices that can be consolidated, closed, number of employees who can be bought out, leases on cell phones, leases on office space all over the country, and I can follow what he is doing, but what I am hearing today is that there is going to be a lot of functions that can be reduced, and we are looking to find efficiencies, and we are looking to find standardizations, and we are looking to work together. I do not quite understand why we are still looking to the degree that my assumption would be you have always done that, and you have identified it, and what I would love to hear right now is here is what we figured out, of all the square footage that we have, we can consolidate, and the numbers are right, you have 56 hospitals, 363 clinics, and 282 dental clinics; is that right? Something like that?

General GREEN. Yes.

Mr. KINGSTON. It would appear to me that right now you would be saying we have eliminated 10 of them because we decided they did not need to be freestanding, and then we combined 27 of them because we figured that the Marines and the Navy and the Army could all go together under one roof, but I am not hearing that.

Admiral NATHAN. Sir, if I may, certainly I think each service is now looking very hard at each medical facility, be it a clinic or a hospital, and to its value both in purposes of training, patient care, and the ability to care for wounded. To echo what General Green was saying, even though those hospitals may have to remain standing and cannot coalesce because they are not geographically as proximal as, say, Walter Reed and Bethesda were, there is no reason regionally we cannot look at reducing overhead administratively, combining functions, and that is what the task force is——

Mr. KINGSTON. But, Admiral, the budget has come from 2000 and $19 billion to now is it $51 billion? And it would appear to me that somewhat without being asked and without having a task force or study that we would have those numbers.

Give you another example at USDA. The Secretary asked his employees how many of you turn your cars in every 2 years. Nobody, not one person raised their hand in this interagency discussion they had. And he said, So why should we? And it was just these common sense things that did not take an act of Congress or a lot of bureaucracy, and what I am—you know, we are all proud of the work you do, but we just heard the General of the Air Force and the Surgeon General of the Army say that you do not have—and I wrote it down because it caught my attention. You do not have cost analysis. Is that——

Admiral NATHAN. We do not have cost analysis for this. The formal cost analysis from the services for this particular task force recommendations. We were not asked. The services were not asked to include that as part of their review for this particular task force

recommendations. However, we are all extremely vigilant. And many of those common sense decisions have been made. If you look at the Navy, I will not speak for others, but if you look at the Navy map of medical centers and facilities today compared to just 10 or 20 years ago, no longer is there a Philadelphia, a Long Beach, a Naval Medical Center Oakland. We have closed some clinics overseas. We have taken other commands that were full commands and converted them into clinics, with smaller administrative oversights, mostly because we have looked at bang for buck, can we reduce the size of them, can we eliminate them? Will the beneficiary population tolerate it? And in those cases where we have, they have. So that is an ongoing process within the services. This goes above what we are looking at now. This goes above and beyond those intrinsic efficiencies we find in our services and looks for even more common ground where we can share administrative decisions among ourselves.

HEALTH CARE COSTS—ANALYSES BY THE SERVICES

Mr. KINGSTON. Well, you know, we are concerned because this committee on a bipartisan basis has always felt that we have to be very careful in terms of the budgeting and not just—we do believe that the military services has to have a very careful look in terms of across-the-board budget cuts, but if the rescissions come in next year, 2013, and that ax swings in the direction that it will, we want to be prepared now, and it would be so useful for us to be able to tell our colleagues that you have gone out of that litany of offices. Here are the six or seven things that you have done that we can walk out of this hearing and tell people about, and I can do that on USDA, but I am going to walk out of here today a little bit blurry. In fact, real blurry, just as I came in. And that is why to me that organizational chart, and the organizational chart traced back to your budget in each box, which was one of the chairman's first questions because, you know, we need to work with you, we want patient quality to be the absolute best, that is a given, but we have got to also be really hard on ourselves within the military family and the committee.

General GREEN. Sir, if I may, the majority of the cost analysis that happens because of the financial accounting by service is through the Services. So, for the Air Force, from the time I came in where we had 140 hospitals, today we have 15. Of those 15, three are joint, five are in geographic remote locations, and so we have done a lot of effective and efficiency strategies in terms of how we are going to structure things. And even before the BRAC, I can tell you that the Air Force had 3- to 500 people that were working in other Service hospitals, and today we have people that are working in various universities to maintain trauma skills for when they go to war. Even the single appointment system up here was first built down in San Antonio with the consultant and appointment management office that was built back in 2004 where we invested nearly a million and a half dollars from the Air Force into the BAMC structure to basically locate that there, and currently that is where the Wounded Warrior transition unit is. So there is a huge amount of cost analysis that goes in. It is typically done by Service with the exception being what is done at market levels,

such as San Antonio, where we made the decision to go to a single appointment system, and this was prior to BRAC. So it does not have to be forced.

Mr. KINGSTON. Yes.

General GREEN. There are things that BRAC did, for instance, when we worked with the Army at Joint Base Lewis-McChord and Pope, basically the Army picked up that mission and we did very, very small clinics simply to take care of some Air Force-specific needs, such as some of the flight clinics that we do, and same thing up at Joint Base Elmendorf-Richardson in Alaska where the Army did not bring in a lot of additional assets when they brought 10,000 additional troops into the area because the Air Force built that up and essentially established more services in terms of Joint Base Elmendorf-Richardson so that we could support the Army folks coming in. So it tends to be built based on the markets where we have those collaborative arrangements. Otherwise it is done by Service. And then Health Affairs creates the overarching rules that we look at each other in terms of what the incentives are and how we get money. So there is a huge amount of cost analysis, but it is done by Service.

Mr. YOUNG. Mr. Kingston, can you yield for just one quick question?

Mr. KINGSTON. Yes.

Mr. YOUNG. General Green, your comment about you had several joint operations now; is that correct?

General GREEN. Assignments you are talking, sir?

Mr. YOUNG. Yes, you said you had——

General GREEN. I was the USCENTCOM surgeon and the USTRANSCOM surgeon. I have 2,000 people now at SANNC in San Antonio, 300 people that work in Landstuhl in Germany, and about 150 people that work here between Walter Reed Bethesda and Fort Belvoir.

Mr. YOUNG. My question on that is do you have any organization like the JTF that is sort of a superstructure over that jointness?

General GREEN. No, sir.

Mr. YOUNG. Thank you.

General GREEN. Well, for the joint hospitals, I have ADCON back to the organizations that are in that area, which is what Admiral Mateczun referred to.

### RELATIONSHIP BETWEEN JTF CAPMED AND INSTALLATION COMMANDERS

Mr. KINGSTON. Mr. Chairman, I know I am out of time, but I have a question that is right on the back of yours, and I would like to know what is your view of the relationship between the command of JTF CapMed and the hospital and installation commanders? Is that a good relationship or is there dynamic friction? And is it positive or negative?

General GREEN. Are you asking me?

Mr. KINGSTON. Yes.

General GREEN. There is friction. I think that the JTF was very much required to integrate two very large facilities into a single operation for the BRAC, but from my own personal perspective, because we do not have joint credentialing guidance and joint nursing

policy and joint patient administration, we really need to operate the hospitals today by one Service's rules, and so there is friction because the JTF would like for us to move towards more joint oversight, and because that does not exist yet, trying to move in that direction is difficult.

Mr. KINGSTON. Thank you. Thank you, Mr. Chairman.

Mr. YOUNG. Ms. Granger.

REMARKS OF MS. GRANGER

Ms. GRANGER. Thank you. I am going to join Congressman Kingston. I came in here to learn and to ask some questions, and this seems to me muddier and muddier, and what we are trying to do, of course, is to deliver quality health care in a time where you know, our men and women are coming back with some terrible, terrible situations, and we do it in an effective, efficient way, and to do that, because we are in a crisis and we know what is coming down, it is more cuts, and so you have got a quagmire here, it seems to me, and are you moving toward that solution? Because it has to happen. I mean, it cannot continue. I had a base that was in my district that was set for closure and then realigned as a joint reserve base, and for a while it looked like instead of saving we were going to spend as much money as we could to put walls so every branch of the military could have their own set of circumstances, and finally from good leadership said, no, we are joint, and we are going to do everything we can joint. We are going to contract jointly, we are going to purchase jointly, we are going to do that. And that is what has to happen. There has to be leadership that says here are the problems that we are experiencing, and now how are we going to resolve those? And it may be coming back to us and say the way you think they can be resolved is not the way that they can be resolved, but are you listening also to those that serve?

For example, I think at Walter Reed, you know, there are reports that there is a high turnover, that if you have this confusion of command and control, then how does that play out on a day-to-day basis with those medical health care deliverers, and certainly the patients that are there, and oftentimes it is at that level they say, hey, this does not work. So we are trying to work around an unworkable situation. So I would hope that if there are successes, and General Green, you talked about those successes, for goodness sakes let us know that so we can walk out of here or at any other meeting with a better picture of what is happening than we have today. And where it is not working, then for goodness sake, let's work together to say it has to be done this way. If not, it will deteriorate. Instead of saving money, it will not save money. It can very, very alarmingly affect the health care, the delivery of health care.

So I do not have a question. That is just my observation and concern. Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, Ms. Granger.

Mr. Moran.

BETHESDA JOINT ARMED FORCES HEALTH CARE CAMPUS

Mr. MORAN. Thanks, Mr. Chairman. When I was in premed and Air Force ROTC, it struck me as strange that we had no cooperation or collaboration with the Navy-Marine Corps ROTC on campus. We were told that the culture and the mission were so different. But certainly the mission of healing the human body is identical. We took the same education training, the same procedures were to be applied. Since DoD was put together in 1947, there have been 10 reports that have strongly recommended an integration and unification of the military health service function among the services, and in 2005 GAO identified DoD's health care system as an example of one of the key challenges facing the U.S. Government in the 21st century to achieve economies of scale and improve delivery by combining, realigning or otherwise changing selected support functions. I could go down a list of other studies, but they reach consistent conclusions. It does not make sense to have separate medical care among the services, and so the combination of Walter Reed and Bethesda was to be the national example, international example in the Nation's capital of how we would do that. So it is a bit frustrating when we hear reports from folks who allege to know and would have reason to know what they are talking about of a, and I put in quotes, dysfunctional leadership arrangement is the term we are told at the combined Walter Reed campus.

So let me ask General Horoho, who was not even alive when I was taking Air Force ROTC and premed, I will bet, and Vice Admiral Nathan, do we have a patient-centered, collaborative, Joint Armed Forces health care campus at Bethesda?

Admiral NATHAN. Thank you, sir, and it is a very important question. Yes, we have a great example of a jointly staffed facility that by and large is taking even better care, if I could say that, of patients than they did before because they are finding collaborative practices now that they are under one roof. The Army is seeing things the Navy did that they like, and the Navy is seeing things the Army did at Walter Reed that they like.

That said, this is, as I said before, this is a new paradigm. The command and control which, for Walter Reed Army Medical Center, rested entirely within the chain of command of the Army, to the Secretary of the Army, and of the National Naval Medical Center, which rested through the Navy Surgeon General to the Chief of Naval Operations through the Secretary of the Navy now resides under the command and control of the Joint Task Force, the commander of the Joint Task Force, and we all recognize that, who works directly for the Deputy Secretary of Defense. So the services now no longer have full cognizance of or control of that system. So they are looking for ways, since that chain of command, a Joint Task Force commander reporting to the DEPSECDEF, is new and does not have some of the administrative robustness that the services had before when they each owned each hospital.

JOINT MEDICAL FACILITY BETHESDA COMMAND BILLET ROTATION

Mr. MORAN. Well, I do not want to interrupt, and we do seem to be repeating ourselves, but it is 65 years now that there has

been a consensus that we ought to combine our military medical services because the mission of healing the body is the same and the procedures are the same. This is supposed to be the best example, and it seems to fall short.

Let me ask you, is the commanding officer a rotational billet among the services?

Admiral NATHAN. Yes, the commanding officer at this time is Admiral Mike Stocks, and it is not codified yet as to what the rotation is, but it is presumed that the next commander of the new Walter Reed would be any service, best qualified candidate of any service. And, sir, if I may, just to say, yes, there are growing pains there. All the members here have been personally interested in this, and you have come out, and you have walked the deck plates, and you have heard some of the staff and perhaps some of the patients complain about, boy, we did not do it this way at Walter Reed or, you know, we used to do it this way at Bethesda, and that is the cultural integration that has to occur. Some of that is the cost of business, but there is, as I have just stated, this is a new chain of command format that presently has not been, you know, precedent in military medicine, and so they are finding their way through it. Part of the task force, the genesis of the task force was to see how they could move from this paradigm of a Joint Task Force reporting directly to Deputy Secretary of Defense to a more codified organizational table that you are looking for.

Mr. MORAN. Well, is the TDA for Walter Reed-Bethesda a joint document? It is not?

Admiral NATHAN. Not that I am aware of, no, sir.

Mr. MORAN. Well, the table of distributional allowance, if it was joint, would require the integration of all Navy and Army personnel into one joint command document. Admiral Mateczun, do you want to address that?

Admiral MATECZUN. Yes, Mr. Moran, thank you for the good question. There has been a decision by the Department that these facilities would be manned on a joint table of distribution. Because we——

Mr. MORAN. But they are not now?

Admiral MATECZUN. They are not now. We have put them all on what is known as an intermediate manning document. What we wanted to do was to allow the flexibility in the first year in operation to make sure we were able to adjust between the hospitals if we hadn't gotten it quite right, if the organizational structure or the people were not assigned in the right place, but the current decision is that they would be manned on a joint table of distribution.

Mr. MORAN. They will be, but they are not, okay.

Admiral MATECZUN. But there are supporting—there are Memorandums of Agreements (MOAs) between the JTF and the services for all of the military people assigned.

### CROSS-SERVICE MEDICAL PERSONNEL STANDARD

Mr. MORAN. Let me just ask a very similar—is there a cross-service medical personnel standard? Is it the same across the services? General?

General HOROHO. Sir, I just spent 4 months in Afghanistan, and I can tell you, at the point of health care delivery in a deployed en-

vironment, having Army, Navy, and Air Force working together, one standard of care, one chain of command, and everybody working together for a common mission. So we absolutely know how to do jointness and provide care.

Mr. MORAN. I know you know how to do it, and in a combat situation in Afghanistan, you do do it. The problem is back at home here where we are trying to implement something that we have known was going to happen for some time, we are not necessarily doing it because we do not have the personnel and the line authority, et cetera. That is the purpose of the hearing, is it not, Mr. Chairman?

Mr. YOUNG. It is one of the major purposes.

Mr. MORAN. Well, yeah. Why cannot we do here what we have to do in Afghanistan and actually do quite well when we need to?

General HOROHO. I would say part of it is the unity of command and having, we have different processes for credentialing, different personnel systems, which is why we went to the DoD civilian personnel system, so we had one standard for our civilian personnel. This is a maturation process that we have to identify what are all those business processes and standards that are different? Delivery of care is not different, but the way that we manage is different, and those, we have to find that commonality for shared services.

Mr. MORAN. Well, I think my time is up, but the professionalism, the quality of the personnel is terrific at Walter Reed and at Bethesda. This is no slight as to the, you know, the excellence of the people assigned to this duty, but there does seem to be a shortfalling, a deficiency in terms of the administrative structure that they are governed by. I do not have a problem with Joint Task Force. It seems to me that was the most expedient way to do it, but it seems as though these growing pains are going to have to be dealt with on a more expeditious basis perhaps.

Mr. KINGSTON. Would the gentleman yield?

Mr. MORAN. Yeah, sure. I mean, it is the chairman's time.

Mr. YOUNG. I will yield. Are you through?

Mr. MORAN. Yes.

### WOUNDED WARRIOR PROCESSING BETWEEN SERVICES

Mr. KINGSTON. Let's talk about Afghanistan. If you had, say, a soldier in the Army who is injured by IED, from there goes to Landstuhl, from there Walter Reed. Where does the difference begin? Let's say there was a soldier and a Marine, both injured, same accident, similar injury, they are side by side in the field, and then do they get separated in Landstuhl? Do they get separated in Walter Reed? And when does the paperwork start deviating, and do they both have that microchip in their uniform that gives their blood type and their medical history, you know, the——

General HOROHO. Not that I am aware of on the chip now.

Mr. KINGSTON. Okay. So where do the two of them who are side by side, injured in the same accident, where does it start to split in Mr. Moran's question?

General HOROHO. As they get transported out of Afghanistan and go into the system commonality through——

UNITY OF COMMAND IN DEPLOYED ENVIRONMENTS

Mr. KINGSTON. The minute they leave theater?

General HOROHO. No, no, I am just taking you through. So all the way through, and then they can, when they arrive back in the continental U.S., if they arrive and they get assigned to Walter Reed National Military Medical Center, then there is a chain of command following it or JTF CapMed. Or if they went to Brooke Army Medical Center, then there is a chain of command which is Air Force and Army working together under a different set of business rules. Or if they go out to Madigan Army Medical Center there is a different chain of command which is a straight Army chain of command. So it really is in our overall governance structure where things are different, but the delivery of the health care is the same across the board.

If you go to any one of our military treatment facilities, Sir, whether it is Army, Navy, or Air Force, we are joint at the patient care because we treat Army, Navy, and Air Force. There is not a single hospital that only treats their own. And so we base our care on demographic patient population, all having business plans, doing the analysis, working to try to pull more work into our military treatment facilities vice into the civilian sector so that we are more able to manage the cost containment of health care, and even looking at shared services with the VA where we can better collaborate in certain geographical areas. So that work is ongoing, but it is the governance structure of each of those that makes the difference.

General GREEN. If I may add to that, the reason for the unity of command that you see in a deployed environment is because of the combatant commands, and so it is USCENTCOM that actually establishes what the medical guidelines will be and how the evacuation system will work, and basically drives that unity of effort until they get back to the States, and once they get back to the States they come back into the Service systems because there is not a unified command that has oversight of the U.S.

When you look at Goldwater-Nichols, it was not established purposely, and now that USNORTHCOM is in place, but USNORTHCOM does not have oversight per se over the Services, they have components that have specific purposes, but they do not oversee the Services as they deliver, all Services, including health care, and that is why you do not have the same unity when you get back to the States.

Mr. MORAN. Well, it bears noting, Mr. Chairman, that at Fort Belvoir it is actually working quite well. We have not received one single complaint. It is under Army command. It is working beautifully. I do not know why that is not necessarily the case at Bethesda. I think it is just something we need to look into, but it bears noting that Belvoir is working just fine, no complaints whatsoever.

Thank you, Mr. Chairman.

Mr. YOUNG. Mr. Calvert.

CONSOLIDATION OF HEALTH SUPPORT FUNCTIONS

Mr. CALVERT. Thank you, Mr. Chairman. Good morning. I want to thank you for your service and your leadership. We certainly all appreciate you, but before I get to my line of questioning, I do want to make a comment.

If the traffic management and parking arrangements at the merger of Bethesda and Walter Reed is any evidence of what is going on inside, we are in trouble. The several times I have been there, it has been difficult.

In November of 2006, the Deputy Secretary of Defense approved a plan to consolidate common health care services functions, finance, information management, technology, support, logistics, the rest of it. In 2007 the GAO criticized the plan because DoD had failed to do a cost analysis of this merger. May 24th of 2011, the administration said DoD would shortly complete a study on how best to deliver high quality medical care to service members and their families in an effective and cost efficient manner. On September 29th of 2011 a task force on military health care system governance released its final report, recommending that a variety of health care support services, as we have been discussing, be consolidated into a defense agency, DHA, including finance, information management, as I mentioned earlier.

The recommendation, therefore, is essentially the same, essentially the same recommendation that was made 5 years ago, and it still does not have an estimated cost savings analysis that has been completed. So I guess the logical question would be, has any—I heard mention of a consolidation of a call center, but has any consolidation of health support functions occurred since November of 2006 that you are aware of? And if not, why not?

Admiral MATECZUN. Sir, in the NCR I think is the example of where we have had consolidation. I will give you an example of the power of being able to work across services with the right authorities. We had two hospitals, very large size, that needed to be outfitted. That is, we had to buy all of the equipment that goes into them, and one of them was an Army hospital at the time, one of them was a Navy hospital. We were able to consolidate those two contracts. It was a cost estimate of around 319——

Mr. CALVERT. Is that the extent of consolidation?

Admiral MATECZUN. We saved over $77 million just by consolidating the contracts, and then in execution we were able to save an additional $39 million, another 9 percent on the contract cost by having the authority to be able to consolidate some of those shared services, if you will, and part of the response, I think, to the GAO report is what has happened in the NCR in terms of being able to achieve shared services.

Mr. CALVERT. So NCR is the——

Admiral MATECZUN. National Capital Region.

Mr. CALVERT. Is that the only consolidation that took place?

General GREEN. No, sir. You also consolidated the two large hospitals in San Antonio with Air Force and Army coming into one, saving about 500 manpower positions, and they now work under a structure that is overseen by the Army in the large facility, in other words works by their system, and has a market oversight

that is shared between the Air Force and the Army. You have also seen consolidation in Alaska of services there, you have seen consolidation at Pope and also out at Madigan and Joint Base Lewis-McChord. There has been consolidation and closure of hospitals in Colorado Springs. Now, many of these are BRAC in terms of what was driven by BRAC, but there has been a great deal of consolidation. The November 2006 memo that you are referring to——

COST ANALYSIS DATA

Mr. CALVERT. You say a great deal of consolidation. I mean, we are sitting here. I guess from my perspective looking at this, I do not see a great deal of consolidation. If consolidation is being done and you are analyzing costs, why was a cost analysis never done?

General GREEN. I cannot answer why a cost analysis was not done.

Mr. CALVERT. How do you know, really? I am a former business guy. I came up here. You know, I just look at it from a business perspective. How do you really know what you are saving unless you do an analysis of what you are doing?

General GREEN. We agree. We are not disagreeing with you, sir. The November 2006 memo was overtaken by events at Walter Reed and establishment of the JTF, and so you did not see some of the things that were proposed back in November 2006 because of the efforts that went into basically trying to improve the wounded warrior care.

Mr. CALVERT. You understand the position of this committee, since the task force recommendation largely just rubber stamps a decision that was made 5 years ago, why should we believe any changes are going to be made this time? I mean, to the extent that we would like to see made. We are talking about difficult decisions that this committee is going to have to make shortly, and we have got to have, I think, pretty good evidence of how we determine what those final decisions are going to be, and I do not see any great evidence on how to move forward here.

General GREEN. I think that the Department of Defense would share your frustration in terms of not having all the information that they would like to have to determine how to go forward with this, and so, again, we can give you our personal inputs on what should be done, but it is hard for us to speak for the Department when there has not been a formal decision with regards to what their recommendations are going to be on the task force. The three of us, as Surgeon Generals, before you understand completely that we need to collaborate and find ways to basically be more effective and efficient as we provide quality care and take care of America's most precious resource in terms of the people who have defended this country. And so we are with you, but we cannot say why the Department does not have the cost data that you require right now.

Mr. CALVERT. You know, I guess I am just frustrated that 5 years, and where are we going to be just here in 5 months when we are going to have to make some difficult decisions with the chairman? So that is the extent of my questions, Mr. Chairman.

Mr. YOUNG. Thank you, sir.

Mr. Cole.

SCHEDULED MEETINGS TO DISCUSS PROBLEMS

Mr. COLE. Thank you, Mr. Chairman, and I want to join everybody else, just thank you very much for your service, and obviously you look at survival rates and you look at disease rates, and you know we have been in two wars, and you have done an extraordinary job. A lot of us had an opportunity to visit a lot of medical facilities, both in the field in Iraq and Afghanistan and in the various way stations, and the care, the compassion, the focus on helping the wounded warriors through this is remarkable. So thank you very much.

Having said that, I think I am like the rest of my colleagues, a lot of the presentation, and perhaps because I do not know a great deal about health care, is sort of opaque. I do not think we have really gotten a lot of issues defined as to what the big challenges you are facing are. I mean, there is a lot of rhetoric, but back to Mr. Kingston's point, not a lot of specifics, this to this and this to this, and I think we probably need a little bit more of that going forward.

Let me focus on a couple of areas that I have particular interest in. One, just out of curiosity, do the three of you meet regularly? I mean, do you have like scheduled meetings where you literally sit down in the same way the Joint Chiefs do and say these are the common problems we have across the service?

Admiral NATHAN. Absolutely, yes, sir.

Mr. COLE. Pretty frequent?

Admiral NATHAN. If I could be so bold, I think that the three of us have energized actively collaborative meeting and spirit that I think has set the bar so far.

DOWNSIZING AND BUDGET IMPACT

Mr. COLE. That is great. That is good to hear. Thank you very much.

Second question, and this maybe is a premature question, to be fair to all of you, because we haven't seen the budget yet. We all know we are going to be going through a downsizing over the next several years, we are going to have pretty difficult decisions to make in that regard. You have developed some astonishing capabilities, and they have not only served us very well on the battlefield, they have served us very well in other areas, the work that has been done by military people during Haiti and have really helped the image of the United States of America. So I am concerned, as you look forward, what kind of downsizing do you see in terms of your capabilities? What are you most concerned about losing, if anything, in the next several years?

General HOROHO. Sir, my biggest concern is that as we reshape the Army, and we have troops coming home and longer dwell times, we are going to have a large population that we will still have to support with either behavior health concerns or traumatic brain injury and concussive care. So it is ensuring that we have that capability for the period of time that we are going to need it, so I think there is going to be a period as we draw down on the number of troops that we will have a large number that is still going to require care, and so the effort that I have ongoing right

now is analyzing what capability do we need, where do we need it, and ensuring that we have that available for the outyears.

Admiral NATHAN. Sir, I would echo that. Regardless of what happens to our medical footprint in the services, the health benefit requirements will probably stay about the same, and so how do we balance what we do within our own system with what we send outside of our system to the networks, to the private care sector, which can be pretty expensive? So we have to look at that.

And then from a Navy perspective, as you mentioned, one of the quivers that we have to draw on is humanitarian assistance disaster relief. These missions can be expensive, and they can be sometimes material intensive and personnel intensive, yet they do a great deal of good and they are wonderful venues to show the ambassador, the ethos, and the compassion of the U.S. to other countries. So we are monitoring that closely to see just how much we can afford of that and try to maintain that presence.

Mr. COLE. Well, when you deal with one of those, I am just trying to remember myself, I mean, how often have we recognized that from the appropriations standpoint do we put an extra unanticipated burden on you and help defray that expense or do you just sort of have to eat the cost?

Admiral NATHAN. Well, there has been appropriated money for those missions, and we are looking at now in the Navy, for example, the hospital ships, extending their shelf life, looking at how we can build, how we can and if we can build newer platforms to maintain those missions, at the same time sharing a warfighting responsibility. Many of our gray-hulled warships now do, they also carry humanitarian packages and often pull into port to do humanitarian work, which we think is a great bang for the buck. So, again, Congress has formally recognized those programs.

General GREEN. And I think that we would echo what my two counterparts have said. I would tell you that as we come out of the war, one of my major concerns is because we have downsized our hospitals so significantly that we need to be able to maintain these skill sets for our folks to take care of trauma and to do this critical care that has been so vital in this war, so we have been doing a lot of partnerships with local universities, making certain that our folks are working at Level 1 trauma centers, et cetera, and the other side of that is that because of the war and the focus on the deployments, we also need to make certain that we are offering the kind of care that everyone wants to come back to, and so we are looking at how we bring people back into our system to keep our hospitals as robust and as busy as we can because we know that physicians who have a busy practice are more likely to stay with us.

Admiral MATECZUN. Thank you, Mr. Cole. One comment. From a strategic perspective, there has been a shift during this war with the great work that the critical care air transport teams have done and being able to move critical care patients back from theater. It used to be that we had to put out deployable platforms that kept them in theater for 2 or 3 weeks, sometimes a month before they could be coming back as they were in past wars. Thanks to General Green here and a lot of great work in the Air Force, those things started up with Operation Iraqi Freedom, and we now no longer

have to have the number of deployable platforms that we did, but those patients are still in beds for the same length of time. It does not shorten the time that they are requiring care, and those beds are now here or in Landstuhl. And so we have to make sure that we maintain, as General Green says, I think, the number of beds that we need to be ready to take care of the casualty flow of the future.

COORDINATION WITH THE DEPARTMENT OF VETERANS AFFAIRS

Mr. COLE. Two other quick questions, maybe not too quick, but obviously you have got patients, particularly critically wounded patients that go through a continuum from battlefield to transportation to Landstuhl to back here, a lot of those folks eventually leave the service. How comfortable are you that you are coordinating well with the veterans facilities and the care that they are headed to next? I mean, there is obviously a lot of opportunities along the way for somebody to slip through a crack accidentally.

General GREEN. I think that the work we are doing to improve the integrated disability system is helping with coordination with the VA. I think that the work we are doing with the integrated electronic health record to get to a single health record will take that much further. I think that there is a spirit of collaboration, and it has been steadily improving in terms of eliminating seams between VA and DoD to make certain that we do not lose somebody, that they have care immediately, and so there has been a lot of progress towards that, but I think there is still work to be done.

HEAD INJURIES AND PTSD

Mr. COLE. Last question. Thank you, Mr. Chairman, you have been very gracious. One of the areas that I think has concerned this committee, we have learned an awful lot more about head injuries in the last decade, you know, both at peace and at war, than we have known in a long time. I know there have been several efforts to have, you know, a little testing, joint centers to look at this. I have never been a hundred percent convinced we have really gotten to where we need to go, both in terms of before and after testing for people as we deploy them into combat theaters and best practices once they get back. So I would just sort of like a quick update from you on what we are doing on the head injuries and post-traumatic stress, for that matter.

General HOROHO. Sir, I will start in Afghanistan, if I can, and then kind of bring you through. In Afghanistan we now have 11 concussive centers that are jointly manned, one standard of care, and this has been implemented over the last probably 12 to 18 months of having a DoD standard for how we manage. So if someone is exposed within a 50-meter radius to an IED blast, they are evaluated with a concussive care evaluation, they have mandatory 24-hour downtime, and then we have three neurologists that are in theater, so if they need to be evaluated because the symptoms showed that they have a concussion, they are then treated within these concussive care centers and can be there for several days up to several weeks.

Mr. COLE. Are you comfortable that you have got a baseline? Again, we have been sort of round and round about this, and I am

not pointing fingers at anybody. I think we are all struggling to try to figure out what the appropriate things are so that when a soldier has an incident like you just described that we know sort of where they have started so you have got a comparative point of reference.

General HOROHO. We have everybody that is taking the ANAM; so they are being evaluated 100 percent before they deploy, they are being reevaluated when they are exposed, and then that is documented both on the blast exposure side and then also on the medical side so that we can cross-reference and make sure that someone has not dropped through the cracks with that. We have a 90 percent return to duty rate of those in theater that have been exposed to an IED blast, and then we have also worked so that we have one standard of training for Army, Navy, and Air Force predeployment so that everybody is implementing the concussive care clinical practice guidelines the same way, and then having that capability back within our military treatment facilities, and then we are also standing up various satellite clinics to look at concussive care that actually marries up to the NICoE center on the Bethesda campus.

Mr. COLE. Thank you very much. Thank you, Mr. Chairman.

Mr. YOUNG. Mr. Hinchey.

Mr. HINCHEY. Thank you very much, Mr. Chairman.

Mr. YOUNG. I was going to say the patient Mr. Hinchey.

Mr. HINCHEY. Pardon me?

Mr. YOUNG. The patient Mr. Hinchey.

DOWNSIZING IMPACT ON MILITARY HEALTHCARE IN RURAL AREAS

Mr. HINCHEY. Yes, indeed. Thank you very much. I deeply appreciate everything that you do, and all of those things are critically important, of course, and they have a big effect on a lot of people, and I very much appreciate the answers that you have had to the questions that were set forth. I have a couple of simple things to ask.

The circumstances that we are facing now have a lot of, a good number of people who have had experiences of physical and psychological in the context of the wars that they have been engaged in, and particularly I guess Iraq and Afghanistan recently. Those people, a lot of them are located in places that are remote, even in a place like New York, and in other places across the country. What is going on to try to help them, to try to get them to the kind of circumstances that they need? I know that there are a lot of people who are really necessary to get this kind of attention, but so far a lot of them aren't. What can be done to deal with it? And, frankly, I understand also that the base realignment and closure is a situation that is reducing this whole operation, and I understand that there may be some more of that. So what is going on with those kind of circumstances with those people in those kind of rural areas and the physical and psychological efforts that they have suffered in the context of the operation that they have been engaged in?

Admiral NATHAN. I will start, Mr. Hinchey. There are two aspects that we worry about. One is we think that people are getting leading edge care for post-traumatic stress and traumatic brain in-

jury in these epicenters of care such as Walter Reed and San Antonio and San Diego, so how do we make sure that they get that kind of care with some of the advances in some of the spaces you talked about where they are away from that? And then secondly the administrative support, what is their management of care, how do they get the appointments they need, how do they get the proper follow-up with the right kind of people to do that? One of the things we have done is create the National Interpid Center of Excellence for Traumatic Brain Injury, the NICoE, that exists on the Bethesda campus. Its purpose is threefold. One, it has all the latest and greatest diagnostic and therapeutic materials, but it treats a small cohort of patients. It is not designed to take care of the enormous numbers that my colleagues have talked about that we are going to be facing in the coming years, but it is looking at ways to find recipes, if I may, for better treatment of Post-traumatic Stress and Traumatic Brain Injury and then exploiting that. Its second purpose is research, to collate data from our patients. Our patients are unusual because, unfortunately becoming too usual, but unlike motor vehicle accident patients or trauma patients in the States, most of our patients are suffering these concussive injuries that General Horoho was talking about, and how to approach them and recognize them both in the near term when they suffer some problems and then latent periods where maybe years later things will start to pop up. How do we catch them and what safety net exists for them? And then finally the third is a collaborative mission of the NICoE, and General Horoho was talking about the satellites that are going to be created throughout the country on a smaller scale of these.

The collaborative mission I think is the most important. It is the one that is bringing together the private, academic, and Federal sectors to partner in this care. We cannot do it alone. I am the first to say that the military cannot be the sole provider of care for these TBIs nor can the VA. It is going to have to be a national call to arms among the private academic sectors. We are starting to see some of the nursing schools change their curriculum to add traumatic brain injury and post-traumatic stress as part of the curriculum so that nurses will be more attuned to that as they go out through our society. Medical schools as well. The progress is slower than we would like, but I think there is initiative. We are having VA/DoD cooperation now with the VA/DoD partnership in north Chicago where we are fielding a joint electronic medical record system. One of our big obstacles to this kind of care and managing patients across the spectrum is finding a common medical record that can be easily used by both the VA and the DoD, so the VA can see exactly what was done in the system and we can see what was done in theirs, and we are working on that.

And then there is the case management system with the Federal health care coordinators that now overlook both the DoD and the VA and other Federal care facilities as the patient goes back to New York or goes back to Bremerton or somewhere else where they are away from the mother ship. So we are all, I think if you ask all of us, we are still frustrated with the progress that is made. It is the most vexing injury and problem of the war from that standpoint, but yet I think we are making progress. I do believe we have

to get more and more collaborative integration among the private, academic, and Federal sectors.

Mr. HINCHEY. Well, thanks. The situation I think that you are describing is going to be even more and more difficult as time goes on, and it is going to be more complex and more complicated to deal with. What do you think we would have to do? Is there any contribution that this operation can make to make this situation better? And I mentioned that the base realignment and closure is not having a positive effect on the long range of the situation that we have to deal with here. What can be done to alter that, to make it more effective, to make the people, a lot of people across this country who need to get attention who are not going to get it unless the situation is dealt with more effectively.

General HOROHO. Sir, one of the things that I want to bring out that Congress did recently, just gave us; the legislative authority to credential and privilege mental health providers across State lines, and what that is going to allow us to now do is to tap into that capability and get to some of those remote areas for our Reserves and our National Guard in getting tele-behavioral health out there. We are using tele-behavioral health and have been over the last couple years to treat the large volumes of patients that we have within the Army and also in a deployed environment, but it is looking at those legislative requirements where we can maybe break down barriers on how we provide care within the civilian sector as well as partnering with our military.

General GREEN. In my role as co-chair on the Recovering Warrior Task Force that is looking at some of the programs, there are a lot of innovative things that are being done with both nonmedical and medical case managers to do outreach for people who have been identified as well as the work of all the services to basically keep registries of wounded warriors so that we can follow them. Some very progressive programs in terms of the Army's community base warrior transition units and also the Marine outreach to some of the communities as people separate. I think that you are going to see the veteran service organizations very busy again in terms of taking care of Reservists and Guardsmen who may be in faraway places and the VA has outreach programs. So I guess what I would tell you is to watch these things to see which prove to be most effective as you talk to your constituencies and see those things. The real hard piece now is making sure that these services are visible to people and that they know how to interface with the system and get the help that they need because all of us are concerned that as we see the end of the wars that we will see a rise in post-traumatic stress; whether it rises to disorder or not, we do not know. But there are many people that continue to serve, in fact I would tell you that in our numbers in the Air Force 70 percent of people diagnosed with PTSD are actually maintained on the books and returned to duty. So it is one of those things where we are going to have to continue to deal with this, and our outreach programs to the Guard and Reserve are going to have to remain robust.

TRICARE PRIME REMOTE

Mr. HINCHEY. Yes. Well, I appreciate that, and this is something that has to be done. I think it is going to be more effective if there is a good sense of cooperation between the operations here.

I also understand that there is a TRICARE Prime Remote, TRICARE Prime Remote operation, and there may be some others, and that is having a positive effect. Can you tell me something about that and what the positive effect of that is and what the likelihood is of more expansion of these likely effects?

General GREEN. Well, TRICARE Prime Remote is simply a system that allows an active duty member, an active duty family to choose a physician in a local area when there is not a military system there to take care of them, so they basically designate who their primary provider will be, and then they can establish a relationship, and so our managed care support contractors work to establish the network, and of course people then sign up. If we diminish our presence somewhere where we cannot take care of them, there is a network today that basically is available to the TRICARE Prime Remote for those people who are designated that way. It tends to be used more for recruiting stations and for those folks, relatively small numbers of people who are far away, working in cities to recruit new people into the services, but it can be used for anyone who is in a geographically remote area from one of the service facilities.

Mr. DICKS. Will the gentleman yield for just a second?

Mr. HINCHEY. Yes.

Mr. DICKS. Does this relate to the Guard and Reserve as well? Are they eligible or is this Active Duty?

General GREEN. It is really designed for Active Duty, but there is a continuation of TRICARE benefits, as you know, when they separate from the Service or actually if they are in a status where they are being retained on active duty. So during the time that they are on active duty and for a period of months after they separate, they are eligible to be signed up into the TRICARE system, including the TRICARE Prime Remote.

Mr. DICKS. Thank you.

Mr. HINCHEY. Thanks. Well, thank you very much. I very deeply appreciate everything that you are doing, and all of that appreciation is very clear from all of the answers that you have given to the complex questions that have arisen here. There is an awful lot more that needs to be dealt with, and anything that we can do, I think, to be helpful would be useful. I think there needs to be some more cooperation here, intelligent cooperation, you know, about the circumstances so that we can deal with this more effectively, and thank you very, very much. Thanks for all the responses that you have given and for all of the positive things that you are doing. I deeply appreciate it.

FRICTION AT WALTER REED-BETHESDA

Mr. YOUNG. Thank you, Mr. Hinchey. I have to go back, General Green, we have talked a lot this morning about consolidations, about mergers, about jointness, and things apparently work very well, but from time to time there is a little friction. You said that,

yes, there were some examples of friction, and I think that might be an understatement. The major focus on merger right now is Walter Reed-Bethesda. I can tell you that there is friction at Walter Reed-Bethesda. I think the Army and Navy have worked very well together to do what they do best, and that is to create the organization that they are called upon to create, work out the problems, and if we did it one way at Walter Reed and one way at Bethesda, we end up doing it whichever is the best way of the two ways. The friction, and no personalities involved here, please, Admiral, understand this, the friction is between the established military and the JTF, and I think anyone who knows anything about this and is willing to be honest will admit that there is some serious friction with the JTF, with JTF countermanding decisions made by Walter Reed-Bethesda, with personnel issues, and I do not know if there is some way to work this out, but I think it has got to be worked out because I did not bring a lot of anecdotal names and addresses and stories, but I can tell you that there are a lot.

Now, of all of the other collaborations and mergers and work that you have talked about today, which you are proud of it and we are proud of it, I did not detect the presence of a JTF-type organization anywhere except Walter Reed and Bethesda. So I am just wondering, are you, Surgeon General of the Navy, are you, Surgeon General of the Army, are you basically being replaced in your role of authority by JTF or have you worked out some kind of an accommodation?

Admiral NATHAN. JTF has been given OPCON, or operational control, over the Walter Reed National Military Medical Center.

Mr. YOUNG. I am aware of that, yes, sir.

Admiral NATHAN. So they are responsible for the daily mission there. The Navy retains—because until told otherwise—it is technically still a Navy command and facility, recognizing it is jointly staffed and recognizing it is jointly led and recognizing that it has operational command oversight by the Joint Task Force.

The Navy retains administrative control, as Admiral Mateczun spoke about, that has to do with personnel issues, pay issues, fitness reports issues, all those various things that support it. There has been friction over what is ADCON, administrative control, and what is operational control or OPCON, and there have been discussions and disagreements at times with the JTF over whether or not they are now usurping authorities that really come under the administrative control of the service in providing its mission there.

Always recognizing that the Army personnel there need to be given complete understanding and entitlement to those personnel policies which are germane to them, because this is one of a kind right now. I mean, Fort Belvoir, it was brought up earlier that Belvoir doesn't have as many problems, but Belvoir has only a small percentage of Navy personnel there.

Walter Reed is about 50/50 and at Belvoir it is about 80/20 or so. So recognizing that when people leave in the current system, when a staff member leaves Walter Reed-Bethesda and goes back to any other facility, they are going back to basically their home port service facility. And so they have to adhere to certain administrative policies which lie resident within their own service.

So that is where the majority of friction has come, defining what is really operational control and administrative control and then trying to understand exactly the complete chain of command and who is responsible for that policy.

Mr. YOUNG. Is Fort Belvoir under jurisdiction of JTF?

Admiral NATHAN. Yes, sir.

Mr. DICKS. Anything else? Just those two? Mr. Chairman.

Mr. YOUNG. Well, I asked at one point earlier on if there was a decision to reach out and bring in other organizations, and the answer was, no, not at this time. I think that was the answer, Admiral, that you gave.

Admiral NATHAN. Yes.

Mr. YOUNG. Is that friction going to work out? Can you get this resolved? It is pretty serious. You know——

General GREEN. Sir, I would tell you, most of you have probably visited Landstuhl. Landstuhl is designated a joint facility. It is an Army facility run by Army rules that has both Air Force and Navy.

Air Force has been in that facility now for almost 14 years, and so with any new system, until you understand what the rule sets are and how it works, there is going to be friction and, frankly, I think even when you talk with us, we are like siblings. From time to time we have rivalries.

Mr. YOUNG. Well, I understand that.

General GREEN. Okay. And so I think that it does get better with time, so Landstuhl is functioning very well. Down in San Antonio it is not quite as much friction perhaps as you see up here, but if you looked, you would see there are frictions there as well in terms of Air Force not understanding why the Army does something a certain way.

But over time we will find a way to integrate and do these things. So the answer is yes, over time.

The harder piece is your question regarding what should be the oversight, and it really has to do with joint doctrine. I would tell you that I have watched this closely and watched the evolution of the doctrine to see how we would deal with joint bases, and there are very similar issues going on with joint bases, because we tend to execute by Service because that is the way it was set up back here in the States. And so getting to what the right level of headquarters should be there and, you know, again, if you don't like the JTF, then one of the problems is that when you establish a joint headquarters for all the Services, essentially you are also establishing another layer of oversight. And so it is really a question of what do we want as a nation and then how do we proceed to make this clear to everyone so we all understand the rules, because we will salute and make it work.

Mr. YOUNG. I think it is very interesting, the JAC, not the joint task force but the task force that came up with five options as to how to proceed with this governance of the merger, the Army and the Navy are major players here in this particular merger. It is interesting to me that of the five people who voted their service or their organization, the Army and the Navy both voted for option 2, which did not include JTF, which included a joint structure between the Army and the Navy, who are merging their two hospitals.

BRAC is supposed to eliminate functions or consolidate, not to create new functions or new organizations or new bureaucracy. And so I do have a little bit of a problem with this, and I do believe that there is more friction than has been acknowledged at the table today, and I also know that friction will cause a deterioration of health care. And the one thing we don't want to happen is for a medical professional here or on this side of the bed because of a friction offending a patient or offending a patient's family, and that does worry me because if the care of that soldier is affected, and you know better that I do that these kids are hurt really bad, and they are not kids really. Chronologically they are, but after what they have been through, believe me, they are not kids, and we just can't risk doing anything that is going to affect their care and their treatment. We owe them a lot.

I have had my say. It is not personal with anybody involved with the JTF or anybody involved with the merger. I just am concerned that that friction by General Green was an understatement, and I think there is a lot more friction, and I think JTF is a major part of it.

And so now, Mr. Dicks, do you have any closing thoughts?

CAREER IMPLICATIONS OF PTSD

Mr. DICKS. Yes, I got just a couple of things I wanted to go back with on General Horoho, and we have been told that one of our major efforts has been to tell the soldiers that they should seek care if they think they have got a traumatic brain injury or post-traumatic stress disorder.

Now, I am told this, I want you to think about this. Is the Army advising the soldier that if he claims PTSD it could affect his future in the military?

General HOROHO. I have never heard that statement, sir.

Mr. DICKS. Or it could affect him as a civilian?

General HOROHO. I have never. We have senior leaders who have actually sought care themselves and have gone on to get promoted, so it has been a campaign across all of Army for people to break down the barriers and seek care. So I have not heard those particular statements.

DISABILITY DETERMINATION PROCESS

Mr. DICKS. Okay. Now, on the return to duty, I mean, I can understand, when you go out to Bethesda or Landstuhl, the first thing these kids say is I want to go back to my unit, I want to go back to serving in the military. So I understand why the soldiers would want to do that.

On these examinations, when they are looking at these disability benefits, how long are the sessions when they meet with the doctor?

General HOROHO. There is a couple of sessions. We have a comprehensive behavioral system of care. So it is mandatory that 100 percent of our servicemembers redeploying back have at least a 45-minute face-to-face evaluation. And so that is upon redeployment; and then we have five different touch points that occurs over a 12-month period. And then if they determine that they need further care in that initial evaluation, then they either see a psychiatrist,

a psychologist, psych nurse practitioner or primary care trained in behavioral health. And those sessions are determined based on your clinical symptoms.

Mr. DICKS. Okay. Well, again, I hope that we do get to the bottom of this other thing.

General HOROHO. Yes, sir.

Mr. DICKS. And I just, you know, again, we appreciate the good work you all do, and we want to make sure these kids are taken care of. That is our motivation.

And on the Joint Task Force, you know, what is the future, what is the future supposed to be of the Joint Task Force?

Admiral MATECZUN. Mr. Dicks.

Mr. DICKS. Is it going to be there forever; is it going to go away?

Admiral MATECZUN. It was chartered as a standing Joint Task Force and so there is no sunset clause, no go-away date. Ultimately it will have to follow what happens with the rest of the MHS governance decision.

Mr. DICKS. All right. Thank you, Mr. Chairman.

Mr. YOUNG. Okay. Mr. Frelinghuysen has a quick follow-up, as does Mr. Kingston.

Mr. FRELINGHUYSEN. I would like to put a finer point, could you provide us where we literally stand on electronic medical records. I mean, I think the VA is there but there seems to be quite a gap. I don't need to hear, but that is for the record. I would like to see how close we are.

A number of us go out to Walter Reed. The medical review panels that a lot of these soldiers are, you know, subject to, is there any uniformity in the services relative to those types of decisions? Just for the record as well. Yes, sir, Admiral.

[The information follows:]

Our Military Health System (MHS) medical facilities use AHLTA, the Department of Defense's current outpatient EHR capability, as part of a family of health and benefits systems. AHLTA generates, maintains, stores and provides secure online access to comprehensive outpatient records. The current DoD EHR family of systems forms one of the largest ambulatory EHRs in the world, with documentation of an average of 145,000 clinical encounters each day.

Leveraging existing EHR systems within DoD and the Department of Veterans Affairs (VA), the Departments share a significant amount of health information today via one way (Federal Health Information Exchange), bidirectional (Bidirectional Health Information Exchange), and computable data exchange mechanisms to transmit historical information at the time of separation, support access to clinical information on shared patients across agencies, share computable outpatient pharmacy and medication allergy data on shared patients, and ensure radiology images and scanned paper medical records are available at VA Polytrauma Rehabilitation Centers to support continuity of care for our most severely wounded and injured Service members. Each of these interagency electronic health data sharing initiatives enhance healthcare delivery to beneficiaries and improve the continuity of care for those who have served our country.

However, the current suite of applications and underlying infrastructure does not support the challenges of the rapid evolution of today's healthcare practices, the ever-increasing need to transact and share data across the continuum of care, and the timely fielding of new capabilities. For the future, DoD and VA are committed to establishing and refining an integrated electronic health record (iEHR). While assuring that current systems capabilities remain stable, going forward, a joint, common EHR platform will be implemented. DoD and VA will purchase commercially available components for joint use when possible and cost effective. Adherence to the "Adopt, Buy, and Create (only as a last resort)" acquisition approach will speed delivery of capabilities to the user community. The iEHR will enable DoD and VA to align resources and investments with business needs and programs. The iEHR also will leverage open source and traditional approaches to software acquisition to foster

innovation and expedite delivery of products to the user, and will promote Virtual Lifetime Electronic Record (VLER) initiative by being a source system for shared healthcare information.

Admiral MATECZUN. Yes, the difference is, you know, a lot of the different disability evaluation systems that each of the services has, there has been a great deal of work with those systems and with the VA to make sure that by the time somebody leaves active duty they have got both a VA determination and a DoD determination.

Mr. FRELINGHUYSEN. Just one other comment, I know, I visited both the Marine and Army PFC. Changeover of doctors, I mean, every time I go out there they said there is another team. They are all excellent MDs but there seems to be quite a turnover of military doctors, and that concerned me.

Let me put in a plug. Is the mail system screwed up out there? I am hearing from some of the soldiers that they are not getting their mail. That is pretty essential. For the record.

Admiral MATECZUN. I would say that is an ADCON responsibility that belongs to the——

Mr. FRELINGHUYSEN. Whatever it is, let's get it resolved.

Thank you, Mr. Chairman.

[The information follows:]

Although medical specialists in large medical treatment facilities may stay in one place for extended periods, uniformed medical professionals are generally subject to permanent change of station moves for the same reasons as non-medical service personnel. Reasons for transfer would include needs of the Service (such as to cover operations in remote locations), opportunities for training or leadership positions, and departure from the Service. Deployments to Iran and Afghanistan have also produced changes in military health clinics. Although the length of assignment for a doctor at any base has probably not changed, the time actually spent at those bases has often decreased due to the increased rate of deployments.

Continuity of care is very important and the Military Health System is changing the way we do business to improve that continuity. At the center of this change is the patient centered medical home (PCMH), a model of care in which patients see the same primary care provider or small team of providers, as needed, over time. The issue of continuity of care and accessible health care is also a problem in the civilian healthcare sector, and the PCMH model is increasingly popular there. The Agency for Healthcare Research and Quality (AHRQ) in the Department of Health and Human Services recognizes that revitalizing the Nation's primary care system is foundational to achieving high-quality, accessible, efficient health care for all Americans, and has recognized the PCMH as a promising model for transforming the organization and delivery of primary care.

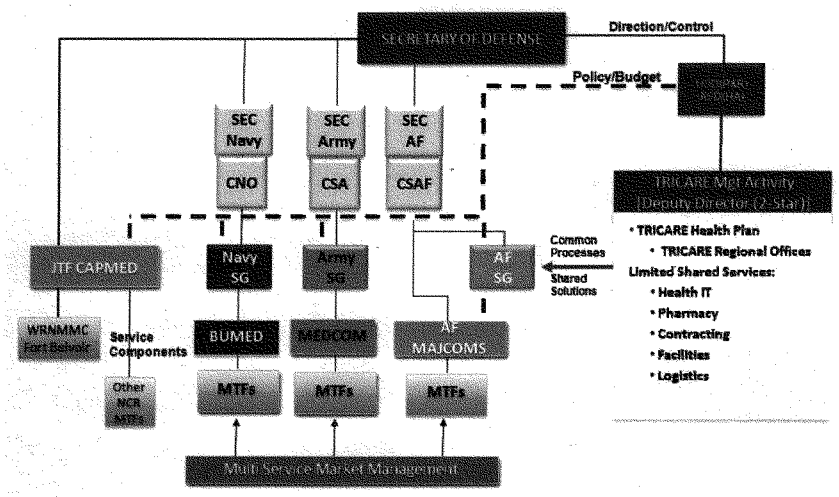
## REMARKS AND QUESTIONS OF MR. KINIGSTON

Mr. KINGSTON. Thank you, Mr. Chairman. And I guess I have five questions for the record.

Number one, if you could get an organizational chart to me, that would be extremely helpful. I think other committee members would like it, but I would specifically like it. And don't kill yourself in terms of the details, but the personnel in each box, the budget, that would be helpful as well. And that would be kind of the before and after organizational chart.

The Task Force report documented a current structure and state of the MHS to lay a foundation for comparing options. The organization and governance structure of the MHS is depicted below.

Current MHS Organization




The MHS Task Force did not collect personnel and budget estimates for all the boxes in the current structure. The following shows the personnel numbers and budget estimates used by the Task Force for the current organizations.

| Personnel | HA | Army | Navy | Air Force | JTF |
|---|---|---|---|---|---|
| HQ | 45 | NA | NA | NA | NA |
| SG Office | NA | 128 | 100 | 105 | NA |

| | | | | | |
|---|---|---|---|---|---|
| Support Agency (TMA, MEDCOM, BUMED, AFMOA/AFMSA) | 2649 | 705 | 560 | 831 | NA |
| Regional HQ (TROs, Army and Navy Regions, AF MAJCOM SG Staffs) | 158 | 504 | 195 | 156 | 160 |
| TOTALS | 2852 | 1337 | 855 | 1092 | 160 |

| Funding ($M) | Army | Navy | Air Force |
|---|---|---|---|
| DHP O&M Funding | $ 6,588 | $ 3,195 | $ 2,297 |

The Task Force evaluated several options and recommended 1) a Defense Health Agency (DHA) with medical treatment facilities (MTFs) remaining in the Military Departments; 2) Enhanced Multi-Service Market (MSM) management, where the authorities of the MSM managers would be expanded based on experiences derived from the largest MSMs, such as San Antonio, Texas; and 3) Enhanced MSM management for the National Capital Region where the Joint Task Force would be disestablished and an NCR Market Management Office established with characteristics similar to the other MSMs. A possible organization chart follows. However, at this time, the recommendations of the MHS Governance Task Force have not been accepted by DoD leadership, so the final structure is not known.

Then, secondly, in terms of the recommended changes to the governance structure, especially the ones that will require an increase in budget or an increase in personnel, could we see what the impact on the ability of the MHS to effectively and efficiently utilize and integrate and procure interoperable technologies to maximize the purchasing power—I will submit this to you in writing—but the measurement of what kind of impact that would have would be helpful.

Then, number 3, the task force only allowed 90 days for the NCR and was that enough time? The NCR part of the study, as I understand it, only took 90 days. And was that enough time?

[The information follows:]

The entire Task Force took only 90 days to complete its deliberations, including its analysis of the NCR. The review was intended as a high-level review to provide the Deputy Secretary options. In addition, the Task Force took advantage of the work done in most of the prior 15 such task forces, of which the most recent was in 2005–6.

And then in terms of the Joint Task Force on CapMed, did it actually save money? I would actually like to know the answer to that if any of you know on the top of your hand.

[The information follows:]

With regard to savings, JTF CapMed has been a model for efficiencies in the Military Health System and has saved the Department money through its oversight of transitioning four inpatient Military Treatment Facilities (MTFs) in the National Capital Region (NCR) into two and implementing an integrated healthcare delivery system (IDS). Specific initiatives (implemented and future) include:

IMPLEMENTED INITIATIVES

- $114M in cost avoidance through equipment re-use programs.
- $109M+ in savings through using a single contractor to provision Initial Outfitting and Transition (IO&T).
  - $77M upfront by competitively bidding the equipment and relocation costs
  - $32M in savings due to incentive plan allowing IO&T contractor to share in savings due to lowering equipment costs through competitive pricing events, bulk buying power, as well as a willingness for vendors to accommodate the needs of such a large volume customer
  - The total savings from this contract cannot be quantified at this time, but will be realized after the contract optimization is completed
- $16M per year in savings through staffing and operational efficiencies.
  - $15M a year through establishing a Joint Pathology Center to assume core functions of the Armed Forces Institute of Pathology (now closed)
  - $810K a year through establishing a regional Civilian Human Resources Center
  - $230K a year by consolidating appointment call centers in the NCR

FUTURE INITIATIVES

- Installation of an Integrated Healthcare Data Network (Joint Medical Network) across the NCR will reduce IM/IT sustainment costs throughout all NCR MTFs as well as provide better performance.
- Consolidation of the workforces at Walter Reed National Military Medical Center (WRNMMC) and Fort Belvoir Community Hospital (FBCH) and authorities sufficient to implement shared services will enable efficiencies and economies of scale that will result in contractor and civilian personnel savings of approximately $60M per year (FY 2011 dollars).
- With command and control over WRNMMC and FBCH, JTF CapMed continues to identify additional opportunities to develop shared services capabilities and achieve efficiencies in the NCR IDS.

And then my fifth question is in terms of consolidation of Bethesda and Fort Belvoir, they are complete but there still are some

outstanding projects, and what are the projects that are still outstanding, and what is the cost of those?

[The information follows:]

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2010 codified the definition of a World-Class Medical Facility and required DoD to provide Congress with a plan to meet this standard at Bethesda. DoD provided Congress with this plan, the Comprehensive Master Plan (CMP), in 2010 which described $800M in facility projects DoD plans to complete at Bethesda by 2018 to meet the requirements of the law. The President's Budget FY 2012 fully funded these projects at Bethesda over the next 6 years. Status has been included below:

- FY12 Program ($109M) funded and includes:
  - All MILCON design funds ($66M)
  - Funding to build Child Development Center (CDC) ($18M)
  - O&M investment ($25M)
    - Medical Technology Upgrade
    - Master Planning
    - Campus Wayfinding
    - ADA Accessibility
    - Pedestrian Improvements
- Construction award for FY12 CDC MILCON project expected in May 2012
- Design awards for FY13 are underway and include:
  - Temporary Facilities
  - Electrical capacity/cooling towers Upgrade Phase 1
  - Implement Accessibility & Appearance Plan
- FY14 projects are awaiting completion of Congressional Notification period (required by Title 10 USC Section 2807) and include:
  - Electrical capacity/cooling towers Phase 2
  - Parking Garage
  - New Central Clinical Building
- FY13–17 Program funding dependent on the President's Budget FY 2013:
  - DoD continues to examine projects to determine whether other improvements or refinements should be incorporated
  - Last estimate was in DoD's Supplemental-CMP (AUG 2010) and the President's Budget FY 2012 ($707M)
    - $618M in MILCON
    - $89M in O&M/OP

So with that, Mr. Chairman, I would like to yield back unless somebody could tell me if any money was actually saved because I know the original BRAC recommendation was supposed to save money.

Admiral MATECZUN. The return on investment payback period changed significantly, but there is a return on investment.

Mr. KINGSTON. For the Bethesda and Walter Reed?

Admiral MATECZUN. For the infrastructure changes in the National Capital Region.

Mr. KINGSTON. Because that was one of the—the outside report says that it was supposed to save a lot of money and it ended up costing a billion dollars or something. And so I think it would be helpful for us to be able to answer that.

[The information follows:]

Over the long term, the Department avoided costs of operating four inpatient hospitals in close proximity and having to recapitalize each to match the infrastructure to current medical practices. At the time, estimates indicated that it would cost $600–700 million to replace or renovate Walter Reed and that, under existing budget assumptions, the work would take many years to complete (6–8 years for replacement, 10–15 years for renovation). While that is a major cost avoidance for which we could take credit, the Department has elected to be conservative in its savings estimates and have focused instead on estimating the savings or avoidances that are derived by calculating the net facility overhead costs (i.e. the sum of the support personnel, base operating support, and sustainment and modernization costs saved at the closing location less the sum of the incremental increase of those costs at the

new location). For the Walter Reed closure, those avoided costs are around $170M annually.

Thank you, Mr. Chairman. I yield back.

Mr. YOUNG. Okay, thank you, sir. And I want to thank all of you for being here today and answering some pretty tough questions that we were curious about.

We stand by as a committee to provide the best we possibly can for medical care of our wounded soldiers and, of course, for those who are your retirees that you deal with. We are here to support, and we are here to do the best we can to help you do a good job.

## COORDINATION WITH VETERANS ADMINISTRATION TO PROVIDE QUALITY CARE

Now, Mr. Lewis, you have the last word.

Mr. LEWIS. Thank you, Mr. Chairman.

Very briefly, 25 years ago, I found that the VA didn't seem to have a system to care very much long term for the real care needs of local veterans. My staff accompanied veterans to the local hospital as though they were relatives, and this went on for about 2 months, Mr. Chairman.

The director went through the roof when he heard about this but, my God, suddenly that VA hospital discovered the computer, and that was the beginning of what you described, the VA getting a handle on how the computer otherwise can be used to have information flows that cross over territory, hospitals and service delivery systems.

We could learn a lot from that as we go forward with the project that you are about. That original change was not easy. Any change is difficult.

But if we really want to maximize quality care, we have got to break down these barriers and you are almost like "yes" people to us today, because you have got a mission and people suggest that we are moving forward. We are not hearing very much about the problems, and I will be asking questions for the record in connection with that. But know it is going to be very difficult and quality of care will be at risk if you don't break down these barriers.

Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, and this hearing is adjourned.

[CLERK'S NOTE.—Questions submitted by Mr. Lewis and the answers thereto follow:]

### MALARIA VACCINES

*Question.* According to the World Health Organization malaria killed 655,000 people around the world in 2010. Since our nation's military often go to very out-of-the-way places, often in tropical countries and/or remote areas, infectious diseases are a very significant threat.

Is malaria a top threat to U.S. forces, particularly as they deploy to tropical areas?

General Green's Answer. Yes, malaria is the top infectious disease threat, as determined by the 2010 Joint consensus panel, the Infectious Diseases Threats to the U.S. Military Prioritization Panel, convened by the Army's Medical Research and Materiel Command which is the executive agent for infectious disease research and development.

*Question.* Is malaria a top threat to U.S. forces, particularly as they deploy to tropical areas?

General Horoho's Answer. Malaria is the top disease threat to deployed U.S. forces in tropical and sub-tropical areas and prevalent in 109 countries.

*Question.* Is malaria a top threat to U.S. forces, particularly as they deploy to tropical areas?

Admiral Nathan's Answer. Yes, the potential risk to U.S. forces is high. Malaria attack rates for unprotected troops in field settings could reach 50% per month in parts of tropical Africa.

Diarrheal disease and respiratory infections occur more frequently in deployed military, but Plasmodium falciparum malaria is the most common life-threatening tropical infection. In 2011, 124 service members were reported with malaria. Nearly three-fourths of cases were presumably acquired in Afghanistan and one-fifth were considered acquired in Africa. In 2003, out of 250 U.S. Marines deployed to Liberia, 44 were evacuated with either confirmed or presumed Plasmodium falciparum malaria.

Malaria infection in U.S. personnel causes a debilitating, potentially fatal, febrile illness that affects military readiness. Uncomplicated malaria typically involves 1 to 7 days of inpatient care, followed by return to duty. Severe malaria requires intensive care and results in a prolonged convalescence.

*Question.* Does DOD currently have an FDA approved malaria vaccine to protect service members from the disease?

General Green's Answer. No, it does not. The Army's Medical Research and Materiel Command is the executive agent for infectious diseases research and development and coordinates malaria vaccine research through the Walter Reed Army Institute of Research and the Navy Medical Research Command. There are several candidate vaccines currently still in clinical trials.

*Question.* Does DOD currently have an FDA approved malaria vaccine to protect service members from the disease?

General Horoho's Answer. There is no FDA approved malaria vaccine for use by U.S. military forces.

*Question.* Does DOD currently have an FDA approved malaria vaccine to protect service members from the disease?

Admiral Nathan's Answer. No. There are no approved FDA malaria vaccines. Navy researchers at Navy Medical Research Command are developing and studying candidate vaccines.

*Question.* Discuss DOD's use of FDA approved anti-malaria drugs and their limitations for military use during combat operations.

General Green's Answer. The Air Force abides by the Code of Federal Regulations and the United States Code to use only Food and Drug Administration approved medications; in this case for the prophylaxis and treatment of malaria. The Air Force also abides by the 2009 memo by the Assistant Secretary of Defense for Health Affairs directing that the drug of choice for the prophylaxis of malaria be doxycycline with mefloquine only as a second-line drug in persons who did not have a contraindication to mefloquine. This Assistant Secretary of Defense for Health Affairs memo closely parallels a previous Assistant Surgeon General of the Air Force for Healthcare Operations memo from 2005 requiring providers to adhere to the Food and Drug Administration approved package insert for mefloquine. The Air Force's use of mefloquine has since declined by over 90 percent in 2011 from the usage levels in 2008. The Air Force does not use mefloquine in any of its aircrew. The Air Force uses either doxycycline or atovaquone-proguanil for aircrew personnel.

*Question.* Discuss DOD's use of FDA approved anti-malaria drugs and their limitations for military use during combat operations.

General Horoho's Answer. Malarone is the most tolerable FDA approved malaria drug currently available and requires daily dosage. Malarone is the highest cost of all FDA approved malaria drugs. Other available FDA approved malaria drugs are mefloquine, chloroquine, and doxycycline, all having contraindications or tolerability limitations which decrease their effectiveness. The limitations resulting from dosage, contraindication, and/or tolerability create a need for better malarial drugs for use during combat operations.

*Question.* Discuss DOD's use of FDA approved anti-malaria drugs and their limitations for military use during combat operations.

Admiral Nathan's Answer. For the Navy and Marine Corps, malaria chemoprophylaxis is administered as a force health protection measure under local command authority. Ensuring compliance with prophylaxis is a command responsibility.

Unit pre-deployment medical planning includes a malaria risk assessment for the intended itinerary, review of Combatant Commander's guidance, and selection of an FDA approved chemoprophylaxis regimen. Anti-malaria drug selection is informed by two Assistant Secretary of Defense for Health Affairs memoranda: "Anti-Malarial Medications," October 17, 2002; and "Policy Memorandum on the Use of Mefloquine

(Lariam®) in Malaria Prophylaxis," September 4, 2009. The September 2009 memorandum stated mefloquine should only be used for personnel with contraindications to doxycycline and who do not have any contraindications to the use of mefloquine.

FDA approved drugs used for primary malaria prevention include doxycycline, atovaquone-proguanil, mefloquine, and chloroquine. Use of chloroquine is limited by widespread drug resistance.

In the past decade doxycycline has been the drug used most frequently by naval forces for malaria chemoprophylaxis. Doxycycline is effective worldwide but requires daily administration and even a few missed doses may result in prophylaxis failure. Side effects include gastrointestinal disturbances, yeast infections, and photosensitivity dermatitis.

Atovaquone-proguanil, also administered daily, is effective globally, may be better tolerated than doxycycline, has a lower risk of break through infection following missed doses, and requires only seven days of post-exposure prophylaxis whereas doxycycline requires 28 days.

Mefloquine is also effective and is dosed weekly. Side effects include sleep disturbances and is contraindicated in persons with a history of mental health disorders.

Directly observed therapy (DOT) is strongly recommended for high malaria transmission areas. Combat operations may decrease individual adherence for drugs requiring daily administration and for other components, e.g., insect repellant application, of a malaria prevention program.

*Question.* Both the Army and the Navy have malaria vaccine and anti-malarial drug research programs. Please describe the goals of these programs.

General Green's Answer. The Air Force does not directly participate in malaria vaccine research. The Army's Medical Research and Materiel Command is the executive agent for infectious diseases research and development and coordinates malaria vaccine research through the Walter Reed Army Institute of Research and the Navy Medical Research Command.

*Question.* Both the Army and the Navy have malaria vaccine and anti-malarial drug research programs. Please describe the goals of these programs.

General Horoho's Answer. The U.S. Military Malaria Vaccine Program (USMMVP), a joint Army/Navy enterprise, pursues the goal to produce safe and effective vaccine(s) against Plasmodium falciparum and Plasmodium vivax malarias. USMMVP is the world leader in developing and testing malaria vaccines. The first manufactured malaria vaccine ever tested in man, R32Tet32, was developed by the U.S. Army in 1986. The first malaria vaccine ever to reach phase 3 clinical trials in man, RTS,S, was also developed by the U.S. military's malaria vaccine program and will likely be licensed for use in African children in 1–2 years.

The U.S. military anti-parasitic drug program is largely an Army effort and is tasked to discover and develop new drugs to prevent and treat malaria and assess existing drugs for improved safety, efficacy and delivery. The Army has been the world leader in malaria drug development since WWII and has been involved with nearly every single antimalarial in use world-wide today. Among antimalarial drugs used today, those that were solely developed by the US Army in partnerships include chloroquine, primaquine, sulfadoxine/pyrimethamine, mefloquine, halofantrine, doxycycline, and atovaquone/proguanil. Artesunate, an intravenous drug developed by the US Army to treat severe malaria, is available under a compassionate use indication through the CDC. The drug is saving American lives now and is expected to be FDA approved by 2014. Tafenoquine, WR238605, was discovered by the US Army and is in clinical trials for the treatment of relapsing P. vivax malaria by GlaxoSmithKline.

*Question.* Both the Army and the Navy have malaria vaccine and anti-malarial drug research programs. Please describe the goals of these programs.

Admiral Nathan's Answer. Protecting our fighting forces against infectious disease threats such as malaria is the primary reason Navy Medicine and our sister services continue to conduct this medical research. Our goal is to provide our forward-deployed forces with the best in force health protection. While the Army has been the Lead Agent for DoD Infectious Disease Research since 1982, Navy Medicine works in close collaboration with the Army on malaria research projects through the US Military Malaria Vaccine Program (USMMVP). The USMMVP is a joint NMRC/WRAIR program that serves the dual function of advising the Commander, USAMRMC on the DoD malaria research investment and coordinates malaria research efforts across the Navy and Army research laboratories to include many extramural investments outside of USAMRMC's portfolio.

The USMMVP program's mission is: "Development of P. falciparum and P. vivax malaria vaccines to prevent malaria morbidity and mortality in military personnel and in vulnerable populations for the benefit of global public health." Resources are shared between Army and Navy components with a research coordinator assigned

to assure efficient use. The USMMVP is composed of Army and Navy elements at the Walter Reed Army Institute of Research (WRAIR) and Naval Medical Research Center (NMRC), respectively, located in Silver Spring, MD with links to overseas DoD laboratories in Thailand, Cambodia, Kenya, Ghana and Peru.

A second joint effort is the Division of Experimental Therapeutics (ET). ET is also based at WRAIR/NMRC, encompassing supporting activities at the five overseas DoD laboratories. It addresses the following mission goal: "To prevent and minimize the morbidity and mortality caused by malaria in military personnel by the development of novel drugs for prevention and treatment."

*Question.* If Congress provided additional funds in fiscal year 2013 for competitive research on malaria vaccines, how would this accelerate DoD research efforts and ultimate fielding of safe, new vaccines for our service members?

General Green's Answer. The Air Force does not directly participate in malaria vaccine research. The Army's Medical Research and Materiel Command is the executive agent for infectious diseases research and development and coordinates malaria vaccine research through the Walter Reed Army Institute of Research and the Navy Medical Research Command.

*Question.* If Congress provided additional funds in fiscal year 2013 for competitive research on malaria vaccines, how would this accelerate DoD research efforts and ultimate fielding of safe, new vaccines for our service members?

General Horoho's Answer. The Army and Navy programs have multiple candidate vaccines available for testing in clinical trials. Additional funding would accelerate the manufacture and safety testing of such vaccines, allow down selection of candidate products through efficacy testing at WRAIR/NMRC in human clinical trials and transition a successful candidate to advanced development and subsequent testing in clinical trial sites in malaria endemic areas in East Africa or South East Asia.

*Question.* If Congress provided additional funds in fiscal year 2013 for competitive research on malaria vaccines, how would this accelerate DoD research efforts and ultimate fielding of safe, new vaccines for our service members?

Admiral Nathan's Answer. The USMMVP is a joint NMRC/WRAIR program serving the dual function of advising the Commander, USAMRMC on the DoD malaria research investment and coordinating malaria research efforts across the Navy and Army laboratories. The effort includes many extramural investments outside of USAMRMC's portfolio. Research is funded through multiple sources including the Military Infectious Diseases Research Program (MIDRP), Army and Navy specific funding sources, other government, and private, not-for-profit entities.

Increased funding in FY13 would allow USMMVP to manufacture and test candidate vaccines in humans according to DoD's programmatic needs and schedule without reliance on external funders. Vaccine development is a long-term process that requires stable and sustained support, not just in FY13. With an enhanced ability to manufacture and evaluate candidates, the potential for competitive development is enhanced. Within the constraints of the regulatory approval processes, stable and consistent funding would support accomplishing or accelerating major milestones. Currently, the program is anticipating a vaccine that meets threshold requirements (80% efficacy for 1 year) by 2026–28.

*Question.* For the record, please provide a detailed breakout of the funding in the fiscal year 2013 budget for research on malaria vaccines by appropriation and R–1 line.

General Green's Answer. The Air Force does not directly participate in malaria vaccine research. The Army's Medical Research and Materiel Command is the executive agent for infectious diseases research and development and coordinates malaria vaccine research through the Walter Reed Army Institute of Research and the Navy Medical Research Command.

*Question.* For the record, please provide a detailed breakout of the funding in the fiscal year 2013 budget for research on malaria vaccines by appropriation and R–1 line.

General Horoho's Answer. FY2013 funding for research on malaria vaccine is:

| | | |
|---|---|---|
| Line #2, PE 61102 | S13 | $2,270,000 |
| Line #28, PE 62787 | 870 | 3,974,000 |
| Line #30, PE 63002 | 810 | 5,827,000 |

*Question.* For the record, please provide a detailed breakout of the funding in the fiscal year 2013 budget for research on malaria vaccines by appropriation and R–1 line.

Admiral Nathan's Answer. The FY13 funding for the USMMVP anticipated from MIDRP is $10.275M (Army component $5.792M, Navy component $4.483M). These

resources are assigned to the following FY13 research objectives, which are pursued jointly by Army and Navy components:

(1) Identify antigenic targets: Discover new antigens for use in elucidating mechanisms of immunity to malaria and for inclusion in novel candidate malaria vaccines ($1.912M).

(2) Characterize mechanisms of protective immunity: Devise experiments to enhance the protective immune response to antigens that are potential malaria vaccine candidates; explore new adjuvants as well as new regimens for vaccine administration including prime-boost combination vaccines and alternative routes of administration ($1.838M).

(3) Evaluate candidate vaccines in animal models: Evaluate vaccine candidates in animal models to assess breadth and longevity of protection and develop preliminary safety profiles ($3.281M).

(4) Manufacturing and preclinical/early clinical testing of candidate vaccines: Undertake manufacturing of new vaccine candidates and testing in animals in preparation for filing investigation new drug applications with the FDA requesting allowance for clinical testing; conduct early proof-of-concept human trials in non-immune adults in the USA ($1.193M).

(5) Conduct field-related research activities: Develop challenge models, conduct laboratory-based clinical investigations and develop endemic area field sites for clinical trials ($0.417M).

(6) Maintain Core Service Capabilities: Maintain core immunological assays, the life cycle of murine and human malarias and malaria blood stage culture/Anopheles mosquito colony for the conduct of human challenge studies ($1.634M).

These MIDRP funds are used to support research activities and the salaries of civilian staff and contractors. Not included are DoD-funded salary costs for four medical corps officers and four medical service corps officers (Navy side), and four medical corps officers, two medical service corps officers and two enlisted personnel (Army side).

We estimate that MIDRP funds will be supplemented in FY13 by: $0.8M (Navy Medical Development Program, line 126), $2.5M (USAID), $4.0M (BMGF), $1.25M (PATH–MVI), $2.8M (various sources) = $11.35M total leveraged funds.[1]

*Question.* For the record, please provide an overview of DOD's strategy for development of malaria vaccines with an estimated research and fielding timetable, and a description of each class of malaria vaccine being funded.

General Green's Answer. The Air Force does not directly participate in malaria vaccine research. The Army's Medical Research and Materiel Command is the executive agent for infectious diseases research and development and coordinates malaria vaccine research through the Walter Reed Army Institute of Research and the Navy Medical Research Command.

*Question.* For the record, please provide an overview of DOD's strategy for development of malaria vaccines with an estimated research and fielding timetable, and a description of each class of malaria vaccine being funded.

General Horoho's Answer. The Army program (protein and particle based constructs) and the Navy Program (viral vector and DNA plasmid based constructs) have multiple candidates at various stages of development with anticipated manufacture/clinical testing scheduled from FY12–FY16. Once tested for safety and initial efficacy in humans using a mosquito challenge model, the most promising candidates will be selected in FY16 for advanced development and testing in humans in field sites in South East Asia and Africa.

*Question.* For the record, please provide an overview of DOD's strategy for development of malaria vaccines with an estimated research and fielding timetable, and a description of each class of malaria vaccine being funded.

Admiral Nathan's Answer. Malaria is a primary pathogen target for vaccine development because of its global importance and the availability of a human challenge model, allowing rapid iterative testing of novel approaches for efficacy (contrast HIV). Since there are currently no licensed vaccines against this disease and because of its potential impact on the readiness of our forces, malaria vaccine development has been a long-term investment for Navy Medicine. The technologies developed in this effort have potentially enormous, broadly applicable benefits that can be used to address other human parasitic disease prevention.

There are three primary technologies being researched for the malaria vaccine by USMMVP:

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[1] Abbreviations: USAID: US Agency for International Development; BMGF: Bill & Melinda Gates Foundation; PATH–MVI: Program for Appropriate Technology in Health—Malaria Vaccine Initiative (funded by BMGF).

1. Recombinant proteins—These approaches are based on formulated particles in potent adjuvants that induce antibody responses to the attacking sporozoites. RTS,S is 1st generation of this technology (GSK), and gives 50% protection. Tech development: particle and adjuvant formulations, antigen design, antigen combinations, prime-boost regimens.

2. Gene-based—These approaches are based on heterologous prime-boost regimens (e.g., DNA prime—viral vector boost) that induce cell-mediated immunity. These regimens attack the liver stage of malaria parasites. NMRC-M3V-D/Ad-PfCA (Vical/GenVec) is the 1st generation, and gives 27% protection. Tech development: improved DNA delivery, stimulatory cytokines, vector adjuvants, novel backbones, antigen combinations.

3. Cryopreserved Whole Sporozoites—This approach is based on using the whole sporozoites purified from mosquitoes. These sporozoites are attenuated genetic, chemically or via irradiation. PfSPZ is the 1st generation and gives 5% protection. Tech development: improved route of delivery, adjuvant formulations, co-administration of immunopotentiating drug.

Research and fielding time-table: It is not known when a technology will cross the target protection threshold, justifying a multi-prototype approach to mitigate risk. The tentative timeline calls for a first technology down-select for advanced development ("Milestone B") by 2016. Although, this timeline is not assured, steady progress and the existence of highly protective malaria vaccine models herald eventual success.

## WHOLE BLOOD PATHOGEN REDUCTION

*Question.* Other nations are ahead of the United States in using modern whole blood pathogen inactivation technologies to prevent organisms in blood from replicating, whether or not the organisms are known or new. The Army is executive agent for combat blood products.

What is the Army doing to investigate whole blood pathogen reduction technologies to improve the safety of blood products to support U.S. forces wounded in combat?

Answer. The Army has directly supported and monitored industry efforts in Pathogen Reduction Technology over the last 10 years for blood components, specifically plasma and platelets. Since 2007, the requirement for development of Whole Blood Pathogen Reduction Technology moved to the forefront based on the operational necessity of emergency Fresh Whole Blood collections in combat. The FY 08 Department of Defense Deployment Related Medical Research Program specifically addressed the need for methods to pathogen reduce Fresh Whole Blood. In 2011, the Combat Casualty Care Research Program released a Program Announcement for the long-term goal of the Department of Defense to develop a FDA (Food and Drug Administration) licensable pathogen reduction device/ methodology wherein whole blood may be treated and then further processed as needed to produce pathogen-reduced red cells, platelets, plasma, and whole blood for transfusion. Specifically, the present program is for the development of methodology for whole blood and the production of FDA licensable red cells. By the end of the award period, the product should have completed FDA phase I and II clinical trials, or equivalent, in accordance with FDA requirements. Proposals submitted are under evaluation.

*Question.* Why do military forces of some of our NATO allies use these modern techniques, while American military so far do not?

Answer. Medical products used by U.S. forces are required to be licensed or approved for use by the U.S. Food and Drug Administration. NATO member medical products are subject to licensure and approval by their national laws and regulations. Pathogen Reduction technologies licensed for use for treatment of plasma products and platelets in Europe are currently undergoing necessary clinical trials to support submission packets to the U.S. Food and Drug Administration.

*Question.* Do Army solicitations to industry for pathogen reduction technologies seek technical solutions that are effective on the broadest number of pathogens, specifically to be effective against each and all of the pathogens that are of the highest threat to U.S. forces? What discussions has the Army had with the FDA to ensure that its whole blood pathogen reduction research efforts dovetail with FDA clinical trial requirements?

Answer. Previous and current solicitations to industry seek Pathogen Reduction Technologies that are effective at reducing the risk of disease caused by transfusion of blood products. The solicitations are written to address tactical capability gaps/operational needs for deployed forces. The requirements identified in the most recent Program Announcement (2011) are to develop a process of pathogen reduction for treating emergency fresh whole blood with a safe, non-toxic (in humans) method-

ology, (a) to inactivate parasites, (b) to inactivate donor white blood cells, (c) to inactivate/reduce the amount of virus load (i.e. HCV, HBV, HIV), (d) to inactivate clinically significant bacteria, (e) to demonstrate viability and suitability of derived red cells and (f) to demonstrate potential for further development for production of platelets, plasma, and whole blood. The Army is an active participant in FDA and HHS committees to ensure the safety of both the civilian and military blood supply. Jointly held meetings with the FDA and leaders in the blood bank industry have examined the current state of pathogen reduction technologies. When appropriate, Army representatives have communicated and participated in FDA meetings to address FDA clinical trial requirements, as well as open discussions on the possible regulatory pathway to approval of pathogen reduction technologies.

[CLERK'S NOTE.—End of questions submitted by Mr. Lewis. Questions submitted by Mr. Frelinghuysen and the answers thereto follow:]

COMBAT CASUALTY CARE INITIATIVE

*Question.* General Horoho, in your recent remarks before the 2012 Military Health System Conference, you rightfully noted that many innovations in healthcare have their origins on the battlefield.

Can you discuss the USAMRMC's core S&T programs and priorities going forward? In particular, can you provide an update on the Combat Casualty Care Initiative which plays a vital role in providing the best medical products to deliver the best possible medical care for the deployed soldier.

Answer. The USAMRMC's core S&T priorities going forward are: TBI and Combat Trauma, Psychological Health, Damage Control Resuscitation, Limb, Face and Eye Restoration, Infectious Diseases, and Biomedical and Environmental Stressors as described below:

TBI and Combat Trauma:

This project refines and assesses concepts, techniques, and materiel that improve survivability and ensure better medical treatment outcomes for Warfighters wounded in combat and other military operations. It also matures, demonstrates, and validates promising medical technologies and methods to include treatment for traumatic brain injury (TBI), revival and stabilization of trauma patients, treatment of burns, and prognostics and diagnostics for life support systems.

Traumatic Brain Injury research efforts support refinement of drugs and therapeutic strategies to manage brain injury resulting from battlefield trauma, to include mature drug technologies, novel stem cell strategies, and selective brain cooling. It also supports work required to validate safety and effectiveness of drugs, biologics (products derived from living organisms), and medical procedures intended to minimize immediate and long-term effects from penetrating brain injuries.

Psychological Health:

This effort refines, validates, and disseminates early interventions to prevent and reduce combat-related behavioral health problems, including symptoms of post-traumatic stress disorder (PTSD), depression, anger problems, anxiety, substance abuse, post-concussive symptoms, preventive factors in military suicides, and other health risk behaviors. This effort also assesses and refines interventions to enhance and sustain resilience throughout the Warfighter's career. Additionally this effort refines and evaluates methods to detect and treat concussion as well as identify and evaluate the effects of cognitive deficits in Soldiers during operations. The effort also serves to validate neurocognitive assessment and brain injury detection methods and validate tools and preclinical methods to treat PTSD in a military population.

Damage Control Resuscitation:

This effort develops and refines knowledge products (such as manuals, protocols, studies, and media), materials, and systems for control of internal bleeding; minimizing the effects of traumatic blood loss; preserving, storing, and transporting blood and blood products; and resuscitation following trauma. It also supports work required to validate safety and effectiveness of drugs and medical procedures to maintain metabolism and minimize harmful inflammation after major trauma. Efforts focus on blocking complement activation (a series of disease fighting proteins and their reactions in the body) from damaging healthy cells of the body and preventing or minimizing secondary organ failure (including brain and spinal cord injury).

Limb, Face and Eye Restoration:

This effort supports clinical studies for treatment of ocular and visual system traumatic injury, improved rehabilitation therapies, hand and face transplants, as well as restoration of function and appearance by regenerating skin, muscle, and

bone tissue in battle-injured casualties. Areas of interest for regenerative medicine include healing without scarring, repairing large losses of tissue (nerve, muscle and bone), repair of compartment syndrome (muscle and nerve damage following reduced blood flow due to swelling), improved skin grafting approaches following burn injury, and facial reconstruction. Most of the research efforts are conducted through the Armed Forces Institute of Regenerative Medicine (AFIRM).

Infectious Diseases:

This effort conducts research for medical countermeasures to naturally occurring infectious diseases that pose a significant threat to the operational effectiveness of forces deployed outside the United States. Effective preventive countermeasures (protective/therapeutic drugs and vaccines, insect repellents and traps) protect the Force from disease and sustain operations by avoiding the need for evacuations from the theater of operations. Diseases of military importance are malaria, bacterial diarrhea, and viral diseases (e.g., dengue fever and hantavirus). In addition to countermeasures, conduct research into the refinement of improved diagnostic tools to facilitate early identification of infectious disease threats in an operational environment, informing Commanders of the need to institute preventive actions and improved medical care. Additionally, the Army conducts research on the human immunodeficiency virus (HIV), which causes acquired immunodeficiency syndrome (AIDS). Work in this area includes refining improved identification methods to determine genetic diversity of the virus, evaluating and preparing overseas sites for future vaccine trials, and research to develop candidate HIV vaccines, assess their safety and effectiveness in evaluation with human subjects, and protect the military personnel from risks associated with HIV infection.

Biomedical and Environmental Stressors:

Biomedical and Environmental Stressors include research into biomarkers of exposure and environmental biomonitoring, environmental health and protection, physiological health, and injury prevention and reduction.

The biomarkers of exposure and environmental biomonitoring area include research efforts that support refinement and evaluation of methods to detect environmental contamination and toxic exposure during military operations.

The environmental health and protection area includes research efforts which evaluate remote monitoring of Soldier physiological status and mitigating/eliminating the effects of heat, cold, altitude, and other environmental stressors on Soldier performance. Additional efforts include development non-invasive technologies, decision-aid tools, and models to enhance Warrior protection and sustainment across the operational spectrum.

The physiological health and environmental protection area includes efforts that support development of laboratory products, interventions, and decision aids for the validation of physiological status and prediction of Soldier performance in extreme environments. This effort also evaluates methods for managing and controlling the effects of nutrition and fatigue on Soldier operational performance.

The Injury Prevention and Reduction area supports, analyzes, and models the effects of mechanical and operational stressors on Soldier performance, to include acoustic and impact trauma, vision, vibration, and jolt to model the effects of these stressors on the brain, spine, eyes, and hearing. This effort evaluates and assesses the effects of repetitive motion during military operations and training on the human body. This effort also allows for the prediction of injuries as a result of continuous operations and muscle fatigue. This effort evaluates current standards for return-to-duty and establishes improved medical assessment methods with the goal of rapid return to duty of Soldiers following injury.

*Question.* Among those S&T programs, can you update the Committee on plans to initiate a competitive process for the Autonomous Decision Assist System (ADAS), which combines automated control with small critical care platforms developed for DOD medical operations, in order to continue researching and developing the next generation of automated control and to also continue with clinical trials to test these systems in order to reduce patient mortality and enhance our ability to move patients quickly to definitive care center.

Answer. Background: The Combat Critical Care Engineering research task area under the U.S. Army Institute of Surgical Research and the U.S. Army Medical Research and Materiel Command's Combat Casualty Care Research Program has initiated several projects and efforts into the development of automation and decision support technologies for care of military casualties at all echelons. Projects are submitted to the Broad Agency Announcement or to Program Announcements. These projects involve using decision support technology to assist providers in making better diagnosis of injured patients and provide recommendations for optimal care of the casualty in the emergency department, operating room, intensive care unit, and during evacuation (including en route care). Efforts also include design and testing

of automated and closed loop systems that allow providers a complete hands-off approach for patient care during certain situations. Efforts involve research and development into new patient sensing technologies, better information processing approaches, artificial intelligence in the critical care environment, and interoperability of medical devices for use in automated environments. Several projects are being developed in consultation with the U.S. Navy and U.S. Air Force. The following is a list of projects currently under development in the area of ADAS:

- Decision support system for burn resuscitation
- Decision support system ventilator management
- Decision support system for prediction of life saving interventions
- Closed loop control of burn resuscitation
- Decision support and closed loop control of trauma resuscitation
- Automated decision support system for extra corporeal lung management
- Wound mapping, tracking, and modeling of injury progression
- Intelligent critical care checklists
- Nutrition decision support system
- Critical care integrated data exchange and archival system
- Wireless vital signs monitor and WiMed system with integrated prediction of the need for patient interventions
- Automated smart alarm system for the critical care environment

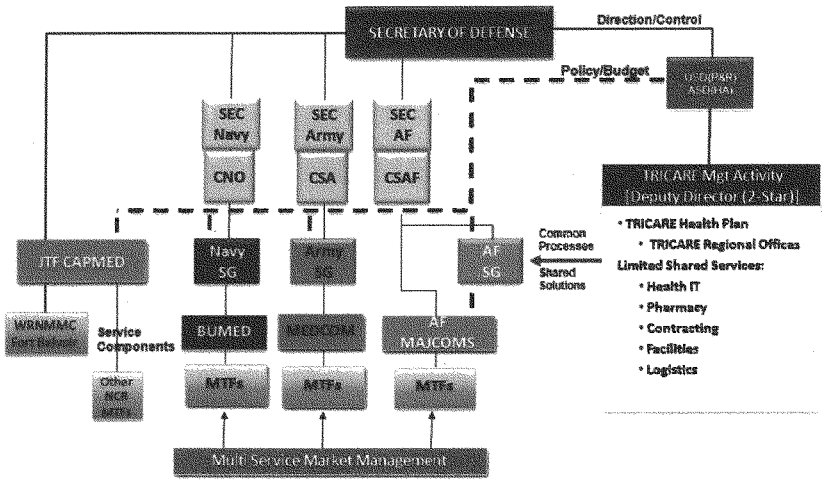
[CLERK'S NOTE.—End of questions submitted by Mr. Frelinghuysen. Questions submitted by Mr. Kingston and the answers thereto follow:]

Current MHS Organization

Question: In tying together the particular structural changes recommended by the DoD Task Force on Military Health System Governance, I would like to see an organizational chart that depicts the overall structure of the existing system, as well as a separate chart highlighting the changes that have been recommended.

Answer: The Task Force report documented a current structure and state of the MHS to lay a foundation for comparing options. The organization and governance structure of the MHS is depicted below.

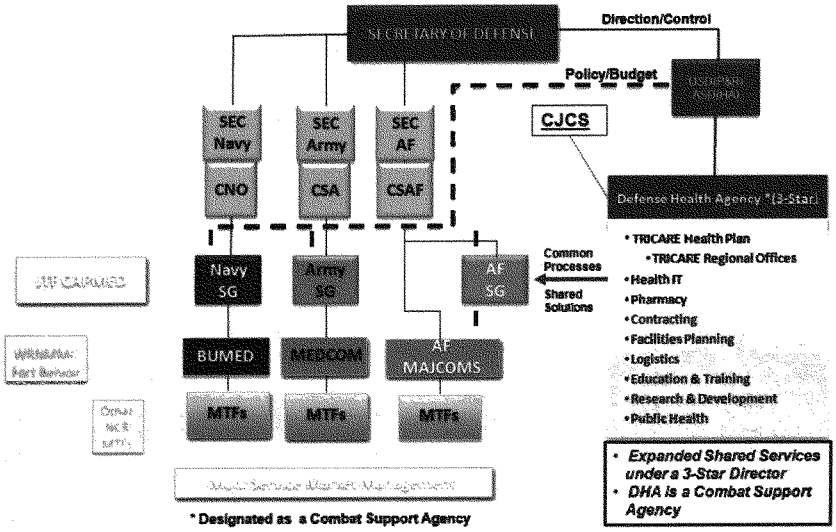
Current MHS Organization




The Task Force evaluated several options and recommended 1) a Defense Health Agency (DHA) with medical treatment facilities (MTFs) remaining in the Military Departments; 2) Enhanced Multi-Service Market (MSM) management, where the authorities of the MSM managers would be expanded based on experiences derived from the largest MSMs, such as San Antonio, Texas; and

3) Enhanced MSM management for the National Capital Region where the Joint Task Force would be disestablished and an NCR Market Management Office established with characteristics similar to the other MSMs. A possible organization chart follows. However, at this time, the recommendations of the MHS Governance Task Force have not been accepted by DoD leadership, so the final structure is not known.

Possible MHS Organization



*Question.* How would the recommended changes to governance structure, especially those selected which provide increased budget and personnel authority, impact the ability of MHS to efficiently and effectively utilize, integrate, and procure technological resources? How are these impacts being measured—is there any applicable personnel and budget information that was used to make the analysis and/or recommendations for changes? Has a cost analysis been accomplished for this Task Force recommendation?

*Question.* How would the recommended changes to governance structure, especially those selected which provide increased budget and personnel authority, impact the ability of MHS to efficiently and effectively utilize, integrate, and procure technological resources?

Answer. The proposed DHA would focus on implementation of an organizational model that would accelerate implementation of shared services, identify and proliferate common clinical and business practices, and consider entirely new approaches to delivering shared activities. A single clinical and business system should allow for significant savings. Enhanced responsibilities and authorities for MSM managers would enable implementation of unified business plans, common business and clinical processes; common workload accounting processes; a single credentialing process and system; the ability to move personnel between MSM MTFs to accommodate workload; etc., to more efficiently and effectively provide the same services for any Service member in the market by any MTF in the market.

*Question.* How are these impacts being measured—is there any applicable personnel and budget information that was used to make the analysis and/or recommendations for changes?

Answer. The impacts are not being measured yet because the Deputy Secretary of Defense has not decided whether to accept the recommendations. Following that decision, an implementation team must decide what changes will take place and only after implementation of such changes would it be possible to start measuring results.

*Question.* Has a cost analysis been accomplished for this Task Force recommendation?

Answer. A detailed cost analysis was not accomplished during this 90-day Task Force; one was not required by the Terms of Reference for the Task Force. However, the Task Force provided a "rough order of magnitude" estimate of staffing increases or reductions based on the organizational construct considered. The Task Force acknowledged that no allocations of personnel revisions should be considered until a more detailed analysis is completed.

## DoD Task Force Review

*Question.* The DoD Task force review was completed in 90 days; was this an adequate amount of time for a review of this magnitude? Why was the review accomplished with such a seemingly tight time constraint? Did this amount of time allow a comprehensive enough review, particularly with regard to implementation plans and cost estimates?

*Question.* Was this an adequate amount of time for a review of this magnitude?

Answer. Yes, the review was intended as a high-level review. In addition, the Task Force took advantage of the work done in most of the prior 15 such task forces, of which the most recent was in 2005–6.

*Question.* Why was the review accomplished with such a seemingly tight time constraint?

Answer. A goal was to make recommendations that would inform the President's budget decisions for Fiscal Year 2013. It was a factor in the tight time constraint.

*Question.* Did this amount of time allow a comprehensive enough review, particularly with regard to implementation plans and cost estimates?

Answer. The time was not intended to cover the implementation plans or the cost estimates of the implementation. After the Deputy Secretary makes a decision on the way ahead, an implementation team will identify the details of the way ahead, and complete more detailed cost estimates that will affect the final implementation decisions.

## JTF CAPMED Initiative

*Question.* The JTF CAPMED initiative was established in 2007 to oversee the delivery of integrated healthcare in the National Capital Region, with the goal of increasing efficiency—did this initiative actually save any money?

Answer. The Department conducted a comprehensive examination of its medical infrastructure in the National Capital Region and determined that it did not make sense to continue to have large in-patient hospitals operating in close proximity to

each other when the physical assets were aging and the mode of treatment was shifting to more outpatient care. This examination resulted in the closure of the aging Walter Reed Army Medical Center, the replacement of the Fort Belvoir hospital, the expansion of medical facilities at Bethesda (establishing the Walter Reed National Military Medical Center), and the closure of the inpatient facility at Joint Base Andrews.

Over the long term, this change is avoiding costs of operating four inpatient hospitals in close proximity and having to recapitalize each. Moreover, it matches the infrastructure to current medical practices. In this particular case estimates at the time indicated that it would cost $600–700 million to replace or renovate Walter Reed and that, under existing budget assumptions, the work would take many years to complete (6–8 years for replacement, 10–15 years for renovation). While that is a major cost avoidance for which we could take credit, the Department has elected to be conservative in its savings estimates and have focused instead on estimating the savings or avoidances that are derived by calculating the net facility overhead costs (i.e. the sum of the support personnel, base operating support, and sustainment and modernization costs saved at the closing location less the sum of the incremental increase of those costs at the new location). For the Walter Reed closure, those avoided costs are around $170M annually.

*Question.* With the consolidation and construction of the Bethesda and Ft. Belvoir facilities mostly complete, can you provide an update of ongoing and future projects for the two facilities, to include timeline and associated costs?

Answer. The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2010 codified the definition of a World-Class Medical Facility and required DoD to provide Congress with a plan to meet this standard at Bethesda. DoD provided Congress with this plan, the Comprehensive Master Plan (CMP), in 2010 which described $800M in facility projects DoD plans to complete at Bethesda by 2018 to meet the requirements of the law. The President's Budget FY 2012 fully funded these projects at Bethesda over the next 6 years. Status has been included below:

- FY12 Program ($109M) funded and includes:
  - All MILCON design funds ($66M)
  - Funding to build Child Development Center (CDC) ($18M)
  - O&M investment ($25M)
    - Medical Technology Upgrade
    - Master Planning
    - Campus Wayfinding
    - ADA Accessibility
    - Pedestrian Improvements
- Construction award for FY12 CDC MILCON project expected in May 2012
- Design awards for FY13 are underway and include:
  - Temporary Facilities
  - Electrical capacity/cooling towers Upgrade Phase 1
  - Implement Accessibility & Appearance Plan
- FY14 projects are awaiting completion of Congressional Notification period (required by Title 10 U.S.C. Section 2807) and include:
  - Electrical capacity/cooling towers Phase 2
  - Parking Garage
  - New Central Clinical Building
- FY13–17 Program funding dependent on PB13
  - DoD continues to examine projects to determine whether other improvements or refinements should be incorporated
  - Last estimate was in DoD's Supplemental-CMP (AUG 2010) and the President's Budget FY 2012 ($707M)
    - $618M in MILCON
    - $89M in O&M/OP

[CLERK'S NOTE.—End of questions submitted by Mr. Kingston. Questions submitted by Mr. Calvert and the answers thereto follow:]

FINAL REPORT OF THE TASK FORCE ON MILITARY HEALTH SYSTEM GOVERNANCE

*Questions.* At the hearing, I asked whether any consolidation has occurred since November 2006. While I appreciated the examples provided, many of them were consolidation of facilities. The November 2006 statement by the Deputy Secretary of Defense approved a plan in to consolidate common health care services and functions, such as finance, information management and technology, support, logistics, etc.—similar to the Task Force's recommendation on September 2011.

Outside the JTF CapMed, has any consolidation of these administrative functions occurred since November 2006? If not, why not? If not, what is the likelihood that the current Military Health System Governance will implement the preferred options outlined in the Final Report of the Task Force On Military Health System Governance which include consolidation of administrative activities under a new Defense Health Agency?

Answer. There are many examples in the Military Health System of the Services coming together to use common services, such as the Defense Medical Logistics Standard Support (DMLSS), the TRICARE Managed Support Contracts, the MHS Pharmacy benefit, the Armed Services Blood Program, and the Defense Health Program Research and Development portfolio management. To expand on one, DMLSS is the primary support system for all military logistics functions associated with medical treatment facilities (MTFs) worldwide. Critical MTF logistics functions managed include medical equipment inventories, consumable supplies management, and similar related inventory services. Some examples of DMLSS common services are:

- Automates requisition, acquisition, procurement, shipment, receipt, storage, distribution, and disposal of medical supplies.
- Provides automated information management capabilities to support the management of facility-related business operations.
- Provides capabilities to track and manage facility real property inventories, and promotes standard administrative procedures.
- Delivers information to decision-makers concerning the allocation of resources for operations and maintenance and alterations of medical facilities.
- Supports budgeting and accounting information management associated with the management of materiel and facilities.
- Reports financial information to higher authorities, allows customers to manage their authorized funding targets, and tracks materiel and facilities management expenses.
- Provides contract services documentation and management supporting MHS MTFs and their customers.

TRICARE

*Question.* In the Final Report of the Task Force on Military Health System Governance, Option 2 for the Military Health Service recommended that the Defense Health Agency (DHA) would assume management of the TRICARE health plans.

Why did the Task Force recommend that the TRICARE health plan oversight and management should move from TMA to a flag officer?

General Green's Answer. The TRICARE health plan oversight is provided by a general officer today who serves as the deputy director of TRICARE Management Activity. A major responsibility of the Defense Health Agency (DHA) is to identify and communicate common clinical and business practices across the entire Military Health Service. The DHA is charged with reviewing processes and finding/capitalizing on efficiencies. Due to interactions with Service Surgeons General and other Service counterparts, a 3-star military lead for the DHA places the role of the DHA Director on equal footing with his or her colleagues.

*Question.* In the Final Report of the Task Force on Military Health System Governance, Option 2 for the Military Health Service recommended that the Defense Health Agency (DHA), would assume management of the TRICARE health plans.

Why did the Task Force recommend that the TRICARE health plan oversight and management should move from TMA to a flag officer?

General Horoho's Answer. Relocating management and oversight of the TRICARE Health Plan under a flag officer better aligns the health plan management to the Services' portfolio in delivering healthcare to our beneficiaries. The transfer of management and oversight also provides clear decision-making authority, clear lines of accountability, and the ability to resolve disputes at the lowest appropriate level.

*Question.* In the Final Report of the Task Force on Military Health System Governance, Option 2 for the Military Health Service recommended that the Defense Health Agency (DHA), would assume management of the TRICARE health plans.

Why did the Task Force recommend that the TRICARE health plan oversight and management should move from TMA to a flag officer?

Admiral Nathan's Answer. I was not a member of the Task Force; however, it is my understanding that the decision for the Defense Health Agency to be led by a civilian or flag officer/general officer was not addressed as a vote by the Task Force.

*Question.* Do you agree that TRICARE health plan oversight and management should move from TMA to a flag officer? Why or why not?

General Green's Answer. The Military Health System Task Force believed, and I agree, that health plan oversight and management should organizationally align under a Defense Health Agency led by a flag officer. The TRICARE Management Activity is overseen today by a flag officer in the deputy director position. Management and oversight of TRICARE Management Activity was not the major focus of the Military Health System Task Force; rather, the focal point was the appropriate Military Health System Governance structure to capitalize on common clinical and business practices to promote interoperability and gain efficiencies. Aligning oversight under a Defense Health Agency will promote collaboration and efficiency.

*Question.* Do you agree that TRICARE health plan oversight and management should move from TMA to a flag officer? Why or why not?

General Horoho's Answer. Management and oversight of the TRICARE Health Plan should fall under a flag officer to better align the health plan management to the Services' portfolio in delivering healthcare to our beneficiaries. The transfer of management and oversight also provides clear decision-making authority, clear lines of accountability, and the ability to resolve disputes at the lowest appropriate level.

*Question.* Do you agree that TRICARE health plan oversight and management should move from TMA to a flag officer? Why or why not?

Admiral Nathan's Answer. Yes. I believe there is benefit in having a prior Service Surgeon General or experienced Deputy Surgeon General serve as the head of the Defense Health Agency. Leaders with this experience would bring a broad understanding of the full continuum of care, from operational medical care and Force Health Protection to our Military Health System beneficiary mission.

## CHAIN OF COMMAND

*Question.* In Option 2, the Task Force also recommended that the DHA would report to ASD(HA) but would be designated as a Combat Support Agency (CSA) and would report to the Chairman Joint Chiefs of Staff for CSA missions.

Please explain why the CSA designation is necessary or advisable. Please explain why a dual- or split reporting-chain is necessary? Why wouldn't the DHA staff and functions simply chop over to the combatant commander or the appropriate Surgeon General when mobilized?

General Green's Answer. The establishment of the Defense Health Agency as a Combat Support Agency would provide a means for line oversight of the Military Health System and Defense Health Agency activities through the Chairman, Joint Chiefs of Staff to ensure readiness missions and line priorities remain paramount. Agencies are independent entities that have specific responsibilities. Their activities and responsibilities are captured in war plans. There is no need for them to report to a combatant commander since their contribution as a combat support activity will be delineated in plans.

*Question.* In Option 2, the Task Force also recommended that the DHA would report to ASD(HA) but would be designated as a Combat Support Agency (CSA) and would report to the Chairman Joint Chiefs of Staff for CSA missions.

Please explain why the CSA designation is necessary or advisable. Please explain why a dual- or split reporting-chain is necessary? Why wouldn't the DHA staff and functions simply chop over to the combatant commander or the appropriate Surgeon General when mobilized?

General Horoho's Answer. The CSA designation would provide a direct link to combatant commanders, through the Chairman, Joint Chiefs of Staff (CJCS), which is critical to the DHA accomplishing its combat support mission responsibilities. The DHA has authority shared health services and implementing common clinical and business processes. It does not report to the CJCS and does have authority over operational medical forces. The CJCS would oversee the planning and execution of the CSA's combat support mission and provide military advice and planning guidance to the CSAs and the combatant commanders in the preparation of their operational plans.

*Question.* In Option 2, the Task Force also recommended that the DHA would report to ASD(HA) but would be designated as a Combat Support Agency (CSA) and would report to the Chairman Joint Chiefs of Staff for CSA missions.

Please explain why the CSA designation is necessary or advisable. Please explain why a dual- or split reporting-chain is necessary? Why wouldn't the DHA staff and functions simply chop over to the combatant commander or the appropriate Surgeon General when mobilized?

Admiral Nathan's Answer. The CSA was an option introduced by a member of the Joint Staff to give the Chairman of the Joint Chiefs oversight of this newly established joint entity. The option was not deemed necessary under the agreed upon option of a Defense Health Agency without medical treatment facilities aligned.

[CLERK'S NOTE.—End of questions submitted by Mr. Calvert. Questions submitted by Mr. Young and the answers thereto follow:]

MILITARY HEALTH SYSTEM GOVERNANCE REVIEW TASK FORCE

*Question.* In June 2011, then Deputy Secretary of Defense William Lynn established a task force to review the governance of the Military Health System (MHS) as a whole and governance in Multi-Service Markets in particular, including the National Capital Region. The task force was co-chaired by Dr. George "Peach" Taylor, Deputy Assistant Secretary of Defense (Health Affairs), and MG (Dr.) Doug Robb, Joint Staff Surgeon. Other members of the review group were senior representatives from the military Services, the Joint Staff, and the Office of the Secretary of Defense. For each of the three focus areas, various alternatives were researched, and the nine members of the review group voted for the best way ahead. Not a single recommendation of the Task force was voted for unanimously by the members.

The Task Force review was completed in 90 days. Do you feel that this was an adequate amount of time for a review of this magnitude? Do you know why the review was accomplished under such a tight time constraint? Did the time constraint allow the review to be comprehensive enough, particularly with regards to implementation plans and cost estimates?

Was this an adequate amount of time for a review of this magnitude?

Answer. Yes, the review was intended as a high-level review. In addition, the Task Force took advantage of the work done in most of the prior 15 such task forces, of which the most recent was in 2005–6.

*Question.* Why was the review accomplished with such a seemingly tight time constraint?

Answer. A goal was to make recommendations that would inform the President's budget decisions for Fiscal Year 2013.

*Question.* Did this amount of time allow a comprehensive enough review, particularly with regard to implementation plans and cost estimates?

Answer. The time was not intended to cover the implementation plans or the cost estimates of the implantation. After the Deputy Secretary makes a decision on the way ahead, an implementation team will identify the details of the way ahead, and more detailed cost estimates will affect the final implementation plan.

*Question.* "Were the Services" concerns heard and responded to during the development of the Military Health System governance Task Force review and recommendations?

General Green's Answer. The Military Health System Task Force encouraged complete transparency and full disclosure throughout the development of the Military Health System Task Force review, voting process and recommendation development. Each Service Secretary was represented per the Task Force charter, so they had a voice in the discussion. Subsequent to the report the Chiefs and Secretaries were actively engaged in discussions that led to the final decision by Secretary of Defense. It was the responsibility of the Service representative to keep their chain of command informed. The Air Force Surgeon General, Chief of Staff, and Service Secretary were briefed regularly and had considerable input in the process and final decision.

General Horoho's Answer. Concerns of the Army were heard and considered in Task Force deliberations, courses of action and recommendations.

Admiral Nathan's Answer. I was not a member of the Task Forces; however, it is my understanding that all concerns of the Task Force members, both from the Services and OSD, were discussed during deliberations. The Task Force worked very effectively as a collaborative joint integrated product team to develop final recommendations.

*Question.* If your Service did not vote in the majority for a recommendation, did you have the opportunity to express dissenting views? If, so, do you feel your views were seriously considered?

General Green's Answer. All views (dissenting or otherwise) were welcomed and considered. Deliberations of the Military Health System Task Force were transparent throughout the entire process. Per the charter, dissenting or minority opinions were to be represented in the report. No minority opinions were brought forward or requested to be placed in the report.

General Horoho's Answer. Concerns of the Army were heard and considered in Task Force deliberations, courses of action and recommendations.

Admiral Nathan's Answer. I was not a member of the Task Forces; however, it is my understanding the Department of the Navy was part of the majority vote for all options.

*Question.* The task force did not reach unanimity on any recommendation. Throughout the review, did you communicate your thoughts and ideas to one another, or did you only share your Services' opinions through the voting process?

General Green's Answer. The forum created by the Military Health System Task Force encouraged transparency and full disclosure throughout the deliberation process. The Military Health System Task Force worked independently and encouraged very open communication of ideas between the members. All participants had opportunity to discuss and share a multitude of options before, during and following the formal voting process.

General Horoho's Answer. I was not a member of the Task Force; however, it is my understanding that thoughts and ideas of the Army and all Services were communicated through open discussion in the Task Force. Consensus was reached through the voting process with minority views having the option to be noted where there was a significant difference of views among Task Force members. Those members expressing minority opinions did not request their opinions to be placed in the report.

Admiral Nathan's Answer. I was not a member of the Task Force; however, it is my understanding that all concerns of the Task Force members, both from the Services and OSD, were discussed during deliberations. The Task Force worked as a joint integrated product team and members were given sufficient time to input their ideas with good discussion. The Task Force did not arrive at unanimous decision on any vote; however, there was always a clear majority vote on all options.

General Horoho's Answer. The Task Force considered enhanced interoperability to be a product of improved governance at MHS headquarters levels and that enhanced interoperability is an inherent element within each of the higher weighted criteria. As such, enhanced interoperability received adequate emphasis.

*Question.* One of the criteria that the Task Force used in evaluating the governance models was enhancing interoperability among the Services. However, in the evaluation process the importance of enhancing interoperability was only weighted 3%. With the end of BRAC 2005 and the consolidation of military treatment facilities and co-location of bases, do you feel that the Task Force placed enough emphasis on this important requirement?

General Green's Answer. All of the listed criteria were considered important by the Military Health System Task Force. It was essential to distinguish and assign a priority/weighting for the established criteria. When considering both criteria number 4 (cost savings through reduction in duplication and variation) and criteria number 7 (enhance interoperability) 20 percent of the total score was about credible interoperability. Recommendations from the Military Health System Task Force regarding overall Military Health System Governance, Enhanced Multi-Service Markets and National Capital Region Governance, do indeed capitalize on interoperability among the Services.

Admiral Nathan's Answer. As the Navy Surgeon General, I was not a member of the Task Force nor were the Surgeon Generals of the Army and Air Force. In addition, as of this date, there has been no official Department of Defense decision regarding the Task Force deliberations, findings and recommendations.

General Horoho's Answer. I am told that the Task Force considered cost estimates for personnel and associated savings in accordance with its charter to review organizational structure and management headquarters. A more detailed analysis of cost savings will be required during the implementation planning phase.

## IMPLEMENTATION OF RECOMMENDATIONS

*Question.* The Task Force completed its review and reported recommendations to the Deputy Secretary of Defense in September 2011. It was reported that the new Deputy Secretary of Defense, Ashton Carter, was about to announce decisions based on the Task Force review in December 2011; however, the fiscal year 2012 National Defense Authorization Act passed in December and included language prohibiting the Secretary of Defense from restructuring or reorganizing the Military Health System until 120 days following comprehensive reports submitted by the Comptroller General and the Secretary of Defense.

A concern stemming from the Task Force's review is the lack of cost savings estimates associated with the organizational restructuring. Were cost estimates taken into account when reviewing the governance options?

General Green's Answer. Cost estimates/savings were performed on a macro basis. Criteria number 4 clearly utilized the expertise of the Task Force members (both medical and line) for macro estimates of savings during deliberations. The Military Health System Task Force recognized that a more detailed cost analysis than could

be achieved in their 90-day timeline would be required during the implementation planning phase.

Admiral Nathan's Answer. Analyses of potential costs or savings for the options were extrapolated from work done by a 2006 workgroup and Center for Naval Analyses (CNA) study tasked with assessing Military Health System governance models. The Task Force staff expanded this analysis by applying data related to the Services' Headquarters Support and Intermediate Headquarters functions, allowing it to develop an estimate for the sizes of these Headquarters levels. It was noted during the deliberations that each Service has different functions and processes for grouping some of its key management and support elements. This results in widely varying comparisons that would require further study. The estimates were based upon the 2006 study and not an assessment of a newly defined and detailed construct for a Defense Health Agency with thoroughly reengineered shared service processes. This important task is expected to be accomplished as part of implementation planning activities.

*Question.* Have your Services and organization participated in adequate cost studies regarding possible implementation of the recommendations following the completion of the review?

General Green's Answer. The Air Force has reviewed the projected costs to be submitted by the department. We await the formal announcement of the Military Health System Governance decision and look forward to participating in implementation activities to maximize savings while enhancing access and quality of care under the new governance.

General Horoho's Answer. No cost studies have been completed relating to the MHS Governance Task Force.

Admiral Nathan's Answer. No separate Service-level cost studies have been completed in reference to Military Health System Task Force on Governance.

*Question:* If these recommendations are adopted, how quickly would you recommend implementation take place?

General Green's Answer. There is an opportunity to advance/execute the adoption and implementation of more efficient, common clinical and business processes through reengineered and streamlined shared services. Based on the current and anticipated austere fiscal environment, the conditions are right to rapidly implement Military Health System Task Force efficiencies. Based on the Fiscal Year 2012 National Defense Authorization Act, the required Government Accountability Office study, and Congressional review, the optimal time for initial operating capability is estimated to be October 1, 2013 with full operating capability one year later.

General Horoho's Answer. The Army recommends rapid implementation in accordance with Section 716 of NDAA 2012 which requires Department and Comptroller General of the US to provide a report to congressional defense committees before restructuring or reorganizing. Earliest possible implementation is October 2013 in light of NDAA 2012 requirements.

Admiral Nathan's Answer. The agreed upon Course of Action (COA) from the Task Force could be implemented in a phased approach. Disestablishment of the Joint Task Force National Capital Region Medical and the continued alignment of the medical treatment facilities to the Services could occur with minimal to no delay. Development of the Enhanced Multi-Service Market managers (E-MSM) would occur by a collaborative agreement to align fiscal oversight of the 15 defined market areas. The timeline for the development of E-MSMs must be carefully constructed to ensure that all potential factors are considered including applying some of the lessons learned from the San Antonio medical model. Establishing the Defense Health Agency should be a deliberate process with clear delineations of authorities before resource allocations are made.

*Question.* What discussions, if any, have taken place with your Services and organization to ensure that continuum of care for servicemembers and medical readiness would not be negatively affected by a change in organizational structures?

General Green's Answer. The top three criteria used by the Military Health System Task Force for model evaluation focused on the readiness mission and quality care to service members and their families. These three criteria aggregated to nearly 70 percent of the total "weight" and these criteria were at the forefront of all Service deliberations. The Air Force is confident that the recommendations appropriately considered these factors and the proposed governance will not degrade capability or quality. We look forward to participation in the implementation team to ensure the new governance enhances both readiness and quality care.

General Horoho's Answer. Continuum of care and medical readiness lead Service discussions related to change in organizational structures. The successful and seamless move of WRAMC to the new Walter Reed National Military Medical Center and

Fort Belvoir Community Hospital represents one example of the Services' commitment to continuum of care and that medical readiness is not negatively affected.

Admiral Nathan's Answer. My priority remains ensuring the readiness of Navy Medicine to support the warfighting and core capability of the Navy and Marine Corps, as well as maintaining the excellence in health care delivery for our beneficiaries. Continued alignment of the medical treatment facilities to the Services is critical to our ability to properly man, equip and train our medical forces.

*Question.* As noted in the Task Force report, more than 15 studies on MHS governance have been performed since the Department of Defense was first established in 1947. While some have led to minor changes in the way the Department manages its health care, in most cases the DOD did not implement overarching recommendations. Instead, the Department implemented a number of policy and program changes that have incrementally increased the interoperability and "jointness" of both combat and peacetime health care delivery.

Do you think that the Department is going to change course and make these significant program changes? If so, why now? What is different about this time and this study?

General Green's Answer. Overall the Services believe there is an opportunity to accelerate the adoption and implementation of more efficient, common clinical and business processes through reengineered and streamlined shared services. This recommendation allows us to pursue cost savings and efficiencies in a collaborative manner through shared services without sacrificing our Service culture. We believe, based on the current/projected fiscal and political environment, the conditions are right to rapidly implement Military Health System Task Force efficiencies.

*Question:* Do you think that the Department is going to change course and make these significant program changes? If so, why now? What is different about this time and this study?

General Horoho's Answer. The Army is committed to implementing changes now. The DepSecDef has directed the Under Secretary of Defense (Personnel & Readiness) and the Chairman of Joint Chiefs of Staff to establish a planning team to develop an implementation plan for the governance changes. This will ensure that the Department does not lose momentum on this important issue and that we will be prepared to begin the actual implementation of these governance changes when the GAO review and the statutory waiting period are complete.

*Question.* Do you think that the Department is going to change course and make these significant program changes? If so, why now? What is different about this time and this study?

Admiral Nathan's Answer. The Department of Defense has not officially submitted its report with the proposed changes in Military Health System governance. Notwithstanding, the Secretary of Defense has articulated that the current rate of growth of health care spending within the Department is not sustainable and changes are necessary. We support his efforts and believe we have an important opportunity to improve our joint capabilities and improve efficiencies.

### Overall Military Health System Governance Models

*Question.* Five of nine members of the Task Force voted for MHS Option 2—to establish a Defense Health Agency that would focus on consolidating and delivering a broader set of shared health services and implementing common clinical and business processes. Military Treatment Facilities would remain under the respective Service that historically operated them.

What are the strengths of this recommendation?

General Green's Answer. The Service Secretaries, not an agency, should be responsible for providing care to their Airmen, Soldiers, Sailors, and Marines. The Office of the Secretary of Defense for Health Affairs will no longer be involved in execution of the medical mission and will focus on policy to facilitate readiness and quality care. The Defense Health Agency will be focused on implementation of an organizational model that will accelerate realization of shared services, identify and enforce common clinical and business practices, and consider entirely new approaches to delivering shared activities. Leveraging effective and efficient common clinical and business processes will lead to cost savings and even greater collaboration between Services.

General Horoho's Answer. This recommendation represents an opportunity to achieve cost savings through the reduction of duplication and variation, while accelerating the implementation of shared services, identify and proliferate common clinical and business practices, and develop entirely new approaches to delivering shared activities.

Admiral Nathan's Answer. Establishing a Defense Health Agency can potentially improve efficiencies and reduce redundancies associated with shared or common services. Aligning the medical treatment facilities with the Services will allow the Defense Health Agency to focus on the primary mission of enhancing shared services. We need deliberate and careful planning to assess the consolidation of shared services within the Defense Health Agency to ensure that the Services have the capabilities to meet their missions.

*Question.* In this decision, the military Services would retain ownership and oversight of their respective medical treatment facilities. What do you see as potential weaknesses associated with this plan?

General Green's Answer. The greatest weakness in the current proposal is that it does not mandate a single financial accounting system for Defense Health Program dollars. A single financial accounting system is required to ensure transparency in Defense Health Agency and Service spending and programming to avoid redundancy. The Air Force believes the gains for the Defense Health Agency construct outweigh any potential weakness and will work with the implementing group to ensure transparency and move Defense Health Program dollars to a single financial accounting system for improved accountability.

General Horoho's Answer. I do not see weaknesses inherent on this plan. I am encouraged by the potential and benefits achieved by this plan.

Admiral Nathan's Answer. I do not view Services retaining ownership of their MTFs as a weakness. It is in fact an important aspect for us in meeting our Force Health Protection mission and sustaining our capabilities to deliver world-class care, anytime, anywhere.

*Question.* If your Service did not vote for the recommendation, which option did you prefer, and why?

General Green's Answer. The Military Health System Task Force recommendations are largely reflective of the Air Force final recommendations and position. The Air Force favors all Multi-Service Market areas be treated alike with a designated Service lead.

General Horoho's Answer. Our original vote was for a Unified Medical Command as unity of effort is achieved under the mission command of a single commander. This is seen in the deployed environment and affords the opportunity to capitalize on strengths and capabilities of each Service while reducing redundancy. However, this course of action was not the one chosen and the Army Medical Department stands ready to collaborate with our sister Services and support the DHA course of action implementation.

Admiral Nathan's Answer. The Department of the Navy agrees with the Task Force recommendations and Courses of Action as presented at the Department working groups.

### MULTI-SERVICE MARKET GOVRENANCE MODELS

*Question.* Seven of nine Task Force members voted for MSM Option 3—to introduce enhanced MSM Manager authorities for Multi-Service medical markets. This would include providing budgetary and short-term personnel management authority to the market manager.

Currently, a governance structure similar to the recommendation is in place in the San Antonio, Texas area. What has been the feedback from the San Antonio model?

General Green's Answer. The feedback from San Antonio, Texas, is positive. The current governance in San Antonio was only given short term personnel management authority. Budgetary authority has not been implemented for the director of the San Antonio Multi-Service Market (MSM). Although we agree San Antonio most reflects the recommended Military Health System Task Force MSM model, the Enhanced Multi-Service Market authorities will provide additional opportunities for Service integration, transparency and interoperability. Leadership in San Antonio and other MSMs have asked for these enhanced authorities for several years. These authorities enhance interoperability and care recapture opportunities.

*Question.* Currently, a governance structure similar to the recommendation is in place in the San Antonio, Texas area. What has been the feedback from the San Antonio model?

General Horoho's Answer. Feedback from San Antonio is very good. All beneficiaries continue to receive the highest quality of care. The transition is ongoing and leadership continues work to arrive at optimal Service integration and interoperability through Multi-Service market authorities.

Admiral Nathan's Answer. I was advised that the Deputy Surgeon General of the Air Force discussed the Headquarters for the San Antonio Military Health System

with the Task Force. He stated that it has been working effectively and could be enhanced if granted the same governance authorities that would be aligned to the Enhanced Multi-Service Markets in the Task Force report.

*Question.* What lessons have been learned and what improvements need to be made in order to enhance the San Antonio model and provide the best organizational structure possible? What weaknesses exist with this structure?

General Green's Answer. The Military Health System Task Force (MHS TF) valued input from existing Multi-Service Market leadership. Three current Multi-Service Market managers briefed the MHS TF on their approaches within their market, lessons they've learned, and their recommendations for improved operations. Those lessons learned were incorporated into the MHS TF discussions and influenced the resulting MHS TF recommendations for enhanced authorities. Clear accountability and business planning in these markets will enhance recapture of beneficiary care, which translates into currency and readiness. Movement to a single financial accounting system (whether a separate system or any of the Service financial accounting systems) to be used by the entire Military Health System would significantly improve transparency of operations and accountability.

General Horoho's Answer. This is a new model that just stood up in the Fall of 2011 and the transition is ongoing. It is too early to garner lessons learned.

Admiral Nathan's Answer. I will defer to the Army and Air Force regarding the lessons learned in San Antonio model.

*Question.* In your opinion, does this governance model effectively streamline traditional overhead and administrative costs or does it add an extra layer of bureaucracy?

General Green's Answer. The Enhanced Multi-Service Market model streamlines and minimizes overhead and administrative costs. This model leverages the medical assets already in the market areas and if given full visibility of all dollars in the Multi-Service Market, operations to include traditional overhead and administrative costs will be streamlined. Bureaucracy should be reduced by separating the Office of the Secretary of Defense for Health Affairs policy from Defense Health Agency execution by having a military director of the Defense Health Agency. There are many other opportunities for reduction in bureaucracy through elimination or reduction of intermediate Service and TRICARE Management Activity regional oversight of Military Treatment Facilities that must be evaluated by the implementing group.

General Horoho's Answer. The Enhanced Multi-Service Market model has the potential to streamline and minimize overhead and administrative costs through common accountability and business planning. A detailed cost analysis is required to identify overhead and administrative savings.

Admiral Nathan's Answer. I was not a member of the Task Force; however, it is my understanding that without a detailed cost analysis we cannot definitively assess the cost of transitioning to an Enhanced Multi-Service Market model.

*Question.* What is the size of the administrative staff in the San Antonio Multi-Service Market? How does this compare with the staff size of the NCR market?

General Green's Answer. The office of the San Antonio Military Health System is charged with overseeing the San Antonio, Texas market. Their administrative staff consists of 15 personnel. The Joint Task Force National Capital Region Headquarters administrative staff is comprised of 152 personnel.

General Horoho's Answer. The office of the San Antonio Military Health System is charged with overseeing the San Antonio market and has an administrative staff of 15 personnel. The Joint Task Force National Capital Region Headquarters has administrative staff of 152 personnel.

Admiral Nathan's Answer. I will defer to the Army and Air Force regarding the staffing in San Antonio, and to DoD for specific information regarding the National Capital Region.

## NATIONAL CAPITAL REGION GOVERNANCE MODELS

*Question.* Five of nine Task Force members voted for NCR Option 6—to transition JTF CAPMED to a market management office with enhanced MSM Manager authorities, similar to the model that would be applied in all other MSM markets based on the MSM governance recommendation. The Task Force did not see the need for the National Capital Region to have a unique military medical structure, although it appears to have evolved into a very unique structure. The medical treatment facilities would continue to be staffed by personnel from all three military departments, and common clinical and business processes would be maintained. The medical treatment facilities would be operated by the military Services that have historically operated them.

What are the differences between an enhanced Multi-Service Market structure (as voted on by the members of the Task Force) and the current joint operating model of JTF CAPMED?

Admiral Mateczun Answer. A Multi-Service Market structure is a tri-Service collaborative model to coordinate activities involving more than one Service. An enhanced market would have additional budgetary authorities.

The current joint operating model of Joint Task Force National Capital Region Medical follows Department of Defense doctrine for coordinating the activities of more than one Service, i.e. joint methodology. However, the presence of command authority provides a singular authority to direct transformational change necessary to increase interoperability. The authority, responsibility, and accountability are vested in a single entity that can affect the necessary change.

*Question.* What makes the National Capital Region different from other Multi-Service Markets and why would it be necessary to have a unique command structure?

Admiral Mateczun's Answer: The National Capital Region (NCR) has the largest concentration of healthcare assets in the Military Health System. It contains a mix of nearly 40 Army, Navy, and Air Force Medical Treatment Facilities (MTFs), has 550,000 eligible beneficiaries and 12,000 staff, and runs on an annual operating budget of almost $1.5 Billion. In order to reduce redundancies inherent in operating three separate Service systems and increase effectiveness and efficiency, the Department directed the establishment of an Integrated Healthcare Delivery System in the NCR to be managed by a Joint command with command authority.

The presence of command authority provides a singular authority to drive the transformational change necessary to control unnecessary duplication among the Services and to increase interoperability. This improves responsiveness to our beneficiary population and our operational commanders. The authority, responsibility, and accountability are vested in a single entity that can hone in and affect the change necessary to improve care.

*Question.* One of JTF CAPMED's main missions was to oversee the consolidation and realignment of military health care resources in the National Capital Region. With the completion of the consolidation, what would be the purpose for an enduring JTF CAPMED organization?

Admiral Mateczun's Answer. Oversight of the Walter Reed Base Realignment and Closure (BRAC) recommendation was only one of several specified tasks assigned to Joint Task Force National Capital Region Medical by the Deputy Secretary of Defense. The JTF's first and foremost specified task was to oversee the efficient and effective delivery of all healthcare in the National Capital Region. This is an enduring mission by definition and all other specified and implied taskings are sub-sets designed to enhance and enable the care we give to wounded warriors and their families, our operational forces, and our eligible beneficiaries.

*Question.* What are the drawbacks associated with having JTF CAPMED continue as the organizational structure in the National Capital Region?

Admiral Mateczun's Answer. The primary drawback would be redundancy. However, this redundancy would be present only if Army, Navy, and Air Force medical command and control entities in the National Capital Region (NCR) were to be maintained at Pre-BRAC levels.

*Question.* What are your greatest concerns with the governance of the National Capital Region as it is structured now, and as recommended by the Task Force?

Admiral Mateczun's Answer. As with many organizations, the smooth transition from one structure to another is always a challenge. The transition from the current JTF CapMed organizational structure must ensure continued commitment to achieving the world-class attributes mandated by the National Defense Authorization Act for FY10. The constant goal of providing continuity of care for Wounded, Ill, and Injured Service Members and their families must continue to be met.

JOINT TASK FORCE NATIONAL CAPITAL REGION MEDICAL—BRAC IMPLEMENTATION

*Question.* The Joint Task Force—National Capital Region Medical (JTF CAPMED) was established in September 2007 to oversee the delivery of integrated healthcare in the National Capital Region (NCR), ensure readiness, and facilitate the BRAC directed consolidation of Walter Reed Army Medical Center, National Naval Medical Center at Bethesda, and DeWitt Army Hospital at Fort Belvoir. The mission of JTF CAPMED was to effectively and efficiently achieve the vision of establishing a world-class medical center at the hub of the Nations' premier regional healthcare system serving our military.

The military Services have completed a difficult BRAC move that has unified two flagship hospitals with extraordinary histories. How is the operation proceeding since the completion of BRAC?

Admiral Mateczun's Answer. One of JTF CapMed's specified missions was to oversee the Base Realignment and Closure (BRAC) directed transition and closure of Walter Reed, which I am pleased to report was completed on time. Today, Wounded, Ill, and Injured (WII) Service Members (SMs) and their families are receiving care in 3M SQ FT of new and renovated facilities at Bethesda and Fort Belvoir that have been outfitted with 160,000 of new equipment items and the latest medical technologies available.

The Walter Reed BRAC was one part of the larger transformation of Military Medicine in the NCR. The NCR has a specific congressional mandate to provide world-class healthcare through an integrated healthcare delivery system (IDS). As discussed in the Comprehensive Master Plan provided to Congress, JTF CapMed is implementing an IDS to provide more effective and efficient healthcare in the NCR and is overseeing projects at Bethesda required to achieve the world-class facility standards required by the National Defense Authorization Act for FY 2010.

Examples of IDS efficiency initiatives include:

Implemented Initiatives

- $114M in cost avoidance through equipment re-use programs
- $109M+ in savings through using a single contractor to provision Initial Outfitting and Transition (IO&T)
  - $77M upfront by competitively bidding the equipment and relocation costs
  - $32M in savings due to incentive plan allowing IO&T contractor to share in savings due to lowering equipment costs through competitive pricing events, bulk buying power, as well as a willingness for vendors to accommodate the needs of such a large volume customer
  - The total savings from this contract cannot be quantified at this time, but will be realized after the contract optimization is completed
- $16M per year in savings through staffing and operational efficiencies
  - $15M a year through establishing a Joint Pathology Center to assume core functions of the Armed Forces Institute of Pathology (now closed)
  - $810K a year through establishing a regional Civilian Human Resources Center
  - $230K a year by consolidating appointment call centers in the NCR

Future Initiatives

- Installation of an Integrated Healthcare Data Network (Joint Medical Network) across the NCR will reduce IM/IT sustainment costs throughout all NCR MTFs as well as provide better performance
- Consolidation of the workforces at Walter Reed National Military Medical Center (WRNMMC) and Fort Belvoir Community Hospital (FBCH) and authorities sufficient to implement shared services will enable efficiencies and economies of scale that will result in contractor and civilian personnel savings of approximately $60M per year (FY 2011 dollars)
- With command and control over WRNMMC and FBCH, JTF CapMed continues to identify additional opportunities to develop shared services capabilities and achieve efficiencies in the NCR IDS.

*Question.* What have the benefits and strengths been with regards to the BRAC move and consolidation?

Admiral Mateczun's Answer. Over the long term, the Medical Base Realignment and Closure (BRAC) recommendations in the NCR avoid costs of operating four inpatient hospitals in close proximity and having to recapitalize each. Moreover, it matches the infrastructure to current medical practices. In this particular case estimates at the time indicated that it would cost $600–700 million to replace or renovate Walter Reed and that, under existing budget assumptions, the work would take many years to complete (6–8 years for replacement, 10–15 years for renovation). While that is a major cost avoidance for which we could take credit, the Department has elected to be conservative in its savings estimates and have focused instead on estimating the savings or avoidances that are derived by calculating the net facility overhead costs (i.e. the sum of the support personnel, base operating support, and sustainment and modernization costs saved at the closing location less the sum of the incremental increase of those costs at the new location). For the Walter Reed closure, those avoided costs are around $170M annually and for Malcolm Grow at Joint Base Andrews they are around $8M annually.

The Walter Reed BRAC was one part of the larger transformation of Military Medicine in the NCR and laid the groundwork for providing healthcare more effectively and efficiently. The NCR has a specific congressional mandate to provide world-class healthcare through an integrated healthcare delivery system (IDS). As

discussed in the Comprehensive Master Plan provided to Congress, JTF CapMed is implementing an IDS to provide more effective and efficient healthcare in the NCR and is overseeing projects at Bethesda required to achieve the world-class facility standards required by the National Defense Authorization Act for FY 2010.

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- With command and control over WRNMMC and FBCH, JTF CapMed continues to identify additional opportunities to develop shared services capabilities and achieve efficiencies in the NCR IDS.

*Question.* Has this consolidation actually saved any money? How did the Department mitigate the risk of possible disruptions of medical care during the transition? What were the major challenges of consolidation?

Admiral Mateczun's Answer. Estimating cost savings or avoidances for the Walter Reed BRAC recommendation are around $170M annually.

The Department began addressing the major challenges of consolidation with the establishment of JTF CapMed in 2007. Major challenges included access to care, realignment of staff, information technology, and the implementation of standardized business and clinical processes in the new Medical Treatment Facilities (MTFs). These challenges illustrate how the Department mitigated the risk of potential disruptions to medical care during the transition—through detailed planning, appropriate distribution of patient care, and training and preparedness of staff. Examples of these efforts include:

(1) *Distribution of patients:* While maintaining standards of care, JTF CapMed worked with the Services, USTRANSCOM, and the Joint Staff to distribute war casualties to world-class military hospitals outside of the NCR, such as those in San Antonio, TX and San Diego, CA, which also have the capability to handle complex orthopedic trauma including prosthetic rehabilitation. This reduced war casualties having to enter the NCR during the height of the fighting season.

(2) *Wounded, Ill, and Injured (outpatient):* Multiple strategies were instituted to ensure that there was no decrement to casualty care during the transition, including maintaining medical and support capabilities at Walter Reed Army Medical Center (WRAMC) until patients relocated to Bethesda.

(3) *Inpatients:* Detailed inpatient movement plans were developed and exercised which ensured a safe relocation of all WRAMC inpatients to Bethesda and DeWitt Army Community Hospital patients to Fort Belvoir Community Hospital. Utilizing industry best practices, DoD relocated 35 WRAMC inpatients systematically, employing skilled medical and move teams and a cadre of ambulances using planned, low-traffic times. JTF CapMed coordinated the moves with D.C. and Montgomery County Police, and no inpatients suffered safety or medical problems during the move.

(4) *Clinical Services:* A detailed clinical service relocation plan was developed based on hospital relocation industry best practices which ensured minimal decrement to any one medical capability during the transition phase. Prior to the move,

WRAMC departments eliminated routine appointments for five days as staff and materiel were packed and relocated to their new sites. During that period, the other NCR hospitals and clinics were available for routine outpatient appointments.

(5) *Retention of staff:* A Guaranteed Placement Program required that all WRAMC employees be offered positions at the new hospitals, helping to maintain the civilian workforce at WRAMC throughout the transition.

(6) *Staff training and patient education:* JTF CapMed proactively communicated with patients about their future healthcare delivery locations through mailers and other means. To ensure safe patient care in the new facilities, extensive training and orientation plans were developed for WRNMMC and FBCH.

(7) *Access to Care:* JTF CapMed established an Integrated Referral Management and Appointing Center (IRMAC), which consolidated appointment and referral processes in the NCR to improve service and standardize the processes. The consolidation has improved services by eliminating the confusion of multiple appointment processes at the different MTFs in the NCR and has increased access to care by offering appointments at any MTF in the NCR in order to meet patient needs. The IRMAC will also proactively schedule specialty referrals and routine appointments for patients to enhance continuity of care.

(8) *Information Technology:* In order to have fully integrated Information Technology connectivity in the NCR, networks, hardware, and clinical systems must work seamlessly together. To that end, JTF CapMed established a Joint Medical Network (JMED) that consolidated infrastructure and provided a common platform between NCR medical Service Components and the Military Health System (MHS) to decrease redundant activities, software, and applications/systems in the NCR, as well as reduce the number of software licenses and applications required.

*Question.* While the consolidation and construction of the facilities in Bethesda and Fort Belvoir are effectively complete, there are still projects on the horizon for the two facilities. Please provide an update of ongoing projects and the timeline and costs associated with them.

Admiral Mateczun's Answer. The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2010 codified the definition of a World-Class Medical Facility and required DoD to provide Congress with a plan to meet this standard at Bethesda. DoD provided Congress with this plan, the Comprehensive Master Plan (CMP), in 2010 which described $800M in facility projects DoD plans to complete at Bethesda by 2018 to meet the requirements of the law. The President's Budget for FY 12 fully funded these projects at Bethesda over the next 6 years. The status has been included below:

- FY12 Program ($109M) funded and includes:
  - All MILCON design funds ($66M)
  - Funding to build Child Development Center (CDC) ($18M)
  - O&M investment ($25M)
    - Medical Technology Upgrade
    - Master Planning
    - Campus Wayfinding
    - ADA Accessibility
    - Pedestrian Improvements
- Construction award for FY12 CDC MILCON project expected in May 2012
- Design awards for FY13 are underway and include:
  - Temporary Facilities
  - Electrical capacity/cooling towers Upgrade Phase 1
  - Implement Accessibility & Appearance Plan
    - Medical Technology Upgrade
    - Master Planning
    - Campus Wayfinding
    - ADA Accessibility
    - Pedestrian Improvements
- FY14 projects are awaiting completion of Congressional Notification period (required by Title 10 USC Section 2807) and include:
  - Electrical capacity/cooling towers Phase 2
  - Parking Garage
  - New Central Clinical Building
- FY13–17 Program funding dependent on the President's Budget for FY 13
  - DoD continues to examine projects to determine whether other improvements or refinements should be incorporated
  - Last estimate was in DoD's Supplemental-CMP (AUG 2010) and PB12 ($707M)
    - $618M in MILCON
    - $89M in O&M/OP

*Question.* Do the Surgeons General have input into the Comprehensive Master Plan and future projects related to Walter Reed National Military Medical Center and Fort Belvoir Community Hospital?

Admiral Mateczun's Answer. The Chairman of the Joint Chiefs of Staff, each Service Secretary, and USD (P&R) and appropriate Office of the Secretary of Defense (OSD) entities provided the DEPSECDEF with comments on the Comprehensive Master Plan (CMP) and its supplement before the Department provided them to Congress. Additionally, before inclusion of the CMP facility projects in the President's Budget 2012, OSD Cost Assessment and Program Evaluation (CAPE) chaired a working group, with representation from the Joint Staff, each Service, and OSD, to further evaluate the scope and implementation of the facility requirements in the CMP. The recommendations from the group were forwarded to the 3-star programmers and ultimately to the Deputy's Management Action Group (DMAG) for consideration. In late 2011, CAPE chaired a second working group, with representation from the same equities, to again determine whether other improvements or refinements should be incorporated.

JOINT TASK FORCE NATIONAL CAPITAL REGION MEDICAL—ORGANIZATIONAL STRUCTURE

*Question.* The JTF CAPMED has a unique reporting structure. Unlike military treatment facility commanders who report to their respective Surgeon General, the Commander of JTF CAPMED reports directly to the Deputy Secretary of Defense, effectively removing the Service Surgeons General and Service Secretaries from the chain of command, although they are ultimately responsible for the health care of their respective servicmemembers. This chain of command has at times caused confusion and ambiguity.

Who has daily operational control of Walter Reed National Military Medical Center and Fort Belvoir Community Hospital and what is the chain of command?

Admiral Mateczun's Answer. The Commander, Joint Task Force National Capital Region Medical has operational control of Walter Reed National Military Medical Center and Fort Belvoir Community Hospital and has Tactical Control of all outpatient clinics assigned. The Commander reports directly to the Secretary of Defense through the Deputy Secretary of Defense. While this chain of command may be unprecedented to the medical enterprise, it is the standard for commanding and controlling Service forces in a joint environment.

Ultimate responsibility for all matters within the Department of Defense lies with the Secretary of Defense. Service Secretaries and their respective Surgeons General are responsible to provide, train, and equip their forces. However when forces from more than one Service come together in a common area for a common purpose, those provided forces are employed by a joint force commander as established by the Secretary of Defense to ensure a single point of responsibility, authority, and accountability and to enhance unity of effort.

The Secretary of Defense through the Deputy Secretary of Defense has deemed the National Capital Region along with its composite warrior and beneficiary population to be best served by a joint command structure to guarantee the most effective and efficient employment of the medical forces provided by the Service Secretaries and the Surgeons General. All have a role in the successful completion of the medical mission.

In the JTF CapMed charter there is an NCR (National Capital Region) OIPT (Overarching Integrated Product Team) which includes members from the Services, the Service Secretariats, the Joint Staff, and the Office of the Secretary of Defense. The primary decisions made about JTF CapMed were all coordinated through this OIPT to include the type of manning documents, civilian workforce consolidation, hospital command structures, and the Comprehensive Master Plan submitted to Congress.

*Question.* What is the relationship between the Service Surgeons General and the Commander of JTF CAPMED?

Admiral Mateczun's Answer. The Commander, Joint Task Force National Capital Region Medical is the joint force commander overseeing the employment of forces provided by the Services to accomplish all medical missions within the National Capital Region. As such, the JTF is the supported organization. The Services, including the Surgeons General, are supporting organizations since they provide the forces to the supported commander. This supported-supporting relationship is common in all Department of Defense joint operations.

*Question.* What are the relationships between the Commander of JTF CAPMED and the Hospital and Installation commanders?

Admiral Mateczun's Answer. Commander JTF CapMed has operational control of Walter Reed National Military Medical Center (WRNMMC) and Fort Belvoir Community Hospital as well as tactical control of the outpatient clinics in the National Capital Region. Neither Naval Support Activity (NSA) Bethesda nor the Fort Belvoir Garrison has a formal reporting relationship to JTF CapMed. However, both organizations have the responsibility to appropriately support the hospitals and warrior care functions on their installations. Moreover, the Comprehensive Master Plan provided to Congress in April 2010 defines a specific relationship between WRNMMC and NSA Bethesda. It states, "Naval Support Activity Bethesda Installation Commanding Officer will be assigned an additional duty reporting relationship to the WRNMMC, Bethesda Commander for day-to-day mission support and will receive a concurrent Fitness Report."

*Question.* When dispute resolution is required, where does the Commander of JTF CAPMED go and how are the Services involved, if at all?

Admiral Mateczun's Answer. According to established Department of Defense procedures for joint operations, if a dispute involves a Service entity possibly encroaching upon a joint force commander, the joint force commander refers that matter to the appropriate Service Chief of Staff via the Service Component Commander assigned to the joint force commander. If the issue is not resolved at that level, the joint force commander can take the issue up his chain of command.

In the specific case of Joint Task Force National Capital Region Medical, the Commander would first take the matter up with the Service Chief of Staff via the Service Component. If that did not resolve the dispute, the Commander, in accordance with his establishing charter, will take the matter to the Vice Chairman, Joint Chiefs of Staff, and if necessary to the Secretary of Defense as the ultimate adjudication authority.

If the dispute involves a question over the joint force commander's authority, the Service Component Commander can bring the issue to his specific Service Chief of Staff who in turn can bring it to the attention of the Vice Chairman, Joint Chiefs of Staff If the Vice Chairman and the joint force commander fail to resolve the dispute, it goes to the Secretary of Defense as the ultimate adjudication authority.

*Question.* How many positions are in the JTF CAPMED headquarters? What is the annual operating budget of JTF CAPMED? How does this compare with the staff size and budget of the San Antonio region eMSMO?

Admiral Mateczun's Answer. JTF CapMed HQ has an Operations and Maintenance budget of $11.7M in FY12 and 119 civilian and military staff. The San Antonio Military Health System is smaller in size, but an "apples to apples" comparison of overhead would necessarily include consideration of command and control costs for Army, Navy, and Air Force medical headquarters in the NCR, which can be considered redundant overhead if the JTF exercises command and control over NCR hospitals.

As the eMSMO concept has not been completely fleshed out in terms of details about staff, size, and budget. Therefore, no direct comparison is possible. When such a comparison is possible it should include an "apples to apples" evaluation of functions.

### JOINT TASK FORCE NATIONAL CAPITAL REGION MEDICAL—INTEGRATION INTO JOINT FACILITY

*Question.* The Committee remains concerned with the importance of integrating the military hospitals into true joint facilities. An integrated delivery system must be operated and managed as a single entity with a regional, unified view of acquiring materials, training personnel, and coordinating administrative tasks. Since each Service has unique cultural traditions, norms, practices and language for managing, it is truly a challenge to fully integrate. Another area of concern is the ability for the Services to transition to a functioning joint Information Technology (IT) system.

With each Service medical component employing different concepts of care delivery and processes, how have you developed common practices within the National Capital Region that is suitable for a multi-Service pool of beneficiaries?

Admiral Mateczun's Answer. When the Department of Defense decides to operationally employ forces from two or more Services to achieve unity of effort, it does so using joint principles stressing unity of command to ensure accomplishment of all objectives. Applied to medical capability from diverse Service backgrounds in the National Capital Region, the Commander, Joint Task Force National Capital Region Medical is instituting an Integrated Delivery System characterized by:

1. A single entity responsible for providing all services, including delivery of care and risk management.

2. A seamless continuum of services whereby consumers are provided a consistent point of access to all services and their care is coordinated and managed.
3. Standardization of equipment and clinical practices.
4. Managed fixed resources and capital investments.
5. Avoidance of duplication of services to control costs and improve outcomes.

Currently, the following represent fundamental building blocks already in various stages of implementation within the National Capital Region:

1. Patient Centered Medical Home Concept where the focus is on organizing care around the patient and family.
2. Integrated Referral Management and Appointing Center to assure the entire loop of communications of the care of a patient is completed by centralizing appointing and referral management systems thereby greatly facilitating patient access to care.
3. Joint Medical Network providing a seamless, integrated, and interoperable information exchange.
4. Standardized Quality Management Program providing the ability to shift healthcare providers between facilities to maximize our ability to deliver care where the patients require it.

Only through an Integrated Delivery System can there be one standard of care for beneficiaries. And to effectively institute and manage an Integrated Delivery System requires consolidating responsibility, authority, and accountability into a single entity accountable to transform and blend different practices into best practices for the given population.

*Question.* How has JTF CAPMED addressed these inherent differences? Are there still differences that endure, and how are they being addressed?

Admiral Mateczun's Answer. While there may be differences in business practices, there is little inherent difference in medical practice. Following Department of Defense emphasis on interoperability as a means to increase effectiveness and control costs, the Joint Task Force National Capital Region Medical builds upon the natural commonality of medical practice to overarch cultural barriers through standardization of equipment and clinical practices. At the same time, the Joint Task Force National Capital Region Medical remains responsive to the administrative requirements of the Services, such as administrative processes for their wounded ill and injured personnel.

*Question.* How have best practices from each Service been integrated into the joint facility?

Admiral Mateczun's Answer. Yes. The integration of clinical departments and technical programs was accomplished early on and working groups, with representation from each hospital, developed implementation plans to achieve and standardize best practices. In many cases, one Service's model was adopted. For example, Walter Reed National Military Medical Center (WRNMMC) adopted the Navy's Blood Bank Program and the Army's clinical investigations program.

Another example of the clinical success of this method of integration is provided by the recent Joint Commission survey of WRNMMC and the behavioral health departments. The surveyor had inspected both Walter Reed Army Medical Center (WRAMC) and National Naval Medical Center (NNMC) within the last 18 months and noted that the WRNMMC behavioral health processes were better than either WRAMC or NNMC practices previously. She attributed the accomplishment directly to the integration process.

*Question.* How are Service specific cultures being sustained to ensure that Airmen, Sailors, Marines and Soldiers stationed in the NCR can leave and easily transition back into a Service-specific environment?

General Green's Answer. Airmen assigned to Joint Task Force Capital Region Medical (JTF CapMed) support the mission of health care in the National Capital Region while maintaining critical clinical currency skills required to meet Air Force-specific and joint theater taskings.

Service component commands provide administrative and logistic support for JTF CapMed per joint doctrine. In JTF CapMed, Airmen sustain Air Force-specific cultures through their direct administrative relationship with the Air Force medical component (the 79th Medical Wing) to JTF CapMed.

General Horoho's Answer. Service members remain assigned to their Service for command and control while these Soldiers, Sailors and Airmen provide outstanding care to our military beneficiaries. Service members performing duties in the NCR retain titles, rank and grade, and uniforms of their respective Service and participate in Service unique training.

Admiral Nathan's Answer. Walter Reed National Military Medical Center Bethesda (WRNMMC) is providing outstanding care to our wounded warriors, active duty personnel, families and all beneficiaries. The staff, comprised of Navy, Army,

Air Force and civilian personnel, is executing their mission with skill, compassion and professionalism. While the focus is clearly on unity of mission and effort, important Service-specific culture components remain part of duty at WRNMMC, including the maintenance of titles, rank and grade, and uniforms. In addition, as the Services retain administrative control over their service members, culture is maintained in the administration of service-specific training requirements. We are committed to joint solutions and improved interoperability; however, we recognize that Service-unique traditions and aspects must be sustained, celebrated and shared. The leadership at WRNMMC continues to stress this important consideration at all levels of the command.

WALTER REED NATIONAL MILITARY MEDICAL CENTER

*Question.* Unsubstantiated reports have surfaced that due to the confusing command and control structure at Walter Reed National Military Medical Center (WRNMMC), there has been a high level of turnover and employee turbulence. While the care at WRNMMC is beyond reproach, there are concerns that increasing conflict and confusion may eventually impact medical care at the facility.

Has there been an unusual amount of turnover and/or attrition at WIUNIMMC?

Admiral Mateczun's Answer. No. Attrition at WRNMMC is less than 1% per month, which is well below the national average and is not significantly different from pre-Base Realignment and Closure (BRAC) levels. All subjective and objective data, to include a command climate survey, indicate that WRNMMC staff morale is good and personnel take pride in their mission. This was also the impression of the surveyors from the Joint Commission who independently inspected the hospital recently. They were particularly complimentary on the interactive nature of the staff and reported that the hospital exemplified holistic practices for patients.

*Question.* Have there been any employee issues or concerns expressed since Bethesda and VVI I C unified into a single facility? If so, how have you listened to and responded to those concerns?

Admiral Mateczun's Answer. Yes. A Guaranteed Placement Program required that all Walter Reed Army Medical Center civilian employees be offered employment at Walter Reed National Military Medical Center or Fort Belvoir Community Hospital. While this posed some initial challenges for the WRNMMC staff, data indicates that staff morale is good and personnel take pride in their mission. This data included objective measures, such as low attrition rates and positive survey results, and subjective measures, such as meeting with WRNMMC staff individually or in groups. The hospital has been working through individual points of friction with specific groups, such as the cancer infusion center, but these are isolated events and are not indicative of any trend. Military and civilian staff also both has their respective channels to route formal grievances or complaints.

*Question.* How have you ensured the needs and concerns of patients and families receiving care at WRNMMC are heard and responses are communicated effectively?

Admiral Mateczun's Answer. WRNMMC has multiple venues for receiving and responding to patient and family concerns. These include:

*1. Communication encouraging patients to voice concerns:* Patients are informed via written materials displayed throughout the hospital signage, information packages, and clinic brochures that WRNMMC encourages patients to voice any concerns so that all issues have an opportunity to be fully addressed. WRNMMC further utilizes available communication tools (internet and social media) to welcome patient feedback as we continually strive to provide exceptional patient- and family-centered care.

2. *Customer Advocacy:* Patients reach out to our Customer Advocacy Office of our Patient Relations Service to let their concerns be known via telephone, face to face and written comments. The Patient Relations Service investigates and resolves any issues to the extent possible and provides direct feedback to the patient. Patient experience data is communicated to our leadership on a weekly basis including positive stories, narratives with need for improvement, and feedback from 40 randomly selected patients visiting the hospital. In addition, Town Hall Meetings are held in with Joint Task Force National Capitol Region, Naval Support Activity Bethesda, and the military service representatives for our Wounded Warriors to provide direct feedback to leadership. A web based tracking system for concerns is shared with patients and their families at the Town Hall Meetings. Common patient concerns are discussed in a monthly column in our base newspaper which is widely available to patients, families, and staff.

3. *Headquarters Patient Satisfaction Survey:* Patients participate in the Navy Bureau of Medicine and Surgery Patient Satisfaction Survey and the TRICARE Out-

patient and Inpatient Surveys which focus on access to care, staff communication, and overall satisfaction.

4. *Case Managers for patients with complex chronic diseases:* Using a family-centered approach, the case managers regularly meet with patients and families to address their medical and administrative concerns, thus addressing concerns as they are raised. The case managers may also arrange patient and family care conferences to include providers, patient administration, and leadership to provide a comprehensive approach to address the needs and concerns of the patient and family.

5. *Patients with Unanticipated Healthcare Outcomes:* WRNMMC has a model Healthcare Resolutions Program that becomes involved when there are unanticipated/adverse outcomes of care, quality of care concerns, or complex healthcare issues to ensure that full transparency is practiced as well as to ensure that patients and families receive answers to all care related concerns. The healthcare resolutions specialists train providers in full disclosure related to adverse outcomes of care. This service also receives care related questions via the internet. Healthcare Resolutions is a 24/7 service.

6. *Special Populations—Wounded Warriors:* Patient and family care conferences are also used in Warrior Care as a means to address specific and unique requests. In addition to Wounded Warrior Case Managers, the Nurse Case Manager has two avenues in which to advocate the family's needs and concerns—through weekly Platoon Meetings and Warrior Clinic Rounds. Administrative issues affecting their care and rehabilitation are discussed in collaboration with the patient leadership and Recovery Care Coordinators in weekly Platoon Meetings. The Warrior Clinic rounds are another opportunity to advocate their needs and concerns through a multi-disciplinary meeting on the patient and family progression through care.

*Question.* How long has true joint staffing been in place at WRNMMC? How effectively has it worked?

Admiral Matezun's Answer. The Joint Table of Distribution (JTD) is not in place and WRNMMC does not have Joint staffing, but rather Tr-Service staffing. There is an Intermediate Manning Document (IMD), in which the Services have and maintain their own supporting manpower documents and authorities over personnel. Until WRNMMC becomes a joint command with its manpower documented on a JTD, the disciplinary authority of the commander over all assigned Service Members is limited.

*Question.* Have the Services had opportunities to review directives and plans set out by JTF CAPMED? If they have had concerns, have those been heard and addressed?

Admiral Mateczun's Answer. Yes. The Department's decisions regarding the transformation of the National Capital Region Medical were deliberated through several sessions, NCR OIPT meetings, to include coordination of the Comprehensive Master Plan and its supplement. Each of these forums had strong Service representation. Ultimately, the Department delegated JTF CapMed with the command authority to manage military healthcare in the NCR and execute the NCR Medical Base Realignment and Closure recommendations.

The NCR has the largest concentration of healthcare assets in the Military Health System. It contains a mix of nearly 40 Army, Navy, and Air Force Medical Treatment Facilities (MTFs), has 550,000 eligible beneficiaries and 12,000 staff, and runs on an annual operating budget of almost $1.5 Billion. In order to reduce redundancies inherent in operating three separate Service systems and increase effectiveness and efficiency, the Department directed the establishment of an Integrated Healthcare Delivery System in the NCR to be managed by a Joint command with command authority. The presence of command authority provides a singular authority to drive the transformational change necessary to control unnecessary duplication among the Services and to increase interoperability. This improves responsiveness to our beneficiary population and our operational commanders. Authority, responsibility, and accountability are vested in a single entity that can hone and affect the change necessary to improve care, as recommended in the report of the congressionally mandated independent review of achieving world-class medical capabilities in the NCR.

## ENHANCED INTEROPERABILITY FOR JOINT MILITARY MEDICAL CARE

*Question.* Admiral Nathan recently commented that "the synergy of creating efficiencies, removing redundancies and allowing transparency will elevate care and reduce costs. Accepting a "joint culture" does not mean loss of identity of service culture. Incredible joint care exists on the battlefield and we are seeing joint staffing at major medical centers and within our graduate medical education programs. Joint command and control cannot happen overnight and must grow from the deck

plates with coordinated efforts from the services and those best informed to provide input so that more light than heat is generated."

How do you effectively communicate with each other on behalf of your Services?

General Green's Answer. The Service Surgeons General meet at least once a week and communicate even more frequently. Medics at all levels from all Services are working side by side to form partnerships and cultivate trust. Integrated Service executive leadership teams are developing strategies to meet mission requirements while enhancing communication, transparency and trust. The Service led jointly manned hospitals at Landstuhl, Walter Reed Bethesda, Belvoir, and San Antonio Military Medical Center encourage even greater interaction and collaboration. The Medical Education and Training Center in San Antonio is fostering the entire enlisted corps to understand and value similarities and differences between Services while teaching common and service specific skills. As joint policy evolves, medical personnel will be at the forefront of new joint operations. We are poised to do even greater things in the future together. Thus far we have established the most effective trauma system in the history of war and brought America's heroes home, regardless of the severity of their injuries, within three days. The future is even brighter based on new training and collaborative environments that now exist.

General Horoho's Answer. The Surgeons General meet and communicate frequently when collaborating on issues important to the Military Health System and care of its beneficiaries. Joint medical facilities at Landstuhl, Walter Reed National Military Medical Center, Fort Belvoir, and San Antonio are successful results and examples of the continued communication underway amongst the Services and the Surgeons General.

Admiral Nathan's Answer. I, along with my fellow Surgeons General, am committed to implementing joint solutions and improving interoperability. We have great examples of joint operations including our in-theater combat casualty care, within our jointly staffed medical treatment facilities, as well as in our classrooms and research labs. We need to build on these efforts to further enhance efficiencies and reduce redundancies.

*Question.* How are you working cooperatively to ensure interoperability and a smooth transition to "jointness"?

General Green's Answer. The Service Surgeons General meet at least once a week and communicate even more frequently. Medics at all levels from all Services are working side by side to form partnerships and cultivate trust. Integrated Service executive leadership teams are developing strategies to meet mission requirements while enhancing communication, transparency and trust. The Service led jointly manned hospitals at Landstuhl, Walter Reed Bethesda, Belvoir, and San Antonio Military Medical Center encourage even greater interaction and collaboration. The Medical Education and Training Center in San Antonio is fostering the entire enlisted Corps to understand and value similarities and differences between Services while teaching common and service specific skills. As joint policy evolves, medical personnel will be at the forefront of new joint operations. We are poised to do even greater things in the future together. Thus far we have established the most effective trauma system in the history of war and brought America's heroes home, regardless of the severity of their injuries, within three days. The future is even brighter based on new training and collaborative environments that now exist.

Weekly formal and informal opportunities are the "norm" where the Services cooperate and communicate, tackling issues and developing interoperable solutions. The relationships and cooperative spirit are the highest seen in the last 15 years.

General Horoho's Answer. The Surgeons General meet and communicate frequently when collaborating on issues important to the Military Health System and care of its beneficiaries. Jointly staffed medical facilities at Landstuhl, Walter Reed National Military Medical Center, Fort Belvoir, and San Antonio are successful results and examples of the continued cooperation underway amongst the Services and the Surgeons General. The successful and seamless move of WRAMC to the new Walter Reed National Military Medical Center and Fort Belvoir Community Hospital represents one example of the Services' continuing efforts to ensure a smooth transition to jointness and interoperability.

Admiral Nathan's Answer. I, along with my fellow Surgeons General, am committed to implementing joint solutions and improving interoperability. We have great examples of joint solutions in-theater in supporting combat operations, in our medical treatment facilities, classrooms and labs. We need to build on these efforts to further enhance efficiencies and reduce redundancies. All of us recognize that we must be deliberate and measured in our approach to ensure that our Services' unique readiness missions are maintained and our excellence in health care delivery to all our beneficiaries is sustained.

*Question.* What is being done to ensure that the Reserve components are being included in the discussion of the future of joint military health care?

General Green's Answer. From an Air Force perspective, our Reserve components are integral partners to our enterprise. They are part of our leadership team devising policy, determining priorities, and developing goals to meet our mission. Air Force Reserve and Guard Surgeons General have been regularly briefed on discussions of governance just as we meet regularly to improve services to Active Duty, Reservists, and Guardsmen.

General Horoho's Answer. Army Reserve components participate in leadership discussions on the future of joint military health care and help to determine policy and priorities.

Admiral Nathan's Answer. The hallmark of Navy Medicine is our professional and dedicated workforce. Our team consists of over 63,000 active component (AC) and reserve component (RC) personnel, government civilians as well as contract personnel—all working around the world to provide outstanding health care and support services to our beneficiaries. We recognize how vital our reserve component personnel are to meeting our mission requirements.

*Question.* Please provide examples of joint sharing of services operating today.

General Green's Answer. There are many examples of joint sharing and joint medical operations. Through a number of initiatives and partnerships our Nation has realized the highest survival rates and lowest disease, non-battle injury rates in recorded history. Some examples of interoperability and sharing include:

- Craig Joint Theater Hospital at Bagram
- Joint Base Balad Theater Hospital
- The National Capital Region Multi-Service Market
- San Antonio Military Health System
- Uniformed Services University of the Health Sciences
- Medical Education Training Campus
- Capital Investment Decisions Model (Military Construction Planning)
- Landstuhl Regional Medical Center
- Joint Base Ft Lewis-McChord
- Pope Army Airfield
- Defense Medical Readiness Training Institute

General Horoho's Answer. Some examples of joint sharing are:

- San Antonio Military Health System
- The National Capital Region Multi-Service Market
- Uniformed Services University of the Health Sciences
- Medical Education Training Campus, San Antonio
- Landstuhl Regional Medical Center
- Joint Base Ft Lewis-McChord
- Pope Army Airfield
- Defense Medical Readiness Training Institute
- Craig Joint Theater Hospital at Bagram

Admiral Nathan's Answer. We have solid examples of jointly sharing services in place today including components of the information management/information technology program, graduate medical education and at the Medical Education Training Campus in San Antonio. In-theatre, our medical personnel are working together and demonstrating unmatched skill in treating and transporting our wounded warriors from the battlefield to jointly staffed facilities like Landstuhl Regional Medical Center and Walter Reed National Military Medical Center. Moving forward, I believe we can further develop this collaborative sharing of services to improve efficiencies, reduce redundancies and improve overall value to our beneficiaries.

*Question.* What is the greatest challenge to providing a true joint operating environment for military health care?

General Green's Answer. It is difficult to define a "true joint operating environment." If execution of the mission will not be Service led, Joint Doctrine must evolve to support joint execution activities (in this case—hospitals). Today, by law, medics do not fill joint billets and do not get joint credit for assignments to any joint manning document. Therefore, we do not have a systematic way to develop medics to lead joint operations. Oversight of a hospital requires Service guidance because joint standards and guidance for hospitals does not exist. The shift from Service run facilities to more jointly operated facilities requires evolution of joint policy to establish "joint" execution standards and development of joint medical leaders.

Air Force medics are central players in some of the most effective joint casualty care systems in military history. Joint theater hospitals, Landstuhl Regional Medical Center in Germany and the San Antonio Military Health System are all examples of these quality health care delivery systems. We believe through continued

communication, transparency, interoperability and trust, we will continue to build strong partnerships to deliver world-class quality care.

General Horoho's Answer. The Services must successfully Service-unique requirements while maintaining mission readiness and ensuring excellence in health care delivery is sustained.

Admiral Nathan's Answer. We must proceed in a deliberate and measured manner to ensure that our readiness to support our Services' missions and core warfighting capabilities will be maintained and our excellence in health care delivery will be sustained. We cannot compromise our capabilities to meet Service-unique requirements.

[CLERK'S NOTE.—End of questions submitted by Mr. Young.]

THURSDAY, FEBRUARY 16, 2012.

# FISCAL YEAR 2013 DEPARTMENT OF DEFENSE BUDGET OVERVIEW

**WITNESSES**

**THE HON. LEON E. PANETTA, SECRETARY OF DEFENSE**

**GENERAL MARTIN E. DEMPSEY, USA, CHAIRMAN, JOINT CHIEFS OF STAFF**

**HON. ROBERT HALE, UNDERSECRETARY OF DEFENSE, COMPTROLLER**

## OPENING STATEMENT OF CHAIRMAN YOUNG

Mr. YOUNG. The committee will be in order. The 10:00 hour has arrived. I certainly welcome our guests today, Secretary Panetta, who is no stranger to the Congress.

But I think this is your first time before this subcommittee, and you are more than welcome, as I am sure you know that.

And General Dempsey also, I asked the General if he would like to start off the hearing with a song.

General DEMPSEY. That comes during the Q and A.

Mr. DICKS. That is better.

Mr. YOUNG. We have followed, since he was the Central Command, which was in my neighborhood, through his ascension to Chief of Staff, and also your first time before this committee.

General DEMPSEY. Yes, sir.

Mr. YOUNG. And Secretary Hale, you have been here a lot of times, and we have communicated with you regularly, and we appreciate the good communication that we have always had. I do have a brief statement to sort of set the stage for some of the things that we will be interested in. Your statements will be provided for the record, and then you present them any way you like.

Like I said, this is your fourth appearance on the Hill this week, so you have this down.

Secretary PANETTA. Got it down.

Mr. YOUNG. We have followed you on TV and in the media, so we know pretty much what somebody else did not ask you that we are going to try to get to.

So the hearing today is on the 2013 budget request for the Department of Defense, and as I said, we welcome all of you. We are talking about a budget that is reduced, and you have made it very clear that you understand the difficulties, and we certainly understand the difficulties, and we know that it is not easy because last year, we had to do fiscal year 2011 and fiscal year 2012, and we were required to make substantial cuts even below the President's budget, and we did so carefully. We did the best we could not to affect readiness or not to affect the troops, our fighting warriors, but we want to investigate and analyze some of the issues that you

have talked about, the new strategies, the new emphasis on the Pacific Rim.

We are somewhat concerned about aviation assets, where we are going, because we know that in so many of our wars that aviation was a very, very big part of it. Of course, the most important part of our military capability are the men and women who serve in uniform, and it is essential that we take very good care of them.

We have a lot of interesting questions, but we want to hear what you have to say, but before we get to your testimony, I would like to yield to my friend Mr. Dicks and the former chairman of this committee.

Mr. Dicks.

REMARKS OF MR. DICKS

Mr. DICKS. Thank you, Mr. Chairman, and this morning, the committee welcomes the Honorable Leon Panetta, Secretary of Defense, and General Martin Dempsey, United States Army, Chairman of the Joint Chiefs of Staff.

Leon Panetta and I came to Congress in 1976 after being Senate staffers, so we have known each other for at least 45 years. It has always been a pleasure to work with Leon in all of his various assignments, including CIA and Chief of Staff during the Clinton administration. We will forgive him for his time at OMB. Now you understand.

And Bob Hale, of course, we count on to explain things to us and help us implement our various policies. We extend our sincere thanks to all of you for your many years of service and dedication to our Nation. This hearing takes place at a time when we have to make many difficult choices, given the fiscal environment that confronts us.

Mr. Secretary, as you have discussed many times, the Budget Control Act required the Department to identify $487 billion in savings over the coming decade. We recognize that overall the budget declines by nearly $30 billion, including base and overseas contingency operation funding compared to fiscal 2012.

We also recognize that this budget is the result of strategic review and threat assessment. It is not simply an effort to meet targets in the Budget Control Act. To achieve these savings, you have adjusted programs across the board. We understand that this budget builds on $150 billion in operational efficiencies identified over fiscal year 2012 through 2016 and includes another $60 billion over 5 years beginning in 2013.

The budget reduces many modernization programs as well. The procurement budget declines by $5.8 billion, and programs have been stretched out over time, such as the Joint Strike Fighter, selected shipbuilding programs, the Army's ground combat vehicle, and many others. We are aware of measures in the budget to reduce personnel strength. Over the coming 5 years, the budget proposes reducing U.S. Forces by 124,000 personnel, including the active, Guard, and Reserve components.

We look forward to working with you on this and other proposals regarding medical care, which Chairman Young has been a major advocate for, and retirement to help control DOD personnel costs. We clearly need to find ways to reduce these costs in a manner

that keeps the faith with the all-volunteer force, and we need to make sure we preserve the all-volunteer force.

We appreciate that you have developed a 2013 budget in the context of a review of our Nation's military strategy and that this strategy played a major role in guiding funding adjustments. We are particularly interested in the way this budget supports strategic imperatives, such as the increased focus on the Asia-Pacific region, and how it protects key investments in new technology and new capabilities. We also appreciate that these changes take place in the complex threat environment.

While our troops have come home from Iraq, many security challenges remain, including Iran, the Arab Spring, North Korea, China, Russia, and elsewhere. At the same time, we continue to fight in Afghanistan. We understand that the fiscal year 2013 budget assumes continued operations, involving over 117,000 U.S. personnel. We also realize that this budget is being presented without assumptions on sequestration. We are very interested in your views on how sequestration would affect the Defense Department.

Mr. Secretary, General, Mr. Hale, we look forward to your testimony and working with you in the coming year. Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, Mr. Dicks.

We have the chairman of the full committee here with us this morning.

Mr. Chairman, thank you for being here, and we yield to you for opening remarks.

## REMARKS OF CHAIRMAN ROGERS

Mr. ROGERS. Thank you, Mr. Chairman, for the time.

And Leon and General and Mr. Hale, thank you for being here.

My first encounter with Leon Panetta was when he chaired the Budget Committee, and I don't know when that was, 1843 or—somewhere in that decade. But nevertheless, we have learned to like and respect his work, and we are proud that you are here this morning, Mr. Secretary, and General and Mr. Hale.

We are going through an unprecedented shift in world history at the moment. It is an awkward time for the defense of this country. The Cold War is over, and, you know, we like to think that we are prepared, but sometimes we think that with the view that we are fighting the last war, and certainly we are not. The world has drastically changed since the end of the Cold War, a changed landscape in the world: Terrorism, that is now the biggest threat that we militarily face; asymmetric warfare, which demands that we change the way we build our forces and deploy them; a shift in world attention from Europe to Asia and all that that implies; the redeployment of whole segments of our military to an altogether different part of the world with different expectations, different reasons for existence, and the like.

So I don't envy you your decisions that are being made even as we speak, and it is for that reason that on the defense budget this year, we will be taking an unprecedented look at how the world has shifted and how we must shift with it to maintain our leadership in the world, and I am really interested in the costs associated

with some pretty big moves that you are going to be making, particularly in the East of the world.

I am concerned about the cost of that relocation to Guam, for example, huge expenditure. And then you have got all sorts of extra bases that we are going to have to deal with, and I don't envy you that one at all. But we will be there alongside doing what we can to be involved.

But secondly and finally, Mr. Chairman, I want us to focus on the words of some military people that have most recently said that our fiscal crisis here at home is perhaps the biggest threat to our national security. I don't recollect who was the prominent speaker of that. Perhaps it was the Secretary.

Secretary PANETTA. Chairman Mullen.

Mr. ROGERS. Yes, and there is no doubt about it, and that is what we are going to have to wrestle with here with you. This committee has been front and center in trying to address the very real security threat posed by—I am going to call it out-of-control Washington spending, trillion dollar deficits 4 years in a row.

Last year, this committee worked to restore transparency to this process, austerity, tough oversight to the appropriations process. We went back to regular order, thanks in large measure to my working partner, Mr. Dicks. We succeeded in reducing discretionary spending last year by some $98 billion compared to fiscal 2010. That has not happened since World War II.

And while the Department of Defense is not immune to the difficult budget challenges we face, national security, keeping our brave men and women serving in uniform safe and supplied with the equipment they need remains a top, perhaps the top priority. We have to take temperate and responsible steps to reduce spending without negatively impacting the warfighter or military readiness in the future, but I hope you can illuminate us this morning on how a 100,000-man troop reduction will ensure sufficient security to meet future threats, maintain the conventional and nuclear war readiness, address the growing cyber warfare challenges, and uphold our treaty obligations.

So you are sitting in a seat that is shifting with the winds, as we speak, and it is tough sledding, but I can think of no one I would rather have at the helm than the Secretary and the General and Mr. Hale.

Thank you, Mr. Chairman.

Mr. YOUNG. Well, thank you very much, Mr. Chairman.

All the members are anxious to really say something to you and ask you questions, but I think it is proper that we first hear from you, Mr. Secretary, and hear what you want to tell the committee this morning.

## SUMMARY STATEMENT OF SECRETARY PANETTA

Secretary PANETTA. Thank you very much, Mr. Chairman, Norm, members of this committee.

It is always an honor for me to have the opportunity to come back home. The House is my home. And my roots are here. And I have had the honor of serving with many of you in the House and developed close friendships with many of you. And at times, our views have differed, but at the same time, we have always re-

mained good friends, and I appreciate that. That is one of the great things about the People's House, and makes it a great institution.

I would like my statement to be made part of the record, and I will just try to briefly summarize some of the highlights. I am sure you are familiar with the key elements of what we are trying to do in this budget. Let me first begin by thanking you for the support that all of you provide for our servicemembers and for their families. I have said this time and time again. We can look at the weapons systems, we can look at the technology, we can look at all of the fancy things that are being developed, but the most important weapon we have are the men and women who serve in uniform. And they, along with the Department civilian professionals, have done everything that has been asked of them and more. And we have been through a decade of war, and I cannot tell you how thankful I am for the support that you help provide them, and I appreciate your loyalty. I appreciate the great work that you do in providing what is necessary for them to have the support system that is so essential to their doing the job.

Let me talk briefly about the budget. The budget request itself obviously was developed, as you all know, going through a very intensive strategy review that was conducted with our senior military as well as with the civilian leaders of the Department, and we got a lot of advice and guidance, obviously, through the national security team and advice and guidance from the President himself. The total request that we are asking is $614 billion in national defense, and it is made up of a base budget of $525.4 billion and virtually what we would call an OCO budget of $88.5 billion, which supports our troops in combat.

The reasons for the review that we had to go through are pretty clear to all of you. Number one, the United States is at a strategic turning point after a decade of war and after very substantial growth in defense budgets over the last 10 years. Second, with the Nation confronting this national security threat of a very large debt, I think it was the USA Today that said our national debt is now comparable to our GDP, and you know the size of the annual deficits that we are confronting. Congress passed the Budget Control Act of 2011 on a bipartisan basis and, in effect, imposed a law on me and the Department that we reduce the defense budget by $487 billion over the next decade.

At the Department, we decided to step up to the plate. I don't think you can confront the challenges that you are facing with regard to the deficit and not have defense play part of the role. It should not play all of the role, by the way. Not all of it should come out of defense. It should come out of other areas of the budget.

But having said that, we felt it was our responsibility to do our part. So we viewed it as an opportunity. Instead of just complaining about it and calling it a crisis, we decided to view it as an opportunity to try to establish a new strategy for the future. What is the force that we need not just now, but what is the force that we need in 2020 to help protect this country?

The fact is, as I said, we are at a turning point. We have ended the mission in Iraq. We are still in a tough fight in Afghanistan, but 2011 was really kind of a—marked a significant turning point in Afghanistan as well. We made very marked progress with regard

to violence, with regard to transitioning to the Afghan-led army, and giving them responsibility for security, and we are on track to complete the transition that we are engaged in here with NATO, with our ISAF forces, by the end of 2014. We have all made the same commitment. We are in together and out together with regard to Afghanistan, and we all agree as to what that path should be.

Last year, as you know, the NATO effort in Libya, which we participated in, resulted in the fall of Qadhafi, and we have made, as all of you are aware of, some very successful counterterrorism efforts that have significantly weakened Al Qaeda and decimated its leadership, so that they are having a very difficult time exercising command and control and putting together the kind of attack plans we saw on 9/11.

Having said all of that, and what we have achieved, unlike the drawdowns in the past, and many of you, just like myself, have been through those drawdowns in the past, the problem is that we are not in a period where the threats we confront have receded. We are facing, at the same time we have this fiscal problem that we are dealing with, we are still confronting a series of very important security challenges that are out there.

We are still a Nation at war in Afghanistan. We still face threats to our homeland from terrorism. There are still terrorists out there that are intent on trying to attack our homeland. There is a dangerous proliferation of lethal weapons and materials, the behavior of Iran, the behavior of North Korea continue to threaten global stability. We have the continuing turmoil and unrest in the Middle East.

This is an area in which any one of these countries could explode on us, from Syria—which is already in turmoil—to Egypt, to Yemen, and elsewhere. We have rising powers in Asia that keep testing international rules and relationships, and there are growing concerns about cyber attacks, cyber intrusions which could very well be the battle front of the future.

So our challenge is, how do we meet all these threats, protect our Nation, protect our people, and at the same time meet our responsibility to fiscal discipline? This is not an easy task. It is a tough challenge. But it is what faced us at the Department, and it is what faces all of you as your responsibility in the Congress.

But to do this, what we decided to do, in looking at the strategy, we developed five very important elements that we thought were important for the strategy and for the force of the future. Number one, we are going to be dealing with a smaller force; that is just a fact. It is going to be smaller. It is going to be leaner. But we felt that it had to be agile. It had to be flexible. It had to be quickly deployable, and it had to be technologically advanced. That was kind of one key premise.

Secondly, looking at the world that we are dealing with, we wanted to rebalance our global posture so that we would emphasize the Asia-Pacific and the Middle East because these are the two areas where obviously we confront some of our greatest threats.

Third, for the rest of the world, we did not want to walk away from our responsibilities there, so what we thought made sense is to develop innovative partnerships, strengthen key alliances, de-

velop kind of an innovative rotational presence that we could use from Europe to Latin America to Africa.

Fourth, we wanted to ensure that we always have the capability to confront and defeat aggression from any adversary any time anywhere. This budget, the cuts we are making cannot be an excuse for us not to confront any adversary. We have got to be able to say to the American people, we can confront and defeat any adversary at any time.

And, fifth, we have to make sure that even as we make cuts we invest, and so we prioritized key investments in technology and new capabilities.

We wanted to implement this strategy without making the mistakes of the past, so the key was, let's keep the strongest military in the world; let's not hollow out the force, which has always been the danger in the past. We cannot—you cannot maintain, you know, a bigger force structure and then cut training and equipment and all of the things that that force needs. That is the definition of hollowing out the force. So we do not want to make that mistake.

The other thing we want to do is look at all of the budget, put everything on the table, to look at all areas that we have to deal with if we are going to face this issue.

And last, of course, we did not want to break faith with the troops and with their families. So that is the way we approached this budget, and what we put together, we think, is a balanced and complete package, but it meant we had to look at savings from all of the key areas within our budget: Number one, efficiencies, this is an area that we have to keep going back to; two, force structure; three, procurement reform and adjustments; and, lastly, compensation. Compensation is an area of our budget that has grown by 90 percent. If we do not pay attention to that, those costs could eat up our ability to deal with some of the other areas that we have to confront. So all of those areas were looked at.

On efficiencies, if we have to tighten up our force, we have got to tighten up the operations to the Department. So on top of the $150 billion in efficiencies that were proposed in the fiscal year 2012 budget, we have added another $60 billion. We are going to streamline support functions, we are going to consolidate IT enterprises, we are going to rephase military construction programs, we are going to consolidate inventory, and we are going to reduce service support contractors.

The other piece of this, which I know is controversial, is we have a responsibility to look at cost-efficient support for the troops that we are going to have. If we are going to draw down the troops, you have got to look at infrastructure. You cannot avoid taking that on. And that is the reason that the President will ask Congress to authorize the base realignment and closure process for 2013 and 2015. And as I have said in my testimony and all of you know, I have been through the BRAC process, and it is hell. I went through it in my district. One of the biggest posts in the country, Fort Ord, was closed by the BRAC process, so I know what that means. I know how tough that is and the impact it can have on constituencies and the impact it can have on your communities.

But, nevertheless, I do not know of another effective way to do that. If you can come up with one, please let me know. But it is,

in effect, the only effective way to kind of look at this process and be able to adjust the infrastructure that we have.

And the last point is, I owe you better financial information, and that is the reason I am telling the Department we have to prioritize audit readiness. We have to accelerate key timelines with regards to auditability. As a former OMB director, as a former chairman of the House Budget Committee, I can't face the American people and tell them I am spending this kind of money without saying to them, I can audit what we do. And so for that reason, I have asked Bob Hale and the Department to speed up the process. I think the mandate was we should do this by 2017. My orders to them is we can get this done by 2014. And that is the track we are on.

But efficiencies, as I said, are not enough. So that is the reason we have to look at force structure. We have to look at these other areas of the budget. But we wanted to tie it to our strategy. As I said, we wanted to have an agile and effective force, but that means we still have to have an adaptable and battle-tested Army. We have got to have a land force that can be able to confront any enemy on land and defeat them. At the same time, the Army has got to learn to be innovative and develop a rotational capability, and that is what they are going to do.

The Navy is obviously agile. They represent our forward presence. They can penetrate enemy defenses. You know, with regards to the Pacific, obviously, they are our key to being able to project force structure.

The Marine Corps, always a great middle weight expeditionary force, amphibious capabilities. We need to have that. That is another agile element of the force.

The Air Force dominates air and space. We want to make sure that they do, that they have rapid mobility, global strike and persistent ISR.

And we have got to maintain a strong National Guard and Reserve in the event that we have to mobilize and be able to put a strong force in the field.

So you know what that means on the other side of the ledger. We are going to be reducing the Army and the Marine Corps. We are going to be cutting back on the Air Force's air forward fleet, trying to get rid of aging planes that we think we can do without but at the same time maintain a fleet that will give us the capacity to move if we have to.

And the Navy does the same thing. We are going to maintain a 285-ship Navy, we are going to maintain the aircraft fleet, our air carrier fleet, but at the same time, there are some ships, some old Navy cruisers that we think, you know, we can remove that, frankly, aren't worth the cost of upgrading.

The second area, which is this moving to project our forces in the Middle East and the Asia Pacific, that means we have got to maintain our current bomber fleet. We have got to maintain the aircraft carrier fleet, as I said, 11 ships, 10 air wings. We have got to maintain big deck amphibious fleet, and we have got to maintain a strong Army and Marine Corps presence in both the Pacific as well as the Middle East.

The third area is the strategy that we have for the areas beyond the Asia Pacific and Middle East area, and that means we have got to build a strong relationship with NATO. We have got to build a strong relationship with the ASEAN nations. We have got to be able to deploy these rotational presence units similar to what Special Forces does all the time. Go in, exercise, do training, do advice with other countries, and develop that kind of presence whether, as I said, it is Europe or Africa or Latin America, and I think there is some really innovative stuff that they are working on in order to maintain that presence.

The fourth area is that we also have to make sure that we have the capability, as I said, to defeat more than one enemy at a time. Now, we are in the 21st century. They are going to come at us using 21st century technology, and we have got to be able to respond with 21st century technology. So that means we have to invest in space. We have to invest in cyberspace. We have to invest in long-range precision strike capabilities. We have to invest in Special Operations Forces to ensure that we can confront any enemy with the agility that we need in order to be able to do that.

I have said, you know, the one possibility that we always talk about is if we are confronting a land war in Korea and suddenly the Straits of Hormuz close, what do we do to be able to confront that? We have to have the Naval and air power that can move quickly and confront that other threat as well. So that is another one that we think is important.

By the way, the force we are going to have is still a significant force, even with the reductions that we are talking about. We are going to have an Army of more than 2 million active and Reserve soldiers, 18 divisions, 65 combat brigade teams; a Naval combat force of 285 ships; as I mentioned, a Marine Corps with 31 infantry battalions, 10 artillery battalions, and 20 tactical air squadrons; and an Air Force that has 54 combat coded fighter squadrons along with that fleet of airlifters, 275 airlifters and 318 C-130s, so we are going to have a pretty significant force that will be able to engage any enemy.

The last point I would make is we have got to invest in these new technologies. We have got to invest in science and tech, in basic research. We have got to invest in Special Operations Forces, unmanned air systems, and in cyber activities.

The last point I would like to make is that we have got to also make sure we have got a strong Reserve and a strong National Guard that can respond if we have to mobilize quickly, and that also means I have got to protect a strong and flexible industrial base.

The very last point I want to make is with regards to our most important feature, which is our people. And what we try to do is to maintain the basic benefit structure, the basic health care benefits, the basic assistance we provide to wounded warriors. We do not make any cuts in those programs. Indeed, we try to not only sustain them but add investments to ensure that we are prepared to support these troops and their families as they return.

But at the same time, in order to build the force that I need, I have got to look at the growth in this area, the growth in military pay and benefits so that we do this on a sustainable basis, and that

is the reason, with the support of the Chiefs, that we looked at this area and said, we have got to do this.

Otherwise, it is going to come out of force structures. It is going to come out of training. It is going to come out of the very things that we need to provide for our troops, and so we have got to try to control this growth in costs. So that is why we looked at, you know, not cutting military pay. We are going to provide pay raises these next 2 years, but try and limit those pay raises in the out years. We have looked at TRICARE costs, obviously, for health care, and we have looked at a retirement commission with the proviso that we grandfather those that are serving so that they do not lose any retirement benefits. We think that is important to maintaining our faith with them.

So that is the package. This has not been easy. It is tough. I really want to urge you, and I have a lot of trust in this committee, that you will look at every element that we have provided you. I think you will have the service chiefs. You have got all of our people available to you to explain the different proposals that we have here. We need your support. We need your partnership to try to implement a vision for the future. This isn't just about cutting. It has got to be about the kind of force we need for the future to confront the threats that I talked about.

I know this is going to be tough. I mean, the cuts here impact on all of the States, all 50 States, and I know that it is going to have an impact on people, but what the Congress mandated on a bipartisan basis is that we reduce the defense budget by almost half a trillion dollars, and I need your partnership to be able to do this right and to be able to preserve the strongest military in the world. In many ways this is going to be a test. Everybody talks about deficit reduction, everybody talks about cutting costs. This is a test of whether or not we can do it right or whether we are going to walk away from that responsibility.

Let me be clear, you cannot take a half a trillion dollars out of the defense budget and not increase the risks. I cannot do that. And I am not going to kid you, that there are risks that are increased. When you have a smaller force, you cannot deploy them as quickly. When you have a smaller force, the issue is going to be can we mobilize quickly and be able to respond to crises that are there? When you have a smaller force, you know you have got to rely on technology. Can we develop the technology we need? When you have a smaller force, you have got troops coming back. Can we support them and make sure they have the jobs, the education, and the business opportunities so that they do not become part of the unemployment rolls? This is a very tight margin of error here. We think they are acceptable risks. We think we can deal with those risks.

But this is a very small margin, and let me tell you something, if sequester goes into effect, you can throw all of this out the window. Sequester doubles the numbers of cuts, does it through that crazy formula, and guarantees that we are going to hollow the force and devastate our national security. So I really urge you to try to confront that issue and try to do everything you can. We will work with you to try to do everything we can to detrigger sequester because that would truly be a disaster.

So, with that, Mr. Chairman and members, I look forward to working with you. This is a responsibility we all have. It is not just my responsibility. It is yours as well. I think we can do this. I think we can do this in an effective way, but we are going to have to roll up our sleeves and make some very tough decisions that I think is what people elect us to do. It is what they elected you to do. When I was in the House, people expect you to exercise tough leadership and make tough choices. This committee has done that, and that is why I am confident that you will do that in the future.

[The biography and statement of Secretary Panetta follows:]

## Leon E. Panetta

## Secretary of Defense

Leon Edward Panetta was sworn in as the 23rd secretary of defense on July 1, 2011.

Before joining the Department of Defense, Mr. Panetta served as the director of the Central Intelligence Agency from February 2009 to June 2011. Mr. Panetta led the agency and managed human intelligence and open source collection programs on behalf of the intelligence community.

Secretary Panetta has dedicated much of his life to public service. Before joining CIA, he spent 10 years co-directing with his wife, Sylvia, the Leon & Sylvia Panetta Institute for Public Policy, based at California State University, Monterey Bay. The Institute is a nonpartisan, not-for-profit center that seeks to instill in young men and women the virtues and values of public service. In March 2006, he was chosen as a member of the Iraq Study Group, a bipartisan committee established at the urging of Congress to conduct an independent assessment of the war in Iraq.

From July 1994 to January 1997, Mr. Panetta served as chief of staff to President Bill Clinton. Prior to that, he was director of the Office of Management and Budget, a position that built on his years of work on the House Budget Committee. Mr. Panetta represented California's 16th (now 17th) Congressional District from 1977 to 1993, rising to House Budget Committee chairman during his final four years in Congress.

Early in his career, Mr. Panetta served as a legislative assistant to Sen. Thomas H. Kuchel of California; special assistant to the Secretary of Health, Education and Welfare; director of the U.S. Office for Civil Rights; and executive assistant to Mayor John Lindsay of New York. He also spent five years in private law practice.

He served as an Army intelligence officer from 1964 to 1966 and received the Army Commendation Medal.

Mr. Panetta holds a Bachelor of Arts degree in political science and a law degree, both from Santa Clara University. He was born on June 28, 1938 in Monterey, where his Italian immigrant parents operated a restaurant. Later, they purchased a farm in Carmel Valley, a place Secretary and Mrs. Panetta continue to call home. The Panettas have three grown sons and six grandchildren.

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**SECRETARY OF DEFENSE LEON E. PANETTA**
**DEFENSE BUDGET REQUEST – WRITTEN SUBMITTED STATEMENT**
**HOUSE APPROPRIATIONS COMMITTEE – DEFENSE**
**THURSDAY, FEBRUARY 16, 2012**

Mr. Chairman, members of the committee. I appreciate the opportunity to appear before you to discuss the President's budget request for Fiscal Year 2013 (FY13).

Let me begin by first thanking you for your support for our service members and our military families. These brave men and women, along with the Department's civilian professionals who support them, have done everything asked of them and more during more than a decade of war.

**Defense Strategy Review**

The FY13 budget request for the Department of Defense was the product of an intensive strategy review conducted by the senior military and civilian leaders of the Department with the advice and guidance of President Obama. The total request represents a $614 billion investment in national defense – including a $525.4 billion request for the Department's base budget, and $88.5 billion in spending to support our troops in combat.

The reasons for this review are clear: first, the United States is at a strategic turning point after a decade of war and substantial growth in defense budgets. Second, with the nation confronting very large debt and deficits, Congress passed the Budget Control Act of 2011, imposing limits that led to a reduction in the defense budget of $487 billion over the next decade.

Deficit reduction is a critical national security priority in and of itself. We at the Department decided that this crisis presented us with the opportunity to establish a new strategy for the force of the future, and that strategy has guided us in making the budget choices contained in the President's budget. We are at an important turning point that would have required us to make a strategic shift under any circumstances. The U.S. military's mission in Iraq has ended. We still have a tough fight on our hands in Afghanistan, but over the past year we have begun a transition to Afghan-led responsibility for security– and we are on track to complete that transition by the end of 2014, in accordance with our Lisbon commitments. Last year, the NATO effort in Libya also concluded with the fall of Qadhafi. And successful counterterrorism efforts have significantly weakened al-Qaeda and decimated its leadership.

But despite what we have been able to achieve, unlike past drawdowns when threats have receded, the United States still faces a complex array of security challenges across the globe: We are still a nation at war in Afghanistan; we still face threats from terrorism; there is dangerous proliferation of lethal weapons and materials; the behavior of Iran and North Korea threaten global stability; there is continuing turmoil and unrest in the Middle East; rising powers in Asia are testing international relationships; and there are growing concerns about cyber intrusions and attacks. Our challenge is to meet these threats and at the same time, meet our responsibility to fiscal discipline. This is not an easy task.

To build the force we need for the future, we developed new strategic guidance that consists of these five key elements:

- First, the military will be smaller and leaner, but it will be agile, flexible, ready and technologically advanced.
- Second, we will rebalance our global posture and presence to emphasize Asia-Pacific and the Middle East.
- Third, we will build innovative partnerships and strengthen key alliances and partnerships elsewhere in the world.
- Fourth, we will ensure that we can quickly confront and defeat aggression from any adversary – anytime, anywhere.
- Fifth, we will protect and prioritize key investments in technology and new capabilities, as well as our capacity to grow, adapt and mobilize as needed.

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**Strategy to FY13 Budget**

We developed this new strategic guidance before any final budget decisions were made to ensure that the budget choices reflected the new defense strategy.

While shaping this strategy, we did not want to repeat the mistakes of the past. Our goals were: to maintain the strongest military in the world, to not "hollow out" the force, to take a balanced approach to budget cuts, to put everything on the table, and to not break faith with troops and their families. Throughout the review we made sure this was an inclusive process, and General Dempsey and I worked closely with the leadership of the Services and Combatant Commanders, and consulted regularly with members of Congress.

As a result of these efforts, the Department is strongly united behind the recommendations we are presenting today. Consistent with Title I of the Budget Control Act, this budget reflects $259 billion in savings over the next five years and $487 billion over the next ten years compared to the budget plan submitted to Congress last year. Under the five year budget plan, the base budget will rise from $525 billion in FY13 to $567 billion in FY17. When reduced war-related funding requirements are included, we expect total U.S. defense spending to drop by more than 20 percent over the next few years from its peak in 2010, after accounting for inflation.

This is a balanced and complete package that follows the key elements of the strategy and adheres to the guidelines we established. The savings come from three broad areas:

- First, efficiencies – we redoubled efforts to make more disciplined use of taxpayer dollars, yielding about one quarter of the target savings;
- Second, force structure and procurement adjustments – we made strategy-driven changes in force structure and procurement programs, achieving roughly half of the savings;
- Finally, compensation – we made modest but important adjustments in personnel costs to achieve some necessary cost savings in this area, which represents one third of the budget but accounted for a little more than 10 percent of the total reduction.

Changes in economic assumptions and other shifts account for the remainder of the $259 billion in savings. Let me walk through these three areas, beginning with our efforts to discipline our use of defense dollars.

**More Disciplined Use of Defense Dollars**

If we are to tighten up the force, I felt we have to begin by tightening up the operations of the Department. This budget continues efforts to reduce excess overhead, eliminate waste, and improve business practices across the department. The more savings realized in this area, the less spending reductions required for modernization programs, force structure, and military compensation.

As you know, the FY12 budget proposed more than $150 billion in efficiencies between FY 2012 and FY 2016, and we continue to implement those changes. This budget identifies about $60 billion in additional savings over five years. Across the military services, new efficiency efforts over the next five years include:

- The Army proposes to save $18.6 billion through measures such as streamlining support functions, consolidating IT enterprise services, and rephasing military construction projects;
- The Navy proposes to save $5.7 billion by implementing strategic sourcing of commodities and services, consolidating inventory, and other measures;
- The Air Force proposes to save $6.6 billion by reducing service support contractors and rephasing military construction projects;

Other proposed DoD-wide efficiency savings over the next five years total $30.1 billion, including reductions in expenses in the Office of the Secretary of Defense and the Defense Agencies.

Additionally, we are continuing the initiative to improve the Department's buying power by seeking greater efficiency and productivity in the acquisition of goods and services. We are

strengthening acquisition support to the warfighter, executing acquisitions more efficiently, preserving the industrial base, and strengthening the acquisition workforce. This budget assumes that these policies produce savings of $5.3 billion over the next five years.

In terms of military infrastructure, we will need to ensure that our current basing and infrastructure requirements do not divert resources from badly needed capabilities.

As we reduce force structure, we have a responsibility to provide the most cost efficient support for the force. For that reason, the President will request that Congress authorize the Base Realignment and Closure process for 2013 and 2015. As someone who went through BRAC, I realize how controversial this process can be for members and constituencies. And yet, it is the only effective way to achieve infrastructure savings.

Achieving audit readiness is another key initiative that will help the Department achieve greater discipline in its use of defense dollars. The Department needs auditable financial statements to comply with the law, to strengthen its own internal processes, and to reassure the public that it continues to be a good steward of federal funds. In October 2011, I directed the Department to emphasize this initiative and accelerate efforts to achieve fully auditable financial statements. Among other specific goals, I directed the Department achieve audit readiness of the Statement of Budgetary Resources for general funds by the end of calendar year 2014, and to meet the legal requirements to achieve full audit readiness for all Defense Department financial statements by 2017. We are also implementing a course-based certification program for defense financial managers in order to improve training in audit readiness and other areas, with pilot programs beginning this year. We now have a plan in place to meet these deadlines, including specific goals, financial resources, and a governance structure.

These are all critically important efforts to ensure the Department operates in the most efficient manner possible. Together, these initiatives will help ensure the Department can preserve funding for the force structure and modernization needed to support the missions of our force.

**Strategy-driven Changes in Force Structure and Programs**

It is obvious that we cannot achieve the overall savings targets through efficiencies alone. Budget reductions of this magnitude require significant adjustments to force structure and investments, but the choices we made reflected five key elements of the defense strategic guidance and vision for the military.

1. *Build a force that is smaller and leaner, but agile, flexible, ready and technologically advanced*

We knew that coming out of the wars, the military would be smaller. Our approach to accommodating these reductions, however, has been to take this as an opportunity – as tough as it is – to fashion the agile and flexible military we need for the future. That highly networked and capable joint force consists of:

- an adaptable and battle-tested Army that is our nation's force for decisive action, capable of defeating any adversary on land;
- a Navy that maintains forward presence and is able to penetrate enemy defenses;
- a Marine Corps that is a "middleweight" expeditionary force with reinvigorated amphibious capabilities
- an Air Force that dominates air and space and provides rapid mobility, global strike and persistent ISR, and;
- National Guard and Reserve components that continue to be ready and prepared for operations when needed.

To ensure an agile force, we made a conscious choice not to maintain more force structure than we could afford to properly train and equip. We are implementing force structure reductions consistent with the new strategic guidance for a total savings of about $50 billion over the next five years.

These adjustments include:

- Gradually resizing the active Army to 490,000, eliminating a minimum of eight BCTs and developing a plan to update the Army's brigade structure;
- Gradually resizing the active Marine Corps to about 182,100, eliminating six combat battalions and four Tactical Air squadrons;
- Reducing and streamlining the Air Force's airlift fleet by retiring all 27 C-5As, 65 of the oldest C-130s and divesting all 38 C-27s. After retirements, the Air Force will maintain a fleet of 275 strategic airlifters, and 318 C-130s – a number that we have determined is sufficient to meet the airlift requirements of the new strategy, including the Air Force's commitment for direct support of the Army;
- Eliminating seven Air Force Tactical Air squadrons – including five A-10 squadrons, one F-16 squadron, and one F-15 training squadron. The Air Force will retain 54 combat-coded fighter squadrons, maintaining the capabilities and capacity needed to meet the new strategic guidance;
- Retiring seven lower priority Navy cruisers that have not been upgraded with ballistic missile defense capability or that would require significant repairs, as well as retiring two dock landing ships.

The strategy review recognized that a smaller, ready and agile force is preferable to a larger force that is poorly trained and ill-equipped. Therefore, we put a premium on retaining those capabilities that provide the most flexibility across a range of missions. We also emphasized readiness. For fiscal 2013, the Department is requesting $209 billion in the base budget for Operation and Maintenance, the budget category that funds training and equipment maintenance among other aspects of operations. That represents an increase of six percent compared to the enacted level in 2012, even though the overall base budget will decline by one percent. Striking the right balance between force structure and readiness is critical to our efforts to avoid a hollow force, and we will continue to focus on this area to ensure that we make the right choices.

2. *Rebalance global posture and presence to emphasize Asia-Pacific and the Middle East*

The strategic guidance made clear that we must protect capabilities needed to project power in Asia-Pacific and the Middle East. To this end, this budget:

- Maintains the current bomber fleet;
- Maintains the aircraft carrier fleet at a long-term level of 11 ships and 10 air wings;
- Maintains the big-deck amphibious fleet;
- Restores Army and Marine Corps force structure in the Pacific after the drawdown from Iraq and as we drawdown in Afghanistan, while maintaining persistent presence in the Middle East;

The budget also makes selected new investments to ensure we develop new capabilities needed to maintain our military's continued freedom of action in face of new challenges that could restrict our ability to project power in key territories and domains. Across the Services, this budget plan requests $1.8 billion for FY13, and a total of $3.9 billion over the next five years, for enhancements to radars, sensors, and electronic warfare capabilities needed to operate in these environments.

Other key power projection investments in FY13 include:

- $300 million to fund the next generation Air Force bomber (and a total of $6.3 billion over the next five years);
- $1.8 billion to develop the new Air Force tanker;
- $18.2 billion for the procurement of 10 new warships and associated equipment, including two Virginia-class submarines, two Aegis-class destroyers, four Littoral Combat Ships, one Joint High Speed Vessel, and one CVN-21-class aircraft carrier. We are also requesting $100 million to develop the capability to increase cruise missile capacity of future Virginia-class submarines;

- $2.2 billion in FY13 for the procurement of an additional 26 F/A-18E/F Super Hornet aircraft;
- $1.0 billion in FY13 for the procurement of 12 EA-18G Growler aircraft, the Navy's new electronic warfare platform that replaces the EA-6B.
- $38 million for design efforts to construct an Afloat Forward Staging Base planned for procurement in FY14. This base can provide mission support in areas where ground-based access is not available, such as counter-mine operations, Special Operations, and ISR.

3. *Build innovative partnerships and strengthen key alliances and partnerships*

The strategy makes clear that even though Asia-Pacific and the Middle East represent the areas of growing strategic priority, the United States will work to strengthen its key alliances, to build partnerships and to develop innovative ways to sustain U.S. presence elsewhere in the world.

To that end, this budget makes key investments in NATO and other partnership programs, including:

- $200 million in FY13 and nearly $900 million over the next five years in the NATO Alliance Ground Surveillance system. This system will enable the Alliance to perform persistent surveillance over wide areas in any weather or light condition.
- $9.7 billion in FY13, and $47.4 billion over the next five years, to develop and deploy missile defense capabilities that protect the U.S. homeland and strengthen regional missile defenses. The request includes the Phased Adaptive Approach that is being deployed first in Europe and is designed to protect NATO allies and forces from ballistic missile threats.
- $800 million for the Combatant Commanders exercise and engagement program. Jointly with the State Department, we will also begin using the new Global Security Contingency fund that was established at our request in the FY12 legislation.

The new strategy also envisions a series of organizational changes that will boost efforts to partner with other militaries. These include:

- Allocating a U.S.-based brigade to the NATO Response Force and rotating U.S.-based units to Europe for training and exercises;
- Aligning an Army BCT with each regional Combatant Command to foster regional expertise;
- Increasing opportunities for Special Operations Forces to advise and assist partners in other regions, using additional capacity available due to the gradual drawdown from the post-9/11 wars.

4. *Ensure that we can confront and defeat aggression from any adversary – anytime, anywhere*

The strategic guidance reaffirmed that the United States must have the capability to fight more than one conflict at the same time. Still, the strategic guidance recognizes that how we defeat the enemy may well vary across conflicts.

This budget invests in space, cyberspace, long range precision-strike and the continued growth of special operations forces to ensure that we can still confront and defeat multiple adversaries even with the force structure reductions outlined earlier. It also sustains the nuclear triad of bombers, missiles and submarines to ensure we continue to have a safe, reliable and effective nuclear deterrent.

Even with some adjustments to force structure, this budget sustains a military that is the strongest in the world, capable of quickly and decisively confronting aggression wherever and whenever necessary. After planned reductions, the FY17 joint force will consist of:

- An Army of more than one million active and reserve soldiers that remains flexible, agile, ready and lethal across the spectrum of conflict, with 18 Divisions,

approximately 65 Brigade Combat Teams, 21 Combat Aviation Brigades and associated enablers.

- A Naval battle force of 285 ships – the same size force that we have today –that will remain the most powerful and flexible naval force on earth, able to prevail in any combat situation, including the most stressing anti-access environments. Our maritime forces will include 11 carriers, 9 large deck amphibious ships (although we should build to 10 such ships in FY18), 82 guided missile cruisers and destroyers, and 50 nuclear powered attack submarines.
- A Marine Corps that remains the nation's expeditionary force in readiness, forward deployed and engaged, with 31 infantry battalions, 10 artillery battalions and 20 tactical air squadrons.
- An Air Force that will continue to ensure air dominance with 54 combat coded fighter squadrons and the current bomber fleet, with the Joint Strike Fighter in production and the next generation bomber in development. Our Air Force will also maintain a fleet of 275 strategic airlifters, 318 C-130s and a new aerial refueling tanker.

5. *Protect and prioritize key investments, and the capacity to grow, adapt and mobilize*

The force we are building will retain a decisive technological edge, leverage the lessons of recent conflicts and stay ahead of the most lethal and disruptive threats of the future.

To that end, the FY13 budget:

- Provides $11.9 billion for science and technology to preserve our ability to leap ahead, including $2.1 billion for basic research.
- Provides $10.4 billion (base and OCO) to sustain the continued growth in Special Operations Forces;
- Provides $3.8 billion for Unmanned Air Systems by funding trained personnel, infrastructure, and platforms to sustain 65 USAF MQ-1/9 combat air patrols with a surge capacity of 85 by FY16. We slowed the buy of the Reaper aircraft to allow us time to develop the personnel and training infrastructure necessary to make full use of these important aircraft. We also protected funding for the Army's unmanned air system Gray Eagle;
- Invests $3.4 billion in cyber activities, with several initiatives receiving increased funding relative to last year. The scale of cyber threats is increasing and we need to be prepared to defeat these threats, mitigate the potential damage, and provide the President with options to respond, if necessary. We are investing in full spectrum cyber operations capabilities to address the threats we see today and in the future. The Department is also pleased to see progress being made in Congress regarding cyber legislation and is supportive of the bipartisan legislation being introduced by Senators Lieberman, Collins and Rockefeller;
- Provides $1.5 billion to fund the Department's Chemical and Biological Defense program.

At the same time, the strategic guidance recognizes the need to prioritize and distinguish urgent modernization needs from those that can be delayed – particularly in light of schedule and cost problems. Therefore this budget identifies about $75 billion in savings over the FYDP resulting from canceled or restructured programs. Key modifications and associated savings over the FYDP include:

- $15.1 billion in savings from restructuring the Joint Strike Fighter by delaying aircraft purchases to allow more time for development and testing;
- $1.3 billion in savings from delaying development of the Army's Ground Combat Vehicle due to contracting difficulties;
- $2.2 billion in savings from curtailing the Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System (JLENS) due to concerns about program cost and operational mobility;

- $4.3 billion in savings from delaying the next generation of ballistic missile submarines by two years for affordability and management reasons;
- $0.8 billion in savings from delaying selected Army aviation helicopter modernization for three to five years.

We will also terminate selected programs, including:

- The Block 30 version of Global Hawk, which has grown in cost to the point where it is no longer cost effective, resulting in savings of $2.5 billion;
- Upgrades to High Mobility Multipurpose Wheeled Vehicles (HMMWVs); we will focus our modernization resources on the Joint Light Tactical Vehicle, resulting in savings of $900 million; and
- The weather satellite program, because we can depend on existing satellites, resulting in savings of $2.3 billion;

We have also invested in a balanced portfolio of capabilities that will enable our force to remain agile, flexible and technologically advanced enough to meet any threat. We will ensure that we can mobilize, surge, and adapt our force to meet the requirements of an uncertain future. To that end, ground forces will retain the key enablers and know-how to conduct long-term stability operations, and the Army will retain more mid-grade officers and NCOs. These steps will ensure we have the structure and experienced leaders necessary should we need to re-grow the force quickly.

Another key element is to maintain a capable and ready National Guard and Reserve. The Reserve Component has demonstrated its readiness and importance over the past ten years of war, and we must ensure that it remains available, trained, and equipped to serve in an operational capacity when necessary. We will maintain key combat support capabilities and ensure that combat service support capabilities like civil affairs are maintained at a high readiness level. We will also leverage the operational experience and institute a progressive readiness model in the National Guard and Reserves in order to sustain increased readiness prior to mobilization.

In keeping with the emphasis on a highly capable reserve, this budget makes only relatively modest reductions in the ground-force reserve components. Over the next five years, the Army Reserve will be sustained at 205,000 personnel, the Army National Guard will marginally decrease from 358,200 to 353,200 personnel, and the Marine Corps Reserve will sustain an end-strength level of 39,600 personnel. The Navy Reserve will decrease from 66,200 to 57,100 personnel over the next five years. Over the same span, the Air Force Reserve will decrease from 71,400 to 69,500 personnel, and the Air National Guard will decrease from 106,700 to 101,200 personnel.

Another key part of preserving our ability to quickly adapt and mobilize is a strong and flexible industrial base. This budget recognizes that industry is our partner in the defense acquisition enterprise. A healthy industrial base means a profitable industrial base, but it also means a lean, efficient base that provides good value for the taxpayers' defense investments and increases in productivity over time.

**Ensuring Quality of the All-Volunteer Force**

Now to the most fundamental element of our strategy and our decision-making process: our people. This budget recognizes that they, far more than any weapons system or technology, are the great strength of our United States military. All told, the FY13 budget requests $135.1 billion for the pay and allowances of military personnel and $8.5 billion for family support programs vital to the well-being of service members and their families.

One of the guiding principles in our decision making process was that we must keep faith with our troops and their families. For that reason, we were determined to protect family assistance programs, and we were able to sustain these important investments in this budget and continue efforts to make programs more responsive to the needs of troops and their families. Yet in order to build the force needed to defend the country under existing budget constraints, the growth in costs of military pay and benefits must be put on a sustainable course. This is an area

of the budget that has grown by nearly 90 percent since 2001, or about 30 percent above inflation – while end strength has only grown by three percent.

This budget contains a roadmap to address the costs of military pay, health care, and retirement in ways that are fair, transparent, and consistent with our fundamental commitments to our people.

On military pay, there are no pay cuts. We have created sufficient room to allow for full pay raises in 2013 and 2014 that keep pace with increases in the private sector. That means for 2013, we propose a pay increase of 1.7 percent for service members. However, we will provide more limited pay raises beginning in 2015 – giving troops and their families fair notice and lead time before changes take effect. Let me be clear: nobody's pay is cut in this budget nor will anyone's pay be cut in the future years of this proposal.

This budget devotes $48.7 billion to health care costs – an amount that has more than doubled over the last decade. In order to continue to control the growth of these costs, we are recommending increases in health care fees, co-pays and deductibles to be phased in over four to five years. None of the fee proposals in the budget would apply to active duty service members, survivors of service members who died on active duty, or retirees who retired due to disability. Most of the changes will not affect the families of active-duty service members – there will be no increases in health care fees or deductibles for families of active duty service members. Those most affected will be retirees – with the greatest impact on working-age retirees under the age of 65 still likely to be employed in the civilian sector. Even with these changes, the costs borne by retirees will remain below levels in most comparable private sector plans – as they should be.

Proposed changes include:

- Further increasing enrollment fees for retirees under age 65 in the TRICARE Prime program, using a tiered approach based on retired pay that requires senior-grade retirees with higher retired pay to pay more and junior-grade retirees less;
- Establishing a new enrollment fee for the TRICARE Standard/Extra programs and increasing deductibles;
- Establishing a new enrollment fee for the TRICARE-for-Life program for retirees 65 and older, also using a tiered approach;
- Implementing additional increases in pharmacy co-pays in a manner that increases incentives for use of mail order and generic medicine;
- Indexing fees, deductibles, pharmacy co-pays, and catastrophic caps to reflect the growth in national health care costs.

We also feel that the fair way to address military retirement costs is to ask Congress to establish a commission with authority to conduct a comprehensive review of military retirement. But the President and the Department believe that the retirement benefits of those who currently serve should be protected by grandfathering their benefits. For those who serve today I will request there be no changes in retirement benefits.

**Fully Supporting Deployed Warfighters**

The costs of Overseas Contingency Operations (OCO) are funded separately from the base budget in a stand-alone FY13 request of $88.5 billion. That funding level represents a decrease of $26.6 billion from the FY12 enacted level.

This year's OCO request, which ensures that deployed troops have all the financial resources they need to conduct their challenging missions, primarily supports operations in Afghanistan but also requests relatively small sums for the Office of Security Cooperation in Iraq (OSC-I) and the repair or replacement of equipment redeploying from Iraq.

Our FY13 OCO request includes funding for added personnel pay and subsistence for deployed forces; communications; mobilizing Reserve Component units; transportation; supplies; deployment and redeployment of all combat and support forces; force sustainment; and sustainment and replenishment of war reserve stocks.

For FY13 we request $5.7 billion in funding for the Afghan National Security forces (ANSF). It is critically important that we maintain sufficient financial support to ANSF so that they can ultimately assume full security responsibility across Afghanistan.

Much tough fighting lies ahead in Afghanistan, but the gradually improving situation permits the remainder of the U.S. surge force to redeploy by the end of September 2012, leaving 68,000 U.S. troops in Afghanistan at that time. The FY13 OCO request assumes a continued level of about 68,000 troops in Afghanistan. While future changes in troop levels may be implemented during FY13, those decisions will be based on advice from field commanders about conditions on the ground.

In Iraq, OCO funding supports continued security assistance and cooperation with Iraqi Security Forces through the OSC-I in the areas of common interest, including counterterrorism, counter-proliferation, maritime security, and air defense. This funding is critical for the U.S. to strengthen its long-term partnership with Iraq. Additionally, to ensure that U.S. forces redeployed from Iraq are ready and equipped for future operations, this funding replenishes equipment and stocks for these forces.

**A Balanced Package**

Members of the committee: putting together this balanced package has been a difficult undertaking and, at the same time, an important opportunity to shape the force we need for the future. I believe we have developed a complete package, aligned to achieve our strategic aims. We have achieved buy-in from the Service Secretaries, the Service Chiefs, Combatant Commanders, and the senior enlisted leaders of the Department.

Our strategy review preceded and guided the budgeting process. This strategy-first approach enabled the Department to balance strategic priorities, place individual budget decisions within a broader strategic context, and ultimately, to guide us in making some tough choices.

As a result, the FY13 request is a carefully balanced package that keeps America safe and sustains U.S. leadership abroad. As you take a look at the individual parts of this plan, I encourage you to do what the Department has done: to bear in mind the strategic trade-offs inherent in any particular budget decision, and the need to balance competing strategic objectives in a resource-constrained environment.

Each decision needs to be judged on the basis of the overall strategy that it supports, recognizing that unwinding any one piece puts our whole package in jeopardy. The bottom line is that I believe there is little room for modification to preserve the force and capabilities we believe are needed to protect the country and fulfill assigned missions.

Ultimately that means we will need your support and partnership to implement this vision of the future military. I understand how tough these issues can be, and that this is the beginning and not the end of this process. Make no mistake: the savings we are proposing will impact all 50 states. But it was this Congress that mandated, on a bi-partisan basis, that we reduce the defense budget, and we need your partnership to do this in a manner that preserves the strongest military in the world. This will be a test of whether reducing the deficit is about talk or action.

My hope is that now that we see the sacrifice involved in reducing the defense budget by almost half a trillion dollars, Congress will be convinced of its important responsibility to make sure that we avoid sequestration. That would be a doubling of the cuts, another roughly $500 billion in additional cuts that would be required to take place through a meat-axe approach, and that we are convinced would hollow out the force and inflict severe damage on our national defense.

So the leadership of this department, both military and civilian, is united behind the strategy that we have presented, and this budget. I look forward to working closely with you in the months ahead to do what the American people expect of their leaders: be fiscally responsible in developing the force for the future – a force that can defend the country, a forced that supports our men and women in uniform, and a force that is, and always will be, the strongest military in the world.

# # #

Mr. YOUNG. Mr. Secretary, thank you very much.

You have convinced me that the world is still a very dangerous place, and when you talk about reduction of the force, you know, we all know that we do not have the largest Army in the world, but we also agree that we have the best Army in the world with no comparison. So we understand that issue, and we will be getting into it in more detail.

But now I would like to recognize the Chairman of the Joint Chiefs of Staff, General Dempsey, and again, your statement, your total statement will be placed in the record. Oh, by the way, your biographies will also be placed in the record since we have not had you here before.

Secretary PANETTA. That is true.

Mr. YOUNG. So General Dempsey, we are anxious to hear from you, sir.

## SUMMARY STATEMENT OF GENERAL DEMPSEY

General DEMPSEY. Thank you, Chairman.

I always enjoy meeting others who I can call chairman, it just takes the burden off me. By the way, I will say to your point about—to your point actually, Congressman Rogers, about the burden, it is both—it is an honor to be serving right now.

I tell people often when they do reflect on how difficult a time it is for our Nation that when we all aspire to lead, when would you want to lead? Would you want to lead when things are relatively easy or would you want to lead when things are extraordinarily difficult? So thank you to this committee for your leadership during one of those times in our history I think that leadership is extraordinarily difficult.

So, Chairman Young, Congressman Dicks, distinguished members of this committee, thank you for the opportunity to discuss the President's defense budget for fiscal year 2013. This budget represents a responsible investment in our Nation's security, this budget. I share the Secretary's concerns, deep concerns, potentially anxieties, in fact not potentially, about sequestration. But this budget represents a responsible investment.

At its core, it is an investment in our people, the sons and daughters of America who serve this Nation and our military. Allow me to open with a few words about them and what they have accomplished in the past year.

The last 10 years of war, in fact, have been among the most challenging in our Nation's military history. Through it all, the Joint Force has persevered, and it has prevailed. Our families have stood with us deployment after deployment, and so have you. Together we have fulfilled our solemn vow to protect and defend America, her citizens, and her interests. As I sit with you today, our service men and women remain globally engaged. They are deterring aggression, developing partners, delivering aid, and defeating our enemies. They stand strong, swift, and ready in every domain every day.

I had the privilege to be with them, many of them, while traveling to Afghanistan and Egypt just last week. As always, I witnessed extraordinary courage and skill in the young soldiers just coming off patrol in the deep snows of the Hindu Kush; in the men

and women of the NATO training mission, who are charged with developing the Afghan national security forces; in the brave and vigilant Marine security detachment in our embassy in Cairo; and in the superb airmen who flew us and got us where we needed to be at the right time and the right place. They exemplify a professional military with a remarkable and reliable record of performance.

In just the past year, we crippled Al Qaeda. We helped protect the Libyan people from near certain slaughter while affirming NATO's role beyond the borders of Europe. We brought to a close more than 20 years of military operations in and over Iraq, and as we did in Iraq, we are steadily transitioning responsibility even now to our Afghan partners. We also helped Japan recover from the perfect storm of tragedy and destruction, and of course, those are just the most visible accomplishments. Behind the scenes and under the sea, we defended against cyber threats, sustained our Nation's nuclear deterrent posture and worked with allies and partners to build capacity and to prevent conflict across the globe.

We continue to provide this Nation with a wide range, the widest possible range of options for dealing with the security challenges that confront us. We live in an increasingly competitive, dangerous, and uncertain security environment, and that demands that we be alert, responsive, adaptive, and dominant.

This budget helps us do that. It is informed by a real strategy that made real choices. It maintains our military's decisive edge, and it sustains our global leadership. Moreover, it ensures we keep faith with the true source of our military strength, which is our people. With this in mind, just a few additional comments to add to those of the Secretary.

First, this budget really needs to be considered holistically. It is a joint budget, not a collection of separate service budgets. I caution against viewing its programs in isolation. It represents a comprehensive, carefully prepared set of decisions. It achieves balance among force structure, modernization, pay and compensation. Changes that are made without this context do risk upending that balance and potentially compromising the force.

And second, this budget is a waypoint, not an end point. We are actually trying to build toward Joint Force 2020, and this budget is just the first of what needs to be four steps in doing that. It puts us on a path to restore versatility at an affordable cost. Specialized capabilities, once on the margins, become more central, even while we retain our conventional overmatch. It builds a global networked Joint Force that is ably led and always ready.

And third, this budget honors commitments made to our military family. It keeps faith with them. As the Secretary said, there are no freezes or reductions in pay. There is no lessening in the quality of health care received by our active duty service members nor our medically retired military personnel.

That said, we just cannot ignore increasing costs of pay and benefits. To manage costs, we need pragmatic reform. All of this can be done in a way that preserves our ability to recruit and then retain the best of America's youth.

And finally, all strategies and all the budgets that support them carry risk. This one is no different. In my judgment, the risk lies

not in what we can do but in how much and how often we can do it. This budget helps buy down that risk by investing in our people and in the joint capabilities they need most.

And to close, thank you. Thank you for keeping our military strong. Thank you for taking care of our military family, for supporting those who serve, who have served, and who, importantly, will serve. I know you share my pride in them. I look forward to your questions.

[The biography and statement of General Dempsey follows:]

## General Martin E. Dempsey
## Chairman, Joint Chiefs of Staff

General Martin E. Dempsey becomes the Chairman of the Joint Chiefs of Staff after serving most recently as the Army's 37th Chief of Staff from 11 April 2011 through 7 September 2011.

Past assignments have taken him and his family across the globe during both peace and war from Platoon Leader to Combatant Commander. He is a 1974 graduate of the United States Military Academy and a career armor officer.

As a company grade officer, he served with the 2nd Cavalry in United States Army Europe and with the 10th Cavalry at Fort Carson. Following troop command he earned his Masters of Arts in English from Duke University and was assigned to the English Department at West Point. In 1991, GEN Dempsey deployed with the Third Armored Division in support of OPERATION DESERT STORM. Following DESERT STORM, he commanded 4th Battalion 67th Armor (Bandits) in Germany for two years and then departed to become Armor Branch Chief in US Army Personnel Command. From 1996-1998 he served as the 67th Colonel of the Third Armored Cavalry Regiment. Following this assignment as the Army's "senior scout" he served on the Joint Staff as an Assistant Deputy Director in J-5 and as Special Assistant to the Chairman of the Joint Chiefs of Staff. From September 2001 to June 2003, General Dempsey served in the Kingdom of Saudi Arabia training and advising the Saudi Arabian National Guard. In June of 2003, General Dempsey took command of the 1st Armored Division in Baghdad, Iraq. After 14 months in Iraq, General Dempsey redeployed the division to Germany and completed his command tour in July of 2005. He then returned to Iraq for two years in August of 2005 to train and equip the Iraqi Security Forces as Commanding General of MNSTC-I. From August 2007 through October 2008, GEN Dempsey served as the Deputy Commander and then Acting Commander of U.S. Central Command. Before becoming Chief of Staff of the Army, he commanded US Army Training and Doctrine Command from December 2008-March 2011.

General Dempsey's awards and decorations include the Defense Distinguished Service Medal with Oak Leaf Cluster, the Distinguished Service Medal with three Oak Leaf Clusters, the Defense Superior Service Medal, the Legion of Merit with two Oak Leaf Clusters, the Bronze Star with "V" Device and Oak Leaf Cluster, the Combat Action Badge, and the Parachutist Badge. In addition to his Masters' Degree in English, he holds Masters' Degrees in Military Art and in National Security Studies.

General Dempsey and his high school sweetheart Deanie have three children: Chris, Megan, and Caitlin. Each has served in the United States Army. Chris remains on active duty. They have five wonderful grandchildren: Kayla and Mackenna by Chris and daughter-in-law Julie, Luke by Caitlin and son-in-law Shane, and Alexander and Hunter by Megan and son-in-law Kory. Chris and Julie are expecting their third child this fall.

STATEMENT OF

GENERAL MARTIN E. DEMPSEY, USA

CHAIRMAN

JOINT CHIEFS OF STAFF

BEFORE THE

HOUSE APPROPRIATIONS COMMITTEE-

DEFENSE SUBCOMMITTEE

FY13 DEPARTMENT OF DEFENSE BUDGET

FEBRUARY 16, 2012

HOUSE APPROPRIATIONS COMMITTEE- DEFENSE SUBCOMMITTEE

Chairman Young, Representative Dicks, and distinguished members of the Committee, it is my privilege to update you on the state of the United States' Armed Forces and to comment on the President's budget proposal for fiscal year 2013. The context for this year's posture testimony is unique. Our military has transitioned many of our major operations, and we have new strategic guidance that sets priorities. We are also facing real fiscal constraints and an increasingly competitive security environment. The President's proposed fiscal year 2013 defense budget accounts for these realities. It provides a responsible investment in our nation's current and future security.

**Global Military Operations**

Today our Armed Forces stand strong. We are proud of the performance and accomplishments of our men and women in uniform over the past year. They have carried out far-ranging missions with much success. They have defended our homeland, deterred aggression, and kept our Nation immune from coercion. And despite a decade of continuous combat operations, our troops and their families remain resilient.

U.S. Forces-Iraq recently completed its mission. More than twenty years of military operations in and over Iraq came to conclusion. The security of Iraq is now the responsibility of the Iraqi people, leaders, and security forces. We have transitioned to a normal military-to-military relationship. Diplomats and civilian advisors are now the face of the United States in Baghdad. To be sure, Iraq still faces challenges to the country's future. But as we look to that future, we will continue to build ties across Iraq to help the people and institutions capitalize on the freedom and opportunity we helped secure.

In Afghanistan, we are seeing the benefits of the surge in combat forces begun in early 2010. The security situation is improving. By nearly every measure, violence has declined. The Taliban are less capable, physically and

psychologically, than they were two years ago. Afghan and ISAF forces have maintained persistent pressure on insurgent groups and have wrested the initiative and momentum from them in much of the country. But these groups remain determined, and they continue to threaten the population and the government. Combat will continue.

Key to long-term stability in Afghanistan is the development of the Afghan National Security Forces (ANSF). In 2011, the Afghan National Army grew by 18 percent. The Afghan National Police grew by 20 percent. These forces, combined with the nascent but ever more capable Afghan Local Police, are steadily assuming responsibility for Afghan security. The process of transition began in July, and today, after nearly completing the second of five "tranches" of transition, Afghan security forces are now responsible for the day-to-day security of almost half of Afghanistan's population. Developing the ANSF, degrading insurgent capabilities, and turning over responsibilities have allowed us to begin a measured draw down of our forces in Afghanistan. We have withdrawn over 10,000 of the surge troops and will withdraw the remaining 23,000 by the end of this summer. By that time, we expect the ANSF to achieve their initial operating capability and to be responsible for securing nearly two-thirds of the Afghan population. They are on track to meet the goal of assuming full lead for security by the end of 2014.

Sustaining progress in Afghanistan requires dealing with some significant challenges. The ANSF and other national and local government institutions require further development. Corruption remains pervasive and continues to undermine the capacity and legitimacy of government at all levels. Insurgent sanctuaries in Pakistan remain largely uncontested. And ultimately, much more work remains to achieve the political solutions necessary to end the fighting in Afghanistan.

Our military has been vigilant and active in other areas and with other missions to keep America and our partners safe. We decapitated al-Qa'ida and

pushed this terrorist network decidedly closer to strategic defeat through the successful special forces operation targeting Osama Bin Laden. We supported NATO in its UN mission to protect civilians in Libya allowing them to end Muammar Qaddafi's tyrannical rule. We responded quickly to the devastating earthquakes and tsunami that struck Japan, saving lives and acting on our commitment to this key ally. We fended off cyber intrusions against our military's computer networks and systems. And we helped counter aggression and provocation from Iran and North Korea.

**A Time of Transition**

While our military continues to capably and faithfully perform this wide array of missions, we are currently in the midst of several major transitions. Any one of them alone would be difficult. Taken together, all three will test our people and our leadership at every level.

First, we are transitioning from a war-time footing to a readiness footing. With the end of our operations in Iraq and Libya and the ongoing transition of security responsibilities in Afghanistan, our troops are steadily returning home. From a peak of more than 200,000 troops deployed to combat two years ago, we have fewer than 90,000 today. This shift cannot lead us to lose focus on on-going combat operations. But, it does mean we must give attention to restoring our readiness for full spectrum operations. We need to reset and refit, and in many cases replace, our war-torn equipment. We need to modernize systems intentionally passed over for periodic upgrading during the last decade. We must retrain our personnel on skills used less often over the last decade. And we will have to do all of this in the context of a security environment that is different than the one we faced ten years ago. We cannot simply return to the old way of doing things, and we cannot forget the lessons we have learned. As described in the Department's recently released strategic guidance, we should adjust our missions, our posture, and our organizational structure in order to adapt to ever evolving challenges and threats.

Second, our military is transitioning to an era of more constrained resources. The days of growing budgets are gone, and as an institution we must become more efficient and transparent. We must carefully and deliberately evaluate trade-offs in force structure, acquisition, and compensation. We must make the hard choices, focus on our priorities, and overcome bureaucratic and parochial tendencies. In sum, we must recommit ourselves to being judicious stewards of the Nation's resources.

Third, tens of thousands of our veterans—and their families—are facing the transition to civilian life. Many enlistments are coming to their normal conclusion, but we are also becoming a leaner force. As we do this, we must help our veterans find education opportunities, meaningful employment, and first-class health care. We must pay particular attention to those bearing the deepest wounds of war, including the unseen wounds. We must help those who have given so much cope with—and where possible, avoid—significant long-term challenges such as substance abuse, divorce, depression, domestic violence, and homelessness. Addressing these issues is not the exclusive responsibility of the Services or veterans organizations. How we respond, as a military community and as a Nation, conveys our commitment to our veterans and their families. It will also directly affect our ability to recruit and retain our Nation's best in the future.

I have outlined several priorities for the Joint Force to help us anticipate and navigate the challenges these transitions present. We will maintain focus on achieving our national objectives in our current conflicts. We will begin creating the military of our future—the Joint Force of 2020. We will also confront what being in the Profession of Arms means in the aftermath of war. And above all else, we will keep faith with our Military Family. In doing all these things, we will provide an effective defense for the country and strengthen the military's covenant of trust with the American people.

**A Responsible Investment**

The President's Fiscal Year 2013 Department of Defense base budget of $525 billion and overseas contingency operations (OCO) budget of $88 billion represent a responsible investment in our Nation's security. The decisions underlying them flow from the strategic guidance the Department of Defense issued last month. This guidance set priorities for assessing our programs, force structure, and spending in the context of a persistently dangerous and increasingly competitive security environment. With those priorities in mind, the budget proposal strikes an appropriate and necessary balance between succeeding in today's conflicts and preparing for tomorrow's challenges. It accounts for real risks and real fiscal constraints, marrying versatility with affordability.

The tradeoffs were complex, and the choices were tough. They will produce $259 billion in savings over the next five years and a total of $487 billion over the next ten years. They will not lead to a military in decline. Rather, this budget will maintain our military's decisive edge and help sustain America's global leadership. It will preserve our ability to protect our vital national interests and to execute our most important missions. Moreover, it will keep faith with the true source of our military's strength—our people.

The merits of this budget should be viewed in the context of an evolving global security environment and a longer term plan for the Joint Force. Coming on the heels of a decade of war, this budget begins the process of rebalancing our force structure and our modernization efforts and aligns them with our strategy. Essentially, we are developing today the Joint Force the Nation will need in 2020, and our plans to build this force will unfold over the course of several budget cycles. This budget is the first step—a down payment. If we fail to step off properly, our recovery will be difficult, and our ability to provide the Nation with the broad and decisive military options will diminish.

It is worth addressing head-on some of the major changes we are planning as we adapt to changing global opportunities and challenges. And just as this budget must be viewed in the context of a broader plan, these changes must be viewed in the context of our evolving force. They represent a comprehensive, carefully devised package of decisions that strikes a fine balance. They are not, and cannot be viewed as, individual, isolated measures. In all cases, needed capabilities are preserved or, when necessary, generated, through one or several programs.

This budget will make critical investments in our future force. Certain specialized capabilities, once on the margins, will move to the forefront. Networked special operations, cyber, and Intelligence, Surveillance, and Reconnaissance will become increasingly central. The results will be a Joint Force that is global and networked, that is versatile and innovative, and that is ably led and always ready. This force will be prepared to secure global access and to respond to global contingencies. We will be a military that is able to do more than one thing at a time—to win any conflict, anywhere.

Particular attention will be placed on our anti-access/area-denial capabilities. The proliferation of technology threatens our unfettered access to the global commons—access that is fundamental to global commerce and security. As we rebalance our global posture to emphasize the Asia-Pacific region and the Middle East, we are adjusting our operating constructs and the systems we employ. This includes divesting some outdated ships, planes, and equipment as well as investing in new programs. We will also commit to our partnerships and to helping develop our partners' security capabilities.

Similarly, this force will place added focus on our military's cyber defense capabilities. The threats to the average American's day-to-day life and our military capabilities that emanate from cyber space have evolved faster than many could have imagined. We must adapt to these threats with similar adroitness and capacity. This budget allows for us to expand many of our

nascent cyber capabilities and to better protect our defense networks. Similarly, bipartisan cyber legislation being introduced in Congress is a good first step in developing protection for our Nation's critical infrastructure. With much work to be done, we look forward to working with agencies across the government and with our allies and partners to confront this broad range of emerging threats.

While some additional capabilities for our Joint Force will be needed, others will not. The Joint Force of the future will be leaner than today's. We will no longer be sized for large scale, prolonged stability operations. As a result, we expect to draw down the Army from 562,000 to 490,000 by the end of fiscal year 2017, and the Marine Corps from over 202,100 to 182,100 by the end of fiscal year 2016. Some of this reduction was planned several years ago when Congress authorized temporary end strength increases to support our operations in Iraq and Afghanistan.

But in making ourselves leaner, we will not make the mistakes of previous draw downs. We will not retain organizational structures that lack the people, training, and equipment necessary to perform the tasks we expect from them. We will be realistic about the organizations we keep, while also maintaining our ability to reconstitute and mobilize forces. We will still be able to respond to any large scale mobilization against us. To do this, the Joint Force will retain capacity in our reserve components and our industrial base should they be required to surge. We will maintain the Army Reserve end-strength at 205,000 and reduce the Army National Guard by only 5,000 down to 353,200. The Marine Corps reserves will be retain their current strength.

Another major concern among our troops, their families, retirees, and with the American public is military compensation and benefits. I want to make it clear that cuts in spending will not fall on the shoulders of our troops. There are no proposed freezes or reductions in pay. There is no change to the high quality health care our active duty members and medically retired

Wounded Warriors receive. But we cannot ignore some hard realities. Pay and benefits are now roughly one third of defense spending. Pay will need to grow more slowly in the future. We are also proposing a commission to review of military retirement. And to control the growth of healthcare costs, we are also recommending changes to TRICARE. These adjustments include modest, new or phased-in increases in health care fees, co-pays, and deductibles largely for our retirees—but not our active duty service members. Even with these increases, TRICARE will remain one of the finest medical benefits in the country.

Overall, these proposed changes value both the demands of military service and our duty to be good stewards of the Nation's fiscal resources. They will sustain the recruitment, retention, and readiness of the talented personnel we need. Most importantly, they will sustain our enduring commitment to our troops and their families—we must never break faith with them. I want to note, however, that keeping faith with our service men and women is not just about pay and benefits. It is also about ensuring we remain the best trained, best equipped, and best led force on the planet.

The last, and perhaps most critical issue, is risk. This budget and the strategy it supports allow us to apply decisive force simultaneously across a range of missions and activities around the globe. They mitigate many risks, but they accept some as well, as all strategies must. The primary risks lie not in what we can do, but in how much we can do and how fast we can do it. The risks are in time and capacity. We have fully considered these risks, and I am convinced we can properly manage them by ensuring we keep the force in balance, investing in new capabilities, and preserving a strong reserve component. We can also compensate through other means, such as effective diplomacy and strong partnerships. I believe that these risks are acceptable and that we will face greater risk if we do not change from our previous approaches.

**Conclusion**

In the upcoming year, our Armed Forces will build on the past year's achievements, adapt to emergent challenges, seize new opportunities, and continue to provide for our common defense. We will continue to face threats to our security, whether from aggressive states or violent terrorist organizations. But our military will be ready for them, and our response will be a source of pride for the American people. In all of our efforts, we will aim to maintain strength of character and professionalism—at the individual and institutional level—that is beyond reproach.

As we embark on this critical new course, we will need Congress' support to help us build the Joint Force the Nation needs and to strengthen our relationship with the American people. As I stated before, this budget and the choices that underlie it should be understood in the context of the comprehensive, carefully balanced, multi-year plan they support. These choices were tough. Some decisions will be controversial. But they call for an investment that allows our force to take the steps necessary to ensure our Nation's defense for years to come. We ask Congress to support this budget and, more importantly, to avoid the deep and indiscriminant cuts that sequestration would impose.

I thank this Committee, and the entire Congress, for all you have done to support our men and women under arms and their families. Your resolute attention to their needs and to our security has been both invaluable and greatly appreciated.

Mr. YOUNG. General, thank you very much, sir.

And Secretary Hale, I understand that you do not have a prepared statement?

Mr. HALE. Right.

Mr. YOUNG. And so we will now begin on this side of the table.

And I want to say, Mr. Secretary, your very eloquent and very, very revealing comments are taken to heart by everyone here. The comment that I have made consistently for years is that you cannot make defense budget decisions based on politics or based on a number that sounds good or anything else other than the real threat. You have got to know what the real threat is to the best of your ability, and that is where we should base our defense investments.

That also means we better have the best intelligence in the world, better than anybody else's, so that we do not get behind. With that, we do have some questions about some of the issues that you have talked about, and the decisions you made very clear, and you are exactly right, decisions that will be made this year will set the defense posture for the next 10 years and maybe beyond that. We will do our very best to make sure that sequestration is not a part of that. We are committed to that.

With this in mind, I remain concerned over some of the decisions that have been made here. For instance, programs that were argued as strategically important, if not imperative, as recently as a few months ago have been abandoned in the name of budget savings. What changed in the threat, or did anything change in the threat? What changed, this particular program we will get into the specifics, but what changes for you to say 2 months ago that this program was imperative to our national security and now you are scrapping it?

So that is my opening question, and I will have a few more, although I am going to limit my questions because we have a limited time today, and I want to make sure that everyone has an opportunity. But, please, respond to that. It is something that I know you are concerned about as well.

Secretary PANETTA. Well, the only way we could approach this when you have a half a trillion in savings that you have got to reduce is, I said, look, this cannot be a hit-and-miss process; we have got to tie it to some kind of strategy that says, you know, what is it we want to develop for the future? And so, for example, when we looked at agility and the ability to move quickly, we knew what we needed. We needed multi-mission weaponry and technology that could assist that kind of agility. So when you have some kind of single mission areas that might have been important in the past—I know one of the planes that used to lift the Army was one of those things that the Army liked, but it was kind of singly a mission for that purpose. When we could take a C–130 and be able to use that to perform those missions, that is kind of an example of what kind of decisions we had to make.

Secondly, when you are looking for savings and you are looking particularly at the whole, weaponization area, how do we make—how can we find savings by trying to delay the procurement process in a way that makes sense? For example, on the F–35 fighter,

which is important to us, can we move this slower so that we can incorporate the changes that have to be made and make it less expensive when it comes to full production as opposed to going to full production, and then having to make horrendous changes that are going to add to the costs of doing that. So we want that fifth-generation fighter, but we also want it to be done in a way that makes sense for us.

The other decisions, I guess the one we have taken criticism on is the Global Hawk decision, but that is just one branch of the Global Hawk program.

Mr. YOUNG. Understand.

Secretary PANETTA. And that is one that, frankly, is not cost efficient.

Mr. YOUNG. That is the Block 30 we are talking about?

Secretary PANETTA. I am sorry, Block 30 branch of the Hawk. I asked the same question because I am big on unmanned systems, both from my prior role as well as this role, and I think that is something we have to invest in.

But they said, look, when you look at the cost-effectiveness here, actually, the U–2 provides an even better picture at a lesser cost and does the job, and it is just one element of Global Hawk. The other elements of Global Hawk we are going to maintain. That is a little bit of the kind of mentality that we went through as we made those decisions.

All right, let me yield to the General as well.

General DEMPSEY. Yeah, I will just give you three words or three phrases that might help as we look at each of these systems, help articulate the decisionmaking tree, if you will. Redundancy, multi-role, as the Secretary said, and the value proposition.

Are we increasing capability by 10 percent at 50 percent more cost? That is not a great value proposition. So those are the three things, redundancy, multi-role, and the value proposition.

## JOINT STRIKE FIGHTER

Mr. YOUNG. Well, you mentioned the Joint Strike Fighter, and that, of course, is something that is extremely important to this country. The fact is we have got to be the dominant aviation factor in the world. My commitment to this goes way back.

When I first started here, I was a member of the Armed Services Committee, and I remember being a quite young freshman, and after the hearing, a Marine officer walked up to me and he said, hey, kid, let me tell you something. Your Marines will go anywhere you send us. We will fight any fight you want us to fight, but please, if there is an airplane over the battlefield, make sure it is an American airplane. And I can see that.

You know, if we do not control the air, we are at a tremendous threat to our forces on the ground. The Joint Strike Fighter seems to be our primary fighter now when the F–22 did not deliver everything we thought it would. We are buying some additional F–18s, but that does not compare to the Joint Strike Fighter. So where do we go on the Joint Strike Fighter? Now numbers are changing. You took the program off of probation, which I think was a smart thing to do to make this a very robust program. But we have got to control the air over the battle. So tell us about where we are going

with that capability. Are we going to rely on the Joint Strike Fighter, or are we going to develop something different?

Secretary PANETTA. No. We need a fifth-generation fighter, and the F–35 is that, that new generation fighter that we absolutely have to have. My goal here is to try to, as we go through the process, obviously look at what changes that need to be made. Frankly, I think this plane is now testing pretty well in all three areas. The reason I took the STOVL off of probation, there were five areas that concerned Secretary Gates, that raised questions about its capability. All five areas have been addressed, all have been corrected. And now we are looking at software issues related to the plane. I have gone down to Pax River. I have looked at all of the plane's development and its capabilities. This truly is one of the finest planes that we are developing for the future. Its capabilities, its stealth capabilities, its targeting capabilities, precision targeting, all of that is amazing stuff that is part of this plane, but the result, as you know, when you develop, and Norm Dicks knows this better than anybody, you develop these planes. They have got a lot of technology in them. They have got a lot of systems in them, and you have got to make sure that it is all working. You have got to make sure that it all comes together, and we are doing that. We are working with industry, as a matter of fact, to make sure that industry, as we have to make these changes, is going to pick up some of the costs because in the end, it is about affordability. I have got to make sure this is cost efficient as we go through this. We want to develop these planes. We want to put them in place, but I also want to make damn sure that we do not wind up keep going back and redoing these planes and adding to the cost. That is what I have to be careful of, and that is why we slowed the production of these planes to have the time, to look at it to make sure we do it right.

Mr. YOUNG. Thank you for that.

I have about another hour's worth, at least, and you and I and Mr. Dicks have met on numerous occasions and talked about these things in your office, but I am going to yield to Mr. Dicks at this time because I want to make sure that everybody has an opportunity to get into this conversation today.

Mr. Dicks.

CYBER SECURITY

Mr. DICKS. One of the areas that was mentioned——

Mr. ROGERS. Mike.

Mr. DICKS. I can normally be heard, but—can you hear me, Hal?

Mr. ROGERS. Unfortunately.

Mr. DICKS. That is what Senator Magnuson used to say. This guy in the front said—I cannot hear what you are saying, and the guy—the guy in the front says, I can hear everything, and I will gladly trade seats with you.

Anyway, you talked about cyber security. Obviously, this is one of the concerns, Admiral Mullen, when he was doing his kind of go-around to see everybody when he was leaving as chairman said that he felt that this cyber threat was one of the preeminent threats that we face, and if you look at the numbers, we have lost over a trillion dollars—this has all been in the public print—of in-

tellectual property through cyber attacks. I mean, you talk about industrial base. It is our defense contractors. It is our banks. It is our utilities.

All this responsibility is not yours. Homeland Security. We had Secretary Napolitano up here. One of the things that was good I thought was that Gates and her put together an agreement on how we are going to proceed, but I think this is, as you and I have talked about this before, this is one of the things where it is an asymmetrical threat. We cannot be certain, you know, always where the attack is coming from, and so it is that kind of concern that we have got to do something about this. And we have invested a lot in cyber technology to defend ourselves. We are pretty good on offense. We do not talk a lot about that, so we can do a lot of things to other people. But the question really gets down to, how do you feel about what we are doing, and are we making progress, and should there be more attention by the administration as a whole, not just the Defense Department and NSA and General Alexander, and the Congress. The Congress has got to play a role here. There is a new bill that has just been introduced in the Senate that apparently the administration is supporting, and I just reviewed that last night. Give us your sense on this and especially the sense of your intelligence sense and General Dempsey as well.

Secretary PANETTA. I am going to have General Dempsey respond to some of the particulars here because he just had conversations with General Alexander about this whole issue.

I think that, as I said, I worry about this area because, as all of you know, similar to what is happening with technology generally, this stuff is moving very fast. And capabilities are being developed very quickly, and we are the subject of a lot of attacks that come in that are largely exploitive at this point, but that have the capability to bring down our power grid, that have the capability to bring down our financial systems, that have the capability to bring down our governmental systems, and virtually paralyze this country. That is of concern.

I think we have some very strong defenses. We have some very strong capabilities, but there, frankly, are a lot of departments and agencies in the government that haven't developed those same skills and that same capability, and that is what has to be addressed. We have got to make sure that everybody is prepared to deal with this issue, and frankly that is an issue of authorities, and that goes to the legislation that you talked about.

General DEMPSEY. We have been taking our new strategy that—Combatant Commanders, the Service Chiefs, and I have been taking the new strategy and essentially wringing it out, testing it. We have had a couple of strategic seminars, and one of the emerging insights, I will describe it as an emerging insight, is that any conflict with a near-peer competitor in the future will have effects in the homeland.

In other words, and I have said this before, the Homeland can never again be considered sanctuary, and one of the reasons is cyber. At the level of classification of this briefing, I will just say I know what we can do, and therefore, I am extraordinarily concerned about cyber. And you know what we can do and, therefore, should be extraordinarily—simply stated, it is one of those areas

where at this point we cannot place enough emphasis on it until we are satisfied we know exactly what we are doing. We do support the legislation. It is actually a Lieberman-Collins-Rockefeller legislative proposal that has been added to by Senator Feinstein, and we think that is a very good and important first step, but we cannot stop there.

Just like we worry about nuclear proliferation, we should be worried about cyber malware proliferation. So I said near-peer competitors. But a near-peer competitor could give cyber malware capability to some fringe group and some hacker in Russia—I said Russia, it could be any country. Some hacker next thing you know could be into our electrical grid. We have to get after this.

Mr. DICKS. Well, I appreciate that, and you know, as far as Congress, we have to be able to pass legislation on this subject. I mean, I think it is important. I know that Chairman Rogers and Congressman Ruppersberger and others have been working on a bill in the House. If there is necessity for a counterpart, I am sure we can get people to introduce the bill over here or the Senate bill or some variant of that. But I think, Mr. Chairman, so we can get others a chance, I will wait for the next round.

Mr. YOUNG. Okay, Mr. Dicks, thank you very much, and you have touched on an extremely, extremely important subject, and you and I have spent some serious time with General Alexander on that issue, and I can tell you that he is very, very valuable to the security of this country.

Chairman Rogers.

SEQUESTRATION

Mr. ROGERS. Mr. Secretary, I want to talk to you about sequestration, the sword of Damocles is over our heads. We are looking for guidance from you and the administration on how you would prefer that the, if there is a restructuring of the sequestration, how that should take place. Only you can tell us how that should be done. What can you say about it?

Secretary PANETTA. I do not think you can restructure sequestration. It is a crazy, nutty tool that, frankly, cannot be restructured.

Look, anytime you approach deficit reduction, it ought to be done on a responsible basis that looks at areas, looks at where we can afford to find savings, and looks at areas that we have to invest in. That is the responsibility of the Congress. When you rely on some kind of automatic meat axe approach, it undermines everything that you represent in terms of doing it right.

Now, my advice would be that we should work together to find a way to detrigger the entire sequestration process. You know, the administration has made some recommendations in the budget. I know there are Members that have ideas about how to do this. This has to be a bipartisan effort to detrigger sequestration.

Now, one tactic is here, the mentality is, well, hell, this does not take effect until January of 2013, but let me tell you, it is creating a huge shadow, a huge shadow of doubt out there. It is impacting on industry. It is impacting on whether jobs are going to be there. It is impacting on the military. The shadow from sequestration is having an impact. Now, I have said, we are not paying attention to sequestration. I do not think it is going to happen. I do not think

that Congress is going to allow it to happen, but at the same time, the threat that it may happen is something that is having an impact.

Mr. ROGERS. Well, you are exactly right, and that is the reason I brought it up. We have got to deal with it. If there were interest in the Congress in passing a bill that modifies the impacts of sequestration, it seems to me then that you would have a deep interest in having input on how that bill is constructed. That is the context of my question to you. Is that so?

General DEMPSEY. This, I think, will contribute to the answer, and then I am sure the Secretary will put an apostrophe on it. So the two things about sequestration that are alarming to us is, one, the magnitude; second, the mechanism. It sounds like you are suggesting if we handle the mechanism, you know, can we handle the magnitude, the 550. Let me just tell you where we are in restructuring our force. There is only a certain number of variables the service chiefs can really manipulate to absorb reductions. Two of them are fundamentally fixed right now.

One of those is people. We are, as you know, we are going to ease 124,000 mostly soldiers and Marines out of the services over the next 5 years. There is physics involved. We cannot do it much faster than that. And so if another round of reductions come, that variable to me is fixed, unless we just want to fire them and hand them a pink slip and send them off, and I do not think anybody wants to do that. So there is physics. That variable is fixed.

The other one that is fixed is infrastructure. We can talk about BRAC, but even if we gather the will to do it, it is going to take time to be implemented. It will not help in the next 5 or probably 10 years, to tell you the truth. If you fix those two variables and then give me, us, another bill for $550 billion, it is coming out of three places, and that is it. It is coming out of equipment and modernization; that is one. It is coming out of maintenance. And it is coming out of training, and then we have hollowed out the force.

Secretary PANETTA. And compensation.

General DEMPSEY. Well, potentially compensation.

Mr. ROGERS. Is there a way to tell us the actual impact, the size of the impact on these elements?

Secretary PANETTA. Actually, I responded to a letter from Senator McCain that laid out some of the particulars that would be impacted, but when you take—as you know, the mechanism in sequester is to cut across the board. It does not take into consideration priorities. It is basically just a meat axe approach to the entire budget. So what we are doing, in effect, is hollowing out every area of the defense budget by a significant amount. So it is impacting on force structure. It is going to impact on compensation. It is going to impact on training and equipment. It is going to impact on personnel. It is going to impact on every area of the budget. And it is mindless. It does not make sense.

So I guess what I would say to you, Congressman, is that it is very important that we get together, both the administration and the Congress, and we develop a package that is able to make sure this does not happen. I thought the committee would be able to do that, the so-called supercommittee had the responsibility to try to come up with a package that would make sure that that did not

happen, and unfortunately, they were not able to come together with any kind of approach. I think it is incumbent on the Congress to try to come together with an approach that gets rid of sequestration and, you know, gets back to approaching the whole issue of defense—of deficit reduction in a responsible way.

Mr. ROGERS. Well, and I am imposing, Mr. Chairman, if that is impossible, that is doing away with sequestration, I think it behooves all of us, you and us, to try to find a way, if there is one, to modify the impact on the military rather than the meat axe, across-the-board cuts, which all of us abhor. It would behoove us to try to minimize the danger or the impact on the military if all else fails. That is the context of what I wanted to know from you.

Secretary PANETTA. I hope to God that all else does not fail, and, I know that everybody is concerned, particularly these days, that somehow that may still be allowed to happen, but I cannot believe that Members who have the responsibility to govern this country and do the right thing, particularly for national defense, are not going to take the approach that represents what is in the interests of protecting the Nation.

General DEMPSEY. The only thing I will add, sir, if I could is, I have been in the Army now almost 38 years, and I have been through two previous drawdowns, fundamentally that is what we are in now is a drawdown period, one after Vietnam, one after Desert Storm, and right now. Big difference in the previous two. In the previous two, we were entering a period of relative stability. I cannot impress on you that in my personal military judgment formed over 38 years, we are living in the most dangerous time in my lifetime right now, and I think sequestration would be completely oblivious to that and counterproductive.

Mr. ROGERS. Thank you, Mr. Chairman.

Mr. YOUNG. Actually, we cannot allow sequestration to happen. It just cannot happen. So we need to work together to find a solution and work us out of this.

Mr. Lewis.

## DECREASING DEFENSE BUDGET

Mr. LEWIS. Thank you very much, Mr. Chairman.

Mr. Secretary, you can put me in that same column relative to sequestration. We will be able to figure this out.

But I am very concerned, Mr. Secretary, General Dempsey, Secretary Hale, that behind the veil of this discussion, there are other discussions going on that could be startling when this Member looks at your budget and tries to project where it really would take us.

I am very concerned that you have done a pretty good job within your own circle of arguing that national security is critical, and this is the most dangerous time in our lifetime, for our country, our freedom, our security.

But within the mix of people who are behind that veil are people who do not have that same priority. I am concerned as I look at this budget, which today is considerably more generous than I kind of anticipated, but there is little doubt that a foundation is laid that would cause the transfers in the future, short of sequestration, to see us take significant dollars away from national security in

order to sustain dollars for other priorities of this administration. And if we get on that pathway, it could lead to the disaster that General Dempsey has referred to.

It is very important for us to know that this is the first step, the budget is within your limits hard for me to criticize, but I see elements here that would suggest that we might very well be going down a pathway that says next year's budget could be dramatically different in terms of defense. This budget would have been considered a disaster to us 5 years ago, but indeed, if we see a different kind of transition over the next year, America ought to be concerned about its security; certainly our allies overseas ought to be concerned about our security.

So tell me, am I wrong in being concerned that a pattern is being set here that lays the foundation for other people in the mix behind your veil will win the day in terms of reducing defense spending on the one hand and, in turn, sustaining and expanding other priorities that really are important but not nearly as important as our national security?

Secretary PANETTA. Well, look, all I can tell you is that the President of the United States has made clear to us that he supports what we are presenting here in terms of a strategy, and he has made clear that he opposes sequestration and additional cuts. He wants to give us the opportunity to put this strategy in place for the future, and, you know, there are always people that, will have their own ideas. There are always individuals that want to come back and make other adjustments, but I have to tell you, I have made clear to the Department, and I have made clear to the President, and the President supports me, that we have to—we are responding to a law that was passed by the Congress as to what we have to reduce the defense budget. We have done the best job in developing this strategy in order to accomplish that, but we have no margin for error here, and if additional efforts are made to go after the defense budget, I think it could have a serious impact in terms of our ability to implement the strategy I just presented.

General DEMPSEY. If I could elaborate, sir, that is exactly right. The important thing here is, first of all, the President was deeply involved with us in formulation of the strategy, in a way that I frankly found very encouraging. It is a strategy that has to have this budget to support it. Anything beyond this, we have to go back to the drawing board on the strategy, you know. You cannot just keep tinkering with the—strategy is kind of the aggregate of your objectives, the resources or the means and the ways; how are you going to do it? And we have got it about balanced right now, but any change in the future means we have to go back and redo our strategy, and I have heard nothing that would indicate the President wants to do that.

## IRAN

Mr. LEWIS. Mr. Chairman, not much longer, but Iran is a major challenge in the region of greatest concern. To think that Iran is not going to directly, if they have any of their way, have an impact upon Iraq is just plain nuts, and to suddenly have us have a vacuum there in terms of the role we are going to play, Charlie Wilson's War suggested to us that Afghanistan was a bit complex. What did

we do following that successful effort? We walked away, and we are planning to walk away. So it is my concern that a debate needs to take place on your side of the veil and our side that says we must not go down this pathway that is already planning to reduce numbers of personnel, undermining some assets that are critical to our future. You touched upon cyber security.

So, Mr. Chairman, I appreciate the time.

Mr. YOUNG. Thank you, sir. Thank you, Mr. Lewis.

Mr. Visclosky.

SHIPBUILDING

Mr. VISCLOSKY. I will speak loudly. Will that be permissible?

Secretary, just a couple of quick editorial comments, if I could, and then I want to ask about shipbuilding and the strategic submarine replacement program. I have been associated with this committee either on staff or as a member almost continuously since 1977, and I would associate myself with everyone's remarks about sequestration. We as an institution need to make individual, discrete decisions.

Having said that, I speak only for myself that the administration and the Congress approach sequestration by recognizing we have fundamental financial decisions to make relative to the Department of Defense, discretionary spending, entitlement spending, and tax policy.

There are two ways to avoid sequestration for the Department of Defense, and I absolutely agree with your position on it. That is, we can finagle for the next 10 months to try to avoid across-the-board cuts in defense and avoid making fundamental decisions; or we can avoid sequestration by making fundamental decisions, and I only speak for myself.

The Global Hawk has been brought up, and I would simply point out and not ask a question, but emphasize I would want to follow up with the Department that, on June 14th, last year it was emphasized in the Nunn-McCurdy certification that when analyzed in the context of the Global Hawk mission, the U–2 cost $222 million per year more than the Global Hawk.

Every year also I must point out that the Department of Defense comes up and talks with great pride about their emphasis on small business. I do believe we need to obviously find efficiencies to continue to try to emphasize competition for those who contract with the Department. I am familiar with a small firm that had to spend over a million dollars just to get certified to get on the list to bid with the Department of Defense, and between you and me, I do not call that encouraging for small business to participate with the Department of Defense.

But having said that, on shipbuilding, last year's 5-year proposal talked about a 57-ship budget, this year's 5-year plan calls for 41, and with the increased emphasis on the Asia-Pacific region, the question is a brief explanation, if you would, on the reduction in ships and whether or not 313 ships is still the right size. And as an important addendum, last year's budget submission talked about the scheduled construction beginning in 2019 on the ballistic force. There has been a 2-year slippage this year.

Secretary PANETTA. On the Naval force, that we consider a very important priority because of the missions that I talked about, our goal is to maintain the 285-ship Navy. When this budget, between 2013-2017, we are going to do everything we can to maintain that size Navy. In the 5 years beyond that, going to 2020, our hope is to target the 300 number and be able to, in that 5 years, increase the fleet so that we are at 300. Some of the slippage, obviously, is again because of affordability and cost-effectiveness issues, and in addition to that, the Navy itself felt that as we prioritized some of these, the amphibious fleet, the littoral ships, the ships that would be very helpful to us in terms of agility, maintaining the 11 carriers, even though we are going to take down one carrier, but it is going to come back, the Enterprise is going to go down, but we have a replacement for that, so we are going to try to stay at 11 carriers over that period of time, plus the air wings that are associated with it.

So I think the bottom line here is there are some ups and downs in terms of, you know, adjusting the dial here, but the bottom line is we are going to maintain a 285-ship Navy for the next 5 years, and we are going to try to increase that in the next 5 years.

Mr. VISCLOSKY. Secretary, for years, we have talked about a 313-ship Navy, and again with the emphasis on the Pacific, do you feel comfortable at that 285, understanding, as you have emphasized, there is risks involved?

General DEMPSEY. Congressman, the Chief of Naval Operations and I and the other chiefs, you know, we are looking at this as a Joint Force, what can we do to offset capabilities that, where we thought we would be at one level, we are going to be at a different. He will be in here, I am sure, to talk with you, but he has got what I think is a very good strategy in work, and for example, some of the proposals might be to forward position ships but rotate crews from the CONUS base in order to keep the presence forward.

One of the other emerging insights of our strategy as we wring it out is that the kind of conflicts we expect to face in this century will occur faster than we think. You know, the amount of warning we are likely to have will be very limited. And so we are coming to grips with all of that. But I think the CNO will be able to give you some—not some confidence, give you confidence that he will be able to do the job we have asked him to do at 285 for the foreseeable future.

Mr. VISCLOSKY. I assume he would be able to address more in depth the issue on the ballistic program as well.

Secretary PANETTA. He would.

Mr. VISCLOSKY. Mr. Chairman, gentlemen, thank you very much.

Mr. YOUNG. Thank you, Mr. Visclosky. The Navy will be in for hearings on March the 1st, which is the week after next.

Mr. Frelinghuysen.

IRAN

Mr. FRELINGHUYSEN. Thank you, Mr. Chairman.

Gentlemen, thank you for your service. I would like to sort of go from the general to the specific, and I think General Dempsey was quite emphatic about what a dangerous world we are in, so I would

like to focus for a few minutes on Iran and what is going on over there.

It has obviously been a focus of our attention for years, and a lot of resources have been brought to bear on Iran. The Washington Post opined yesterday, and I will quote from the editorial entitled The U.S.-Israeli Trust Gap on Iran. Quote, Rather than publicly arguing with Israel, they should be more clearly spelling out U.S. willingness to take military action if Iran is discovered taking steps toward bomb making, such as enriching its uranium beyond present levels or expelling U.N. inspectors, saying, and these are The Washington Post's quotes, all options on the table, within quotations, is not enough. The Obama administration should be explicit about Iranian actions that will violate its red lines and what the consequences will be.

It seems there are quite a lot of red lines here, and I think the administration, both on the military side and the State Department side, has been pretty explicit that there are some clear lines here. We are talking about the defense budget, and I think an inordinate amount of focus has been on Iran's potential to do harm. Would you comment on that editorial and where you think we are going here? It is one thing to say we are going to do something, but——

Secretary PANETTA. I think the administration has been very clear on this issue, and the President has stated it. I have stated it. Secretary of State has made this clear as well. We have some common cause here with Israel and with the international community, and all of us share the same concerns: Number one, that we will not allow Iran to develop a nuclear weapon. This is not about just containment. We will not allow Iran to develop a nuclear weapon. Two, we will not allow Iran to close the Straits of Hormuz, and in addition to that, obviously, we have expressed serious concerns to Iran about the spread of violence and the fact that they continue to support terrorism, and they continue to try to undermine other countries.

All of that has been made very clear, and we have stated that Iran needs to take steps to ensure that that does not happen, that they do not develop that kind of nuclear capability, and we have taken actions to deal with that. The international community has now implemented a set of very strong sanctions, diplomatic sanctions, economic sanctions that are having an impact, having a very strong impact in terms of Iran. And the result of that is that Iran is increasingly isolated in the world because the international community has sent a very clear message: We will not tolerate this. You have got to change your ways. You have got to come into the international community. You have got to abide by international laws, rules, and regulations. And we are open, obviously, to negotiations with them to try to find a diplomatic solution to these issues. But we do keep all options on the table in the event that the red lines that I just made very clear are crossed.

Mr. FRELINGHUYSEN. But there has been a general consensus that the Iranians are barreling ahead with developing nuclear capacity. I mean, I think there is a general consensus that they are doing that.

Secretary PANETTA. They are developing.

The intelligence has been very clear on this. You know, they continue to develop their enrichment capabilities, but the intelligence does not show that they have made the decision to proceed with developing a nuclear weapon. That is the red line that would concern us and that would ensure that the international community, hopefully together, would respond.

Mr. FRELINGHUYSEN. Okay, thank you, Mr. Chairman.

Mr. YOUNG. Mr. Kingston.

SEQUESTRATION

Mr. KINGSTON. Mr. Secretary, you have an outstanding resum and have great respect all over this town and all over the world for good reason.

However, we still think of you as one of us. And the Panetta school of public policy was a bipartisan operation, emphasizing public involvement from a bipartisan basis, and I think what the frustration that we have right now in the legislative branch, particularly in the House, is that it would appear that the Pentagon and our friends in the Armed Services feel that we are going to stop sequestration from the legislative branch of government the whole time that the executive branch is sniping at us.

And we all understand it is an election year, and you have got to have that kind of friction and so forth, but when I see, for example, the chairman of the authorizing committee authoring legislation to get the equivalent of sequestration elsewhere, so that the military does not have to suffer from it, it is not—it is a good thing, but it is not as inspirational to me as a good bipartisan effort. And what we do not see as Members of the House, and just speaking as one tiny member in a foxhole, I do not see the administration coming up and saying, we may not have been as active as we could have been during the supercommittee time period in which we could have prevented sequestration. Now that is my point of view, I understand that. Others may have a different point of view. But I do not see it now.

But I do see Members on a bipartisan basis in the House saying we have got to stop this sequestration, and as I said, you know, one Member putting forward legislation about it, but what we need to see is the administration saying, here is an alternative and something besides your budget, because we believe this budget is responsible, but still we have got this sequestration thing, which is a bonding opportunity and an opportunity, perhaps, for the President to call his bipartisan pro-military members down to the White House and say, let's figure out what we can do together, what is some legislation that we could all rally behind? And you, with your background as a guy who could really advocate that, and I do not know if you want to comment or not, but I just wanted to get that off my chest. It is not even my real question, by the way.

Secretary PANETTA. Well, let me just in some way share your frustration.

You know, and I say this not so much as Secretary of Defense but as a former OMB director and former chairman of the Budget Committee, I engaged in every major budget summit during that period of time, going back to the Reagan years. Ronald Reagan sent up his Secretary of Treasury, sent up his key individuals. Jim

Baker was there. We sat around a table in Tom Foley's office and worked through a deficit reduction package that included all of the elements, not only, spending cuts, not only entitlement savings, but revenues, and we were able to get that passed.

When I was chairman of the Budget Committee, I went out to Andrews Air Force Base and spent almost 2 months out there negotiating with the Bush administration, and they sent their key people there. We had Republicans and Democrats working together at Andrews for almost 2 months, and we came up with a package of deficit reduction. It was a significant, almost $500 billion in deficit reduction that, again, included all the elements. And in the proposal that Bill Clinton submitted for his budget, it included $500 billion in deficit reduction and included all of the elements. You are not going to deal—and, frankly, as a result of that, we balanced the budget. We balanced the Federal budget, and we developed a surplus, and I never, in my own history or imagination, believed that we would be back in the same damn hole. And if you want to get out of that hole, you have got to do exactly what history tells us. You have got to sit down on a bipartisan basis and be able to put everything on the table and be able to include that kind of package if you are serious about dealing with deficit reduction.

My concern now, I responded to the law with regards to defense spending and what we need to do to meet the number that Congress said we had to meet, but do not balance this budget on the backs of defense. I do not think you can balance this budget on the backs of discretionary spending. You have got to be able to look at every area if you are going to be serious about getting the deficit reduced.

Mr. KINGSTON. Well, you know, Mr. Secretary, and again your remarkable background and the fact that you have such great respect on a bipartisan basis, it would be, to me, perhaps a solution or if you look at who are the bipartisan, who is a bipartisan committee and who are the bipartisan Members on the Hill, and it really is the defense committee. So many of those other issues involve lightning rod, divisive public policy matters, and yet if the President got people with the relationship of a Bill Young and a Norm Dicks down to the White House and said, let's use sequestration as a way to drive a compromise, and I think we could do it. I think you would find willing Members who could come together. So I just wanted to float that out there.

And I guess I am out of time, Mr. Chairman. Are we going to have a second round?

Mr. YOUNG. We are going to try to have a second round if we can.

Mr. KINGSTON. Well, thank you.

Mr. YOUNG. Thank you, Mr. Kingston.

Mr. Moran.

CIVILIAN WORKFORCE

Mr. MORAN. Secretary, nice to see you.

General, Mr. Hale.

Following up on the last line of inquiry, there is a band-aid bill offered by Chairman McKeon and Senator McCain to delay defense

sequestration for a year. Would you tell me, Mr. Secretary, by what percent your civilian workforce or the number of people have been reduced over the last few years? Maybe Mr. Hale would have those numbers.

Mr. HALE. Well, in this budget, Mr. Moran, they go down about 1 percent, 1 to 2 percent from 2012 to 2013, kind of similar to what the military is going down. In the out years, there is pretty modest decline right now. I think it is an issue we will have to look at again. We are trying hard to make some reductions in contractor workforce, where that is a cost-effective decision, and that is part of the reason there is modest decline, but I do think in the out years, we will have to look at the mix.

Mr. MORAN. I understand, but the bill would reduce Federal civilian employment.

Secretary PANETTA. It would go well beyond that.

Mr. MORAN. I understand one of the problems we have had that has cost us money is that we do not have the Federal civilian acquisition procurement personnel, et cetera, that we need to perform those functions. Would reducing your workforce in accordance with this proposed bill actually save money, or do you think it could possibly jeopardize the mission of the military in important areas?

Secretary PANETTA. I do not think you should detrigger sequester on the backs of our civilian workforce. I mean, I realize that savings could be achieved there, but the civilian workforce does perform a very important role for us in terms of support, and I just think that if we are going to do sequester, we really need to look at all of the areas that, you know, the President suggested and others have suggested in order to try to detrigger not just the defense side of the budget but the domestic side of sequestration.

Mr. MORAN. I understand. A number of my colleagues think that reducing the size of the workforce would be the simplest, best way of finding that money, but two-thirds of the civilian Federal workforce is actually Defense Department, is it not?

Secretary PANETTA. That is right.

Mr. MORAN. So it is conceivable it could be counterproductive.

Secretary PANETTA. Yes.

IRAQ AND IRAN

Mr. MORAN. Thank you.

In looking at the Iraq war, and of course, we have been discussing Iran, you mentioned Iran as the most serious concern in the Middle East and why we need to shift some of our forces to deal with that threat. Looking back at the Iraq war, Mr. Secretary, do you think that that has proved to strengthen or weaken Iran's posture in the Middle East?

Secretary PANETTA. You know, the whole mission in Iraq, whether people agreed or disagreed with the policy there, the whole mission was to establish an Iraq that could govern and secure itself. That was the whole point. You know, in the end, obviously, they have developed democratic institutions. They have established, you know, an approach that does try to govern the country and to try to secure it on the secure side. Frankly, the level of violence has been relatively down for a period of time.

On the governing side, frankly, it is not as smooth as we would like it, but then again, they do not have a long history of democratic institutions, but they are working at it. So I guess I am not pessimistic that they aren't going to be able to stand up and to assert authority over it, and understand that some think that Iran is always going to be a problem there. Iran will always try to exert influence, but the one thing I have learned in the time that I have been in Iraq is that I do not think Maliki or anybody else that serves in the government is interested in having Iran dominate or try to influence what happens in Iraq. They are nationalistic, and they want to assert their own authority.

Mr. MORAN. I understand that, but you also understand that the Shi'a influence within Iraq is dominant, and of course, many of the current leadership have gotten their training and have their alliances in Iran.

We have seen the bombs in Thailand, Georgia, India, some of them thwarted, other assassination attempts have gone further. Could we possibly be seeing a proxy war between the West and Iran that is engaged beyond the Middle East? What are your concerns in that regard?

Secretary PANETTA. Well, you know, we have always had concerns about Iran exporting violence, and as you pointed out, there was a situation in Iraq where we knew that they were supplying some of the Shi'a extremist groups, and that concerned us. We know that Iran, through the IRGC, tries to export violence in other parts of the world and tries to work with individuals that would try to undermine the stability of other nations. And that concerns us, and I think, you know, what the message we have made clear to Iran is that this is not tolerable behavior. And if they want to be part of the international community, then they have to abide by international law and international rules. And right now, they are not doing that.

AFGHANISTAN WITHDRAWAL

Mr. MORAN. Thank you, Mr. Secretary.

I do wonder what you expect to have to sacrifice in terms of our expedited withdrawal from Afghanistan. If you can answer that very quickly in deference to my colleagues, great. Otherwise, you might wants to elaborate in a subsequent question.

Secretary PANETTA. The question?

Mr. MORAN. What are we going to sacrifice in terms of our expedited withdrawal from Afghanistan? There are going to be areas where we are just going to have to give up in terms of completing our mission there.

Secretary PANETTA. No. Right now, frankly our approach that we have worked through following on the Lisbon commitment and that ISAF has all agreed to is that we will transition these areas on a gradual basis. We have already made two tranches in terms of the transition. We have just completed the second tranche. Once we complete that, we will have over 50 percent of the Afghan population under Afghan governance and control. The Afghan army is much more effective operationally. They are much better at doing the job that they have to do, and as General Allen said, you know, as we make this transition, we have got to be assured that they

have the capability to provide security. So our goal is to continue that transition. We have made good progress in 2011. We will continue that progress in 2012. We make the last transitions to Afghan control in 2013, at which time we think the Afghan army will be capable of providing the lead on combat operations. We will still be there. We will still provide support. The President has made clear that we will have an enduring presence beyond 2014 in Afghanistan to support some key missions there. So we are not going anywhere. We are going to be there to support this.

Mr. MORAN. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

SECURITY FORCES PARTNERSHIPS

Mr. YOUNG. Mr. Secretary, the issue that really concerns me on this subject of Iran, I am sure you have seen this because I know that you visit the military hospitals on a regular basis. I see kids out there, not kids anymore once they have been where they have been, who have been hurt by people who were supposedly on their side, who have been hurt by members of the Afghan security forces or the Afghan army. How can we be sure that once we depart and turn over the security of the nation to that kind of an organization, how do we know they are not going to turn on us or turn on their own country, turn on their own governance? We see them turning on our kids right now, and that to me is a real disaster.

General DEMPSEY. I will take a stab at that one, Chairman.

Since May of 2007, 47 instances. Less than 10 of them were actually committed by individuals who had either infiltrated or who had been self-radicalized; the others were all issues of culture, tribe, personal issues and animosities that were developed. What we find, frankly, is that the closer we partner with them, are in bed with them, the less likely it is that they will turn on you. That is not counting the ones that have infiltrated, but that actually is less than 20 percent of the cases. We have an eight-step vetting model that only went into existence in about 2009, you know, that is beginning to bear fruit, but we have got some catch-up to do, and we are training them in counterintelligence and also working with their government to embed, fundamentally embed counterintelligence agents throughout their system to try to determine, the same thing we do in our own system, by the way.

So what I would suggest to you is that this is a problem, a big problem, but we think we have got a way ahead. We also think that as we move away from a model where we are just partnering side by side with them and embed more fully with them, we think this action will improve the situation.

You might say why haven't you done that in the past? There is some evolution here, and I did this in Iraq, as you know, I built the Iraqi security forces. You start out with partnering with them, and then you build the institution, you know, you build the ministries, you build the architectures, training architectures, education architectures, logistic architectures, and then as they mature to the point where you can, you embed with them, and you run missions with them in the lead and you in support. We are just there now, but it has taken years to get here.

Mr. YOUNG. General, thank you very much, and I certainly wish you the best of luck because I have some personal suspicions about some of those people.

Anyway, Ms. Granger.

NATIONAL GUARD AND RESERVE

Ms. GRANGER. Thank you very much. Secretary Panetta and General Dempsey, I want to thank you, and we all do for the very strong, clear message you gave about sequester. We—you can see we are very sympathetic up here. But there are Members of Congress that are saying this is what is going to happen, and for you to be able to say, this is the seriousness of it, this is what the costs will be to our national security is just extremely important, so thank you for that.

I have an issue, and then a short question. The issue that I would just like, Secretary Panetta, you to be aware of, you made a statement that I certainly agree with, and that is that we need to maintain a strong Guard and Reserve, which is one of the reasons I want to bring this to your attention because the Air Force has a plan to move C-130s out of Texas, and I am concerned that that plan is not a good plan for the taxpayers. It is not a good plan for the warfighter. The squadrons were the first to respond after Katrina, and it is essential for the Gulf Coast disaster response efforts. The plan is to move that out of Texas to Montana, without trained pilots, so there will be a time when it will be a poor use of taxpayer dollars but also will leave an essential capability during the training time.

My concern about it is history of the Air Force not doing the cost-benefit analysis, that they haven't looked at the costs repeatedly. I just recently received a GAO study that I requested, and once again, it confirmed the Air Force was not doing their due diligence, so I would really appreciate you looking into that and see if it really will be cost-effective.

[The information follows:]

Thank you, Congresswoman Granger, for your question. The transfer of eight C–130s from Carswell, TX is a decision based on mission leveling within the Air National Guard. It better postures total force lift capabilities within the United States and fills an existing requirement for lift in the Northwest, specifically FEMA Region 10. Great Falls currently flies F–15C aircraft. The Air Force had programmed military construction and maintenance and operations training to convert the unit from operating F–15Cs to C–27J aircraft. The funding for these conversion costs will be applied to converting the same unit to operate C–130s. Most of the C–130 conversion costs at Great Falls are offset by the reduction of C–27J aircraft at Great Falls, MT.

While cost savings are part of the decision-making process, the most important factor is the Air Force's ability to provide the capabilities required by the Defense Strategic Guidance, "Sustaining US Global Leadership: Priorities for 21st Century Defense." This new strategy directs the Services to build a leaner, more flexible, and technologically advanced force. As a result, the Air Force is rebalancing its Total Force to match the capability and capacity requirements of the new guidance. The proposed Reserve Component force structure reductions were determined using a deliberate and collaborative process, leveraging careful analytical review of warfighting scenarios that are consistent with the new strategic guidance. Two decades of military end strength and force structure reductions in the Air Force's active duty component have changed the active and reserve component mix, and achieving the appropriate active and reserve component mix is critical to sustaining Air Force capabilities for forward presence and rapid response, as well as meeting high rate rotational demands with a smaller force.

EGYPT

My question, General Dempsey, has to do with some statements that you made. It is the situation in Egypt having to do with our NGOs that are there now going on to I think 6 weeks. We all know that it is a really very serious situation. The Congress is very aware of it, and Ambassador Patterson has been very active, and we have talked almost daily about this situation. My question has to do with defunding the military funding for Egypt, and I understand that you made some statements about what the impact would be of cutting off our aid, our military aid to Egypt, which is growing, something that in the Congress has been talked about more. Could you address that?

General DEMPSEY. Thank you, Congresswoman. We have a history of when we use funding to separate ourselves from prior partners, nothing good comes of it because what essentially we do is we fence ourselves off from the next generation. I mean, to the extent that the SCAF has acted responsibly, and we could certainly debate which areas have been more responsible than others, but to the extent that they have, I would like to believe it is partly because they have been partnered with us, coming to our schools, exchanging with us for 30 years, and I actually believe that.

Cutting off aid, and therefore cutting ourselves off from them, means that the next generation won't have that benefit, and I do not know where that takes us, to tell you the truth. So I am always reluctant to come to some stark conclusion about cutting aid. I am sure there are other ways to do it. I leave that to you. I hope you would take us in your advisement, but conditioning certain things. There have to be some consequences for the choices they have made, I fully agree with that. But we do have a very close partnership with them. We have—they grant us great overflight rights. They grant us priority passage through the Suez Canal. I mean, we get things for our aid that truly we need, and before we simply cut it off because of this issue, I would certainly like to examine those.

That said, I was over there 10 days ago, and I made it extraordinarily clear that this situation must be resolved. So I think we just have to work together to figure out the right path.

Ms. GRANGER. Good, and I appreciate your making that clear. There were many articles written that we were threatening to cut off aid when what we are doing is explaining that in some of the aid, it is the law, and so we were trying to explain what our law was. So thank you very much for your attention to that.

Mr. YOUNG. On that subject, when President Mubarak was in charge of Egypt, he basically was a blocker for anyone attempting to attack Israel. The relationship between Mubarak and the Israelis might not have been very friendly, but at least it worked. What do you see the new regime in Egypt, will they be protective of Israel the same as the Mubarak era did?

General DEMPSEY. To be determined, to tell you the truth, chairman. I mean, we have had conversations about that with them.

I will say that in a fascinating way, the mil-to-mil relationship between Israel and Egypt is probably as strong as I have ever seen it in the, let's say, 20 years when I have been involved with it. So it is building on a strong foundation, but when I say to be deter-

mined, I think we have to see where the—you know, they have elected both houses now. They are getting ready to craft a constitution and elect a president, and we will see where the civil government takes them.

Mr. YOUNG. Thank you, sir.

Mr. Crenshaw.

AIRCRAFT CARRIER HOMEPORTING

Mr. CRENSHAW. Thank you, Mr. Chairman, and welcome to you all.

I think we all look forward to working together to not only meet some of these tough budget choices but also to understand what kind of impact it is going to have on our military today as well as our national security in the future, and so I wanted to start by just bringing up something I have been working on for sometime now, and that has to do with the strategic dispersal of our nuclear aircraft carriers. Members of the subcommittee have heard me talk about this from time to time, but as you all know, when we went to an all-nuclear fleet of carriers, then we went on the East Coast from having two home ports to just one home port, and so the Navy did a study for 2 and a half years, concluded that it was a strategic imperative to have two home ports on the East Coast because we have three on the West Coast. And I think, Mr. Secretary, it was your predecessor who said it has never been acceptable to have a single home port on the West Coast, and it certainly should not be acceptable to have only one on the East Coast.

So the Navy began the process to create a second home port for a nuclear carrier, but this budget does not have any money. It kind of has zero money to continue that strategic imperative. So I think that is really more of a question for Secretary Mabus and the CNO, but I wanted to bring it up because I think it is symbolic of a decision that I think all of us have certainly in the back of our mind because when we look at the budget, we cannot help but ask the question, are we making these decisions based on strategic needs, or are we trying to find the easiest way to save some money?

And that is very important. You heard Chairman Young say, I do not think we ever ought to make decisions about national security based on politics or budgetary constraints. So I wanted to make that point.

STRATEGIC GUIDANCE DEVELOPMENT

But before I ask a question about where we spend money or where we do not spend money, this is something I would like to ask you, Mr. Secretary. When I read about the new strategic guidance, you know, there are several fancy words about aggression and things. When I look back at the QDR we did a couple years ago, it kind of reinforces the simple statement that we ought to be able, among other things, we ought to be able to fight, I think it said, two wars at one time or defeat two nations or nonstate aggressors at one time. When you talk about strategic guidance, you defeat a major adversary, you stop aggression, and my kids always used to ask me when I would say something that I did not quite think they would understand, they would say, dad, would you unwrap that for me.

So just talk about, you know, how your Department came to this new strategic guidance, what that means in real world terms about how we would deal with some of the situations we are dealing now, and then maybe most importantly, are you convinced that everything in this budget that we are—there are some things you have got to have in terms of assets, in terms of platforms, in terms of people, and does this budget really make sure that we have those assets as we go forward?

Secretary PANETTA. I am going to ask Marty Dempsey to comment on that as well because, we relied a great deal on our military chiefs to give us guidance with regards to this key issue. From the very beginning, when we sat down, particularly with the combatant commanders, we said, you know, we have got to have the capability of confronting more than one adversary at a time, and in many ways, that has always been the key. I know there has been talk about two land wars. The fact is, we had two land wars in these last 10 years, but in order to do that, we had to mobilize. We really did not have the capacity, even though it may have been in the QDB and all the other things that they have for planning. The reality was, when it came to it, we had to mobilize additional forces in order to be able to do that.

And so our approach was, okay, let's assume we have to confront more than one adversary at a time. The more likely scenario is you are fighting a land war in Korea, and as I said, the Straits of Hormuz suddenly get closed by Iran, tries to take advantage of it. Do we have the capability to be able to address that kind of crisis and make sure we have got a sufficient force able to deal with it, to deter it, and to make sure that we can defeat that adversary as well? The military said we have got the capability to do that. We have got the air power. We have got the Naval power located in the right places to be able to confront that situation. Can we address other challenges that might come up at the same time?

And the key there is to recognize that we are in the 21st century, and we are going to be dealing with the kind of asymmetric kind of attacks that are going to be a lot different than what we have seen in the past. Our ability to use cyber, our ability to use space, our ability to use precision weaponry, all of that, those kind of new capabilities is going to give us the kind of advantage we need to have.

In many ways, what I have said is we need to leap ahead of our adversaries. For example, you know, China is developing obviously and adding more to their military. We have to have the capability not just simply to match them; we need to have the capability to leap ahead, to be able to have the kind of technology we need in order to deal with that, and that is where we put our investments.

General DEMPSEY. The only thing I would add, Mr. Secretary, and Congressman, is that, you know, when we unwrapped the QDR and looked at some of the accounting rules that accrue from strategy, so we say we have to fight two conflicts, and we kind of name them, and then we look at accounting rules. There was a tyranny of language actually, which your children would probably appreciate, and the tyranny of language was that, you know, we say we have got to be able to do something in Korea that is going to last X number of days, we need this much ammunition, and therefore

you need this many trucks. And the next thing you know you have got this incredibly large, cumbersome structure that is not as agile as what the Secretary has challenged us to find or to be.

And so as we have unwrapped the two-war strategy, what I will tell you is it was never all that it said it was, to be honest, and I was part of it, so I mean it is a self-indictment. But the other thing about it was, in this century, it is actually quite imprecise because the other insight that I shared earlier about this strategic seminar series that I am running with the chiefs and combatant commanders is that if we are doing anything or two places, there is going to be a third, and that is the homeland, and we have to account for the structure required to stay here in the homeland for consequence management, relief, protection, and all of that. So it never was a two-war strategy. It really was always at three. And so what we have actually tried to do is now talk to ourselves about how to take the resources available, change the way we apply them to achieve the same ends, and we think—not we think, we know we can do that, and we are continuing to work toward that end.

Mr. CRENSHAW. Thank you very much.

Thank you, Mr. Chairman.

Mr. YOUNG. Ms. Kaptur.

CARE OF VETERANS

Ms. KAPTUR. Thank you, Mr. Chairman.

Welcome. Welcome, gentlemen, great to have you here today.

There are several topics I cannot get into in detail, but I just wanted to tick them off. In none of your formal testimony this morning did you mention the imperative of energy independence for our country, and I would hope that in additional documents you can submit to the committee, you can address how the Department views that strategic issue and what you are doing to meet it and to help us restore energy independence as a country, both in your own operations and in the research you support.

[The information follows:]

The Department of Defense (DoD) submits a section of the Quadrennial Defense Review; the Department of Defense Operational Energy Strategy and corresponding Implementation Plan for the record.

The Quadrennial Defense Review is a legislatively mandated review of DoD strategy and priorities. The Quadrennial Defense Review sets a long-term course for DoD as it assesses the threats and challenges that the Nation faces and re-balances the Department of Defense's DoD strategies, capabilities, and forces to address today's conflicts and tomorrow's threats. The attached section of the Quadrennial Defense Review describes the Department's energy security mission.

Operational Energy accounts for 75 percent of all energy use by the Department of Defense. The Operational Energy Strategy (attached) sets the overall direction for operational energy security for the Office of the Secretary of Defense, Combatant Commands, Defense Agencies, and Military Departments/Services, pursuant to 10 U.S.C. § 138c.

The Department of Defense Operational Energy Strategy Implementation Plan (attached) establishes specific targets and timelines for the Operational Energy Strategy. Together, the Strategy and the Implementation Plan provide a roadmap for the Department to meet the Strategy's goal of energy security for the Warfighter through three principal means: demand reduction, supply expansion, and building energy security into the future force.

Number two, I cannot, I do not have time to ask questions about the security contractors in Afghanistan and how you intend to prevent corruption. I have a great interest in that.

Thirdly, in the area of sexual assault, are you implementing the recommendations of the GAO report that we assume DoD is doing, but if you could give us a report on that?

[The information follows:]

Since 2008, the GAO has conducted a number of reviews to help inform congressional deliberations on issues related to sexual assault in the military.[1] The work has resulted in a total of 25 recommendations on various aspects of the SAPR program. DoD has since begun or completed action on each of these recommendations. To date, DoD has fully implemented 13 recommendations and has partially implemented the remaining 12 recommendations, of which GAO continues to monitor. The breakdown of the remaining 12 is as follows:

1. Six of the partially implemented recommendations pertain to the development and implementation of the Defense Sexual Assault Incident Database (DSAID).

a. As DoD detailed in its February biannual status report to the Committees on Armed Services of the U.S. Senate and House of Representatives, the Department has continued efforts to bring DSAID to operational status, in accordance with the integrated master schedule, while collaborating with the developer and the Military Services through the full System Development Lifecycle, in accordance with industry best practices and GAO expectations.

b. The Department intends for DSAID to be fully operational by the end of August 2012. DSAID will adhere to key standard information technology practices as prescribed by the GAO.

2. Three recommendations direct the DoD Inspector General, in conjunction with the military services, to provide oversight of the services' criminal investigative organizations. The Department concurred with these recommendations and is taking actions to address by:

a. drafting a sexual assault investigations policy that would be applicable to the services' military criminal investigative organizations and coordinating the expertise and resources of the services' criminal investigative organizations, and

b. evaluating the military criminal investigative organizations' sexual assault investigation training.

3. The remaining three partially implemented recommendations pertaining to performance measures and evaluating program positions are ongoing within the Department.

And finally, any convergence you see between the space missions of DoD and NASA? I am very interested in convergence and ways we can save money. Obviously, with the budget mandates on us, and there is not time to talk about it this morning, but I wanted to mention those four areas.

[The information follows:]

Yes, the Department sees opportunities to collaborate with NASA in developing and employing common space launch services. First, NASA acquires some of their launch services from the United Launch Alliance (ULA), currently the primary space launch provider for DoD. Although NASA contracts directly with ULA and does not use the Air Force contract, our combined acquisitions maintain a viable industrial market. Second, we collaborate with NASA to develop new rocket propulsion technologies under the Integrated High Payoff Rocket Propulsion Technology (IHPRPT) program. The Air Force Research Laboratory executes the IHPRPT effort. Finally, we are seeking additional opportunities to collaborate with NASA on space launch, as demonstrated by a coordinated strategy signed in October 2011 between the Air Force, the National Reconnaissance Office, and NASA on new entrant criteria for launch providers.

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[1] See GAO, Military Personnel: The DOD and Coast Guard Academies Have Taken Steps to Address Incidents of Sexual Harassment and Assault, but Greater Federal Oversight Is Needed, GA0–08–296 (Washington, D.C.: Jan. 17, 2008); Military Personnel: DOD's and the Coast Guard's Sexual Assault Prevention and Response Programs Face Implementation and Oversight Challenges, GA0–08–924 (Washington, D.C.: Aug. 29, 2008); Military Personnel: Additional Actions Are Needed to Strengthen DOD's and the Coast Guard's Sexual Assault Prevention and Response Programs, GA0–10–215 (Washington, D.C.: Feb. 3, 2010); and Military Justice: Oversight and Better Collaboration Needed for Sexual Assault Investigations and Adjudications, GA0–11–579 (Washington, D.C.: June 22, 2011).

In terms of questioning, I would like to thank you for your dedication both to our missions abroad as well as the homeland, General, I was very happy you talked about that. In some parts of the homeland, economic stress is quite significant, even now with unemployment going down. And I wanted to ask you if there was a way in your planning, you could look carefully at parts of the country where recruitment and retention have been phenomenal. I would put Ohio at the top of the list. However, we have 52,000 returning veterans who have no work. I am wondering if there is a way, as you look at defense assets, to take a look at the parts of the country that are obviously very patriotic and have contributed much to ongoing operations and what you might do in your own internal decisionmaking to help them. How can that be done, number one?

We know that there was a lot of equipment, computers, kitchen equipment, blankets, and so forth left in Iraq, and some of it maybe even having been looted. Is there any possible way you can look at your excess materiel and get it to places that are trying to take care of homeless veterans, keep our feeding kitchens stocked, try to help libraries that are operating on a shoestring get additional computers. Perhaps there is a way that the geniuses at Defense can take a look at this country, overlay where the unemployment remains, high levels of unemployed veterans, and think of a way to connect some of your underutilized assets to these places.

Also, as you return goods to the United States, consider using the Saint Lawrence Seaway, ports of call include places like Buffalo and Cleveland and Toledo and Detroit. The President mentioned Cleveland, Toledo, and Detroit in his State of the Union, it is pretty clear he understands what the people there are enduring. So I would just ask for some attention there if you could possibly do it.

In terms of forward planning, it is amazing that places that send soldiers to die in the Marine Corps who have terrible missions in terms of guarding convoys of trucks taking gasoline to the front lines, who are in combat engineering units, medics, and so forth, that those parts of the country that have high rates of recruitment and retention really do not have major defense bases, that they are in need of some additional attention. So as you look at missions, it is amazing to me to live in the Washington area half my life here and see that certain accounting offices, they are fighting about too much traffic as they create 9,000 more jobs in a place that does not have unemployment, and I am thinking, give it to us. What is the matter at DoD? Do they not look at this? A strategic location around the country. So I just wanted to make you aware.

## DEFENSE INDUSTRIAL BASE

Finally, my question is, on the defense industrial base, Secretary Panetta, Acting Under Secretary Kendall has been quoted as saying the Department is preparing to intervene to assist failing defense companies to maintain critical industrial base capabilities. In the Midwest, Machine Tool, Advance Machine Tool, many of these companies are at the edge because of the economy. When Secretary Kendall talks about intervening to assist failing companies, what type of intervention might he be envisioning that the Department

would be undertaking to help us retain critical portions of the industrial base of this country?

Secretary PANETTA. Thank you very much for that. You have obviously touched on a number of areas. Let me just respond to the last one you mentioned and one other.

On the industrial base, I am very committed to making sure that we maintain the industrial base, the skills, the capabilities that we have because, frankly, we cannot mobilize, we cannot do the kind of surge that we have to do unless we have that base in place.

You know, somebody told me, I think during World War II, as we got into World War II, with regards to shipbuilding, we were the biggest shipbuilders in the world at that point. So we had a lot of shipbuilding capability. We are down to eight now. I think it is eight, right? We have got about eight. And there is always the danger that we may lose that. And most of them are there because they are obviously working on defense ships. I have got to maintain that base if we are going to mobilize in the future. If we face the kind of crisis that requires us to do that, I have got to be able to maintain those shipyards, those skills, those capabilities, and at the same time maintain the industrial base that we have in the Midwest and elsewhere in order to be able to develop the vehicles, the MRAPS, all the other things that we are going to need.

So the way I have asked our people to look at this is how, what can we do to try to, A, assist them by making sure that we are giving them pieces of these contracts so that they can stay busy, so that they can work on the issues that we care about, that we can be helpful and try to make sure that I know, for example, there was one, we were dealing with a plane issue, a bomber issue, and the question was, okay, I think we decided against developing a particular bomber at some point before I got there, but the key was, how can we keep those capabilities in place in the industry. And so what we did is we issued a contract to try to make sure that they would help us develop the next bomber, to keep their capabilities in place, to keep the people who do the design work, who has the knowledge of it, to keep them working. That is the kind of approach that I think we have got to emphasize for the future in order to maintain that.

The other thing I wanted to mention is with regards to the concern you have on people coming back, that is a big concern of mine. We are going to be taking down the force over these next 5 years by over 100,000 people. That means each year, we could be bringing back anywhere from 12,000 to 15,000. In many ways, the system right now is clogged and not doing a very good job at it. I want to make sure that we provide the support structure to try to take these men and women as they return, make clear to them what are the educational opportunities that are available to them, what are the jobs that may be available to them. The private sector is now putting up, you know, has really done a remarkable job at trying to tee up a whole job Web site with regards to veterans returning. In addition to that, what can we do to try to help them start businesses, start small businesses and give them the assistance to do that. How can we improve medical screening so that we have better relationship between the Veterans Administration and the DoD? What kind of GI benefits can we provide? What are we doing to

help military spouses so that they have some opportunities as well and that the families are protected? The services do have some of this in place, but frankly, we just need to do a much better job at bringing these kinds of services together because we are going to face a huge return, and we have got to make sure that they are not going to just wind up on the unemployment rolls.

Ms. KAPTUR. I want to thank the Secretary for his sensitivity to this and also just mention that in terms of the defense industrial base, strategic metals is an area that we focused on in northern Ohio because of our machine tool capabilities, and the last beryllium plant in America took us almost 15 years to transition to save it, the last one, and we have got the issues of titanium, magnesium, all of the ums, aluminum, the Department really needs to focus on strategic metals and this machine tool industry because it is very, very fragile. With the automotive industry recovering a bit, it is coming back, but somebody there ought to actually have a list of critical industries. I am sure that exists in somebody's drawer. The need for us to meet the demands in these areas and to make sure that that capability exists in this country is huge. And a lot of the subcontractors, I will just tell you, when they get the big primes and they give it to subcontractors, and they subcontract out a lot of this, the primes do not follow that. And so things can end up going abroad, and we do not even know it. And it is hard to catch up to it once it is gone, so I just wanted to put that on your horizon also.

As you look at shipbuilding, please look at the Great Lakes. Again, the Saint Lawrence Seaway is an underdeveloped asset, purposely built too small. Eisenhower knew it was the fourth seacoast; did anybody else remember it after he did that? We just mention that as you look at departmental responsibilities, and I thank you so very much for your replies.

Mr. YOUNG. Ms. Kaptur, thank you very much.

Mr. Calvert.

EUROPEAN ALLIES

Mr. CALVERT. Thank you, Mr. Chairman.

I have a couple of issues, but I have a question for the record, and regarding defense acquisition. I used to think California water policy was complicated, and I got on to defense acquisition, so I will submit that for the record.

During the testimony, one thing that was of concern to me, as we reshape the force and shifting responsibilities in Europe to our allies, NATO, and I think one thing that was exposed in Libya that there is some cracks there, the capabilities that they do not have, and I think without the United States' assistance, that the outcome may very well have been different. And as the economies in Europe obviously are having difficulties. And it will maybe get worse before it gets better, are they going to be able to step up and meet those responsibilities? Obviously, Italy, others have written, you know, we are all tied together on this F-35 contract, their force structure. I read where they are having their own problems, and I worry that they are not going to be able to meet the challenges. And obviously, with a rising Russia, that is a challenge.

And then another comment, South America, since that was not brought up. We may have a failed state in Honduras, the murder capital of the world now. Guatemala is a close second. God knows it is not much better than Mexico. We have got problems in Bolivia and Venezuela; that is right next door. So I just thought I would let you comment on those things.

Secretary PANETTA. Thank you very much.

Good issues.

On the first one, with regards to Europe, we are taking down two brigades in Europe, and frankly, those two brigades were not even—I mean, we have got four brigades in Europe. Those two were not even in Europe. They were basically fighting wars in Iraq and Afghanistan. And what we are going to do as we bring them back is we are starting a third brigade that will have battalions that will rotate in and out of Europe and do exercises and training and have a rotational presence there so that in the end, we are going to have about 40,000 troops that will be there, still a large presence that we will have in Europe. So we are by no means in any way backing away from our relationship to NATO.

In addition to that, we are providing the investment on the AGS, the Global Hawk. That NATO ministerial I was just at agreed to, after 15 years of battle on this thing, finally agreed to go ahead with that and purchase that ISR capability. And we are going to help support that, as will the other nations.

In addition, we will—you know, we are going to continue to have, as I said, this kind of continuing rotational presence and doing exercises with them. You are absolutely right, one of the things I urged NATO to do is that they have to develop and Secretary General Rasmussen has made this year, they have got to develop smart defense. They have got to develop the capabilities that they need, and NATO, as you know, and you pointed out, in the NATO mission, we provided most of the air tanker support. We provided most of the ISR. We did a lot of the backup. NATO, which is very effective, and they proved themselves to be effective, they have got to develop these capabilities. Now, that means to invest in that. And you are right; they are going through the same kind of budget constrictions or worse in many cases that are impacting on the defense budgets, but one of the things we have said to them is, you cannot back away from your responsibilities to NATO. You have got to continue to dedicate a good portion of your defense budget to supporting NATO and making sure that we do not back away from the broad capabilities we need in the event NATO has to deploy. NATO has become more than just protecting Europe. NATO has become, in many ways, an international force to deal with crises throughout the world. They are in Afghanistan. They dealt with Libya, and even beyond that, we have developed other partners in the Arab community that now join with NATO in being able to accomplish that mission.

Secretary PANETTA. I think that that is a very effective way to try to develop the kind of alliances and partnerships we need for the future, but to make it work they have got to put their money where their mouth is.

General DEMPSEY. I will just tell you on NATO service that any aggregate, you know, their budget collectively is about $300 billion,

so that is not an insignificant sum. But I mean, I do share the Secretary's concerns that they have to keep investing in defense and that this thing called "smart defense" doesn't become an excuse for, you know, for trying to do more with less and less and less. But they are, if we go someplace to fight tomorrow, we are going to ask our NATO partners first to join us, and that will always be the case.

On Mexico, Central America, South America, we have strong mil to mil. The issues you talk about are really transnational criminal organizations, and we do what we can within DOD equities and authorities to support them, but other agencies and government tend to be the lead in issues of criminality.

Mr. YOUNG. Thank you, Mr. Calvert. Mr. Rothman.

SPECIAL OPERATIONS DEPLOYMENTS

Mr. ROTHMAN. Thank you, Mr. Chairman, Mr. Secretary, General, Mr. Hale. It is remarkable to me how we just transition from one extraordinary Secretary of Defense and one extraordinary head of the Joint Chiefs to another extraordinary Secretary of Defense and another extraordinary head of our Joint Chiefs. We are a blessed country in many ways, with lots of resources and it is clear, a deep bench of brilliant, very, very experienced and tough smart people. So thank you for your service. Thank you for being here.

A couple of distinct questions, I will hope to get them both in. There was an article that appeared in the New York Times just a couple of days ago, "Admiral Seeks Freer Hand in Deployment of Elite Forces." The distinguished Admiral McRaven, who leads the Special Operations Command, was said to be pushing for greater autonomy in positioning his forces around the globe at his direction. That is what the article said, anyway, and there was no comment yet from the White House or State Department, and no decisions have been made with regard to this rumored request in the story. And I wonder if you had a comment about that.

And then I wanted to ask you another question, distinct, with regard to U.S.-Israel and military intelligence cooperation. Last year about this time, in March of 2011, I had the pleasure and the opportunity to ask Secretary Gates and Admiral Mullen about the status of U.S.-Israel military and intel relations, and they said it was at the highest level it had been in their entire military and intelligence careers. I think you have reiterated that as well today.

My question is, does Iran know that? Does Iran have any doubt about the closeness between the mil and intelligence cooperation between the United States and Israel? And also, would you agree with what Secretary Gates said last year and Admiral Mullen last year, that the U.S.-Israel relationship is not—is beneficial and essential to the national security interests of the United States as well as to Israel.

General DEMPSEY. So, I will take the Special Operations Command. We have got the world organized into, for our military purposes, into five geographic combatant commands: NORTHCOM, SOUTHCOM, PACOM, CENTCOM, EUCOM. And then we have got functional commands: TRANSCOM, STRATCOM, SOCOM, CYBERCOM.

What Admiral McRaven is doing is proposing that he would become—he would have the ability to maneuver forces across geographic combatant command lines to keep up with an agile enemy. However, it is important to note, nobody commits forces in this Nation into conflict of any kind, of any size, without the Secretary of Defense's approval and ultimately the President's approval.

Mr. ROTHMAN. Good.

General DEMPSEY. So this is an issue—yes, I am sure you would approve of that.

Mr. DICKS. What if it isn't a conflict?

General DEMPSEY. Sorry?

Mr. DICKS. What if it isn't a conflict?

General DEMPSEY. Well, if they want to go to a training mission in Mali, right now the AFRICOM commander has that authority delegated to him. What Bill McRaven is suggesting is maybe SOCOM should. But this is a proposal that comes to me and then eventually to the Secretary in a process called the Unified Command Plan.

And I don't know where the story came from, frankly, but that is normally the case. But I assure you, we are not doing anything—there was a hint of this, that SOCOM would kind of be running amok, getting us, dragging us into issues where we wouldn't have civil authority.

Mr. ROTHMAN. By the way, I have enormous regard for the work that SOCOM has done.

General DEMPSEY. Yes, they are terrific.

Mr. ROTHMAN. Yes, they are amazing. And it is not a reflection on that, it is about civilian control, ultimately, and the right decisionmakers making the judgment calls.

General DEMPSEY. It is there. It is there, believe me.

Mr. DICKS. Would you just yield for a second?

Mr. ROTHMAN. Of course.

Mr. DICKS. I thought Admiral McRaven in the article said that he wasn't going to be doing this without consulting, with the CINC, I guess, the combatant command, or the Ambassador of the country.

General DEMPSEY. Right, right.

Mr. DICKS. You know, you can't have this situation where people are going out there and the Ambassador doesn't know and CENTCOM doesn't know.

Secretary PANETTA. Absolutely, absolutely.

Mr. DICKS. I mean, General Brown used to say, when he was the head of—you know, I can go anywhere, I can do anything. I said, you better let somebody know where you are going, okay, or you are going to get in a lot of trouble.

General DEMPSEY. I assure you that we don't bring a single soldier, let alone an organization, into a country without the Ambassador's approval and the approval of the Secretary of Defense. So this is, honest to God, this is a nonissue and a story that was badly interpreted.

Secretary PANETTA. I mean, as an Italian, I am a control freak. I don't like anybody doing anything like that without running it by me.

But on this issue, as he has pointed out, this was in the discussion phase, and what we are looking at is, you know, various suggestions as to how best to deploy them in an effective way.

U.S.-ISRAEL INTELLIGENCE

On the issue of Israel, I can assure you that we view the relationship with Israel as an essential relationship; essential to their security, essential to our security, and essential to the security of that region. And for that reason, we have provided I think more military assistance to Israel than in the past.

Mr. ROTHMAN. Mr. Secretary, my big question was, does Iran know that there is no room between the two—there are disagreements among friends at all levels, as well as nations, but do they—the President used the word "prevent," and you have used the word, that the United States will "prevent" Iran from acquiring nuclear weapons capability. And I think the President and you have shown that what you say you mean, and you will put into effect. Does Iran understand that you have used the word "prevent" and that you mean it?

Secretary PANETTA. You know, it is a little tough to tell what Iran thinks these days because of the, you know, the governance situation there, and who in fact speaks for the Iranian Government. But all we can do is make clear what the message is. We have made that clear, not only publicly but through private channels as well.

Mr. ROTHMAN. And by the way, I don't seek a rush to war.

Secretary PANETTA. No, I understand.

Mr. ROTHMAN. If the sanctions are abiding and diplomacy—there may be a window for diplomacy now. But as you have said, and the President, that if all other options fail, force is on the table, and we will prevent that.

Secretary PANETTA. That is correct. All options are on the table. And I would also add on the intelligence side that there is a very close relationship that continues on the intelligence side. When I was director of the CIA, we maintained that kind of very close relationship, and that is continuing under General Petraeus.

Mr. ROTHMAN. Thank you, gentlemen.

Mr. YOUNG. Mr. Cole.

STRATEGIC RISK AND ACQUISITION REFORM

Mr. COLE. Thank you, Mr. Chairman, and thank you, gentlemen. I can't resist a quick contribution to the Kingston-Panetta dialogue. It is on; is it working now?

Mr. YOUNG. Raise your voice like you do when you get angry.

Mr. COLE. I never get angry in this committee, Mr. Chairman. There we go. Okay, thank you.

I can't resist sort of joining just a brief observation on the dialogue that you two had, because I think it is important when it really overhangs everything that we are talking about today. And I think you have given us a very, very serious budget. This is actually a terrific budget. It is clearly well-thought-through, and we may have our differences here or there, but the reality is it is serious.

I am not sure that is true with the overall budget that the administration has presented, sitting as I do with my colleague, Mr. Calvert, on the Budget Committee.

Look, with this committee there are three elements here, it seems to me. Number one is discretionary spending. This committee has already demonstrated it can be pretty tough on discretionary spending. Thanks to Chairman Rogers we got a lot of money, gave the President actually less than he asked for in defense last year. That is unusual for a Republican Congress.

And honestly, you know, then there is the tax portion, the revenue portion. The President had an opportunity in 2008, all the Bush tax cuts ran out, chose to extend them given the economy, a reasonable decision. That opportunity will come again in 2010 automatically, so revenue will be on the table. It comes. They all run out—2012, excuse me. And, finally—it was on in 2010.

And, finally, you know, the real crux of this issue is always the entitlement programs. And we have got a proposal on the table, the Ryan budget. Like it, not like it, but it is real.

What we haven't seen from the President is an entitlement reform proposal. And I think when you see that, that is when you can finally get all those people in the room for the amount of time you need. But until that component is there, we can't do it. I don't ask you to comment on that, I just posit that.

Two questions I do have, though, that are serious. First, your comments, Mr. Secretary. You mentioned this budget will increase risk. You know, that was unavoidable. So I would like for you to lay out, if you could, the risks that you are most concerned about that the budget will enhance.

The second question, and I can ask them both at once and probably, you know, again for both of you. I remember the first time I met you, by the way, General Dempsey, was when you were in command of the 1st Armored in October of 2003 in Baghdad. And I asked you, Gosh, what do you do with an armored division in the middle of a city? And you said, Pretty much anything you want to do. And I would like to always make sure you have that kind of capability, and that is pretty much what this is about.

But I am very worried on the procurement side, as my friend Mr. Calvert pointed out. I have got Fort Sill Army Post. We have lived through the cancellation of Crusader, the cancellation of the NLOC. We have watched the Future Combat System for billions of dollars and produced nothing at the end of it that is really very usable.

And so I would like to know in the budget as you move forward, what are you doing to make sure in reforming the acquisition, the whole procurement process, that we don't go through these situations where we are spending $20, $30 billion, and then not producing a deployable weapons system at the end of the process.

Secretary PANETTA. Let me comment on a couple of your areas, and then I will ask General Dempsey as well to comment.

You know, with regard to the procurement side, that frankly when I was on the budget side, I would look at that, and it was a process that involved billions and billions and billions of dollars. And then at the end of that process, you didn't get it or it was cancelled or something went wrong and you went off to something else.

We just cannot afford to do that. We are working with our people on the procurement side to tighten up that process—to make it more competitive to begin with.

I have to say, private industry is getting much better now at understanding the constrictions we are operating under, and they are implementing a lot of very effective cost controls as well. I sit down with our industrial base, I sit down with the people that are involved in our defense contracts, and I have to tell you, every one of them understands that we are operating with limited resources now, particularly now, and that they have to play a role as well. They have to be partners in this process.

So tightening it up, making it more competitive, trying to make sure that when we develop these weapons, we don't keep changing the rules of the game. We don't keep coming in with new additions. We don't keep adding, you know, additional requirements that basically add to the cost. We have got to be able to say, this is what we need, stick to it and have them deliver that.

We did that with the MRAP, frankly, and we were able to deliver the MRAP on a fast basis and get what we needed. And we didn't make a lot of changes and niches on it, and that helped a great deal. That is the kind of model we need to apply in the rest of the procurement process.

On the risk, you know, they are just—I mean, anytime you cut the budget anyplace, there are risks that are inherent in it. But when you cut half a trillion dollars, you do have risks. We think they are acceptable. But the main risks are these. You are going to have a smaller force. When you have a smaller force you can't—you are not going to be able to move as quickly. You have got to be agile, as I said, to move them quickly because they are not going to be in place the way they are now in terms of numbers. That is number one.

Number two, mobilization is going to be very important here. If we face a crisis, we have got to be able to mobilize quickly. Thank God we have a very strong Reserve and a National Guard. They performed in outstanding fashion the last few years. We have developed tremendous expertise among them. I want to be able to maintain that.

But the ability to mobilize quickly, to be able to put these people in place, to develop the skills that they have to have, to make sure we have that, we are going to protect mid-level officers, we are going to protect NCOs so that they can bring the experience they need in order to make sure that we speed that up. But just the nature of mobilization aviation itself and what you have to do raises risks.

Technology. We are depending a lot on technology. That means we better have the brain power out there to develop the technology we need. We have got to be on the cutting edge. And things are moving fast and, frankly, other countries are developing a lot of expertise in this area. We have got to be ahead of the game on that to be able to do that.

I mentioned the concern about people coming back and making sure they have jobs and support, because we are going to be bringing a lot of people back.

And the last point I would make is that when you do all of this, you have very little margin for error. The nature of this budget, we just have very little margin for error. And that means we really have to be very tight and it means, frankly, from your point of view, that as you make decisions on the budget or make adjustments, it has got to be a zero-sum gain. You can't just say, let's restore all of this and then not pay for it. And that represents a risk as well.

General DEMPSEY. Briefly, Congressman, there are two kinds of risk that I assess. And I have to perform a risk assessment every year and it is risk to mission and risk to the force. Risk to mission: Can we accomplish the objectives laid out in the guidance that we receive? And as far as risk to force, what are we doing to the people?

And so two brief additions to that. The risk to mission is really measured in time. We can still do everything we always said we can do. It might take us longer to do it. Now that could mean, fundamentally, more casualties, depending on the nature of the conflict. But we can accomplish the mission, it may take us longer. In terms of risk to force, it is a capacity issue.

And I will use the Army brigade combat teams as an example. We are going from 73 to 68. All eight of those will come out of the Active component. So the Active component will go from 42 down to, I guess that is 30—or 45 down to 37.

That is an 11 percent change in the overall number of brigade combat teams. So as you cycle them in order to keep the force, you know, at a reasonable pace, you have 11 percent fewer of them to cycle.

So we are measuring all that risk, and I think I have assessed it to be manageable. It would get a lot more difficult, though, the deeper we get into that.

On acquisition, just to add to what the Secretary said, it really is about getting the requirements under control, get senior leader involvement early. We used to do the requirement, toss it over the transom to the Acquisition Corps, and then 7 years, 8 years, 10 years, 11 years later, something popped out and we said, Well, hell, we were looking for a Swiss Army knife and you gave me a piece of rebar.

So what we did in the Army, for example, is we went to these things called capability portfolio reviews, where the vice chief of the Army would get everybody in the room and say, let's wrestle the requirement to the ground and stay involved with it throughout, in a portfolio, like fires, for itself.

The Secretary has just chartered the Deputy Secretary of Defense (DEPSECDEF) to take a look at doing something at the department level called a "strategic portfolio review" where we can look at things like ISR, because every service has ISR. The question is, are they complementary, and where they are less than complementary, potentially redundant, we can get after it. So we are moving in the right direction. If it seems slow to you, it seems slower to him.

Mr. COLE. Thank you very much.

Mr. YOUNG. Now, Mr. Hinchey.

SOLAR ENERGY

Mr. HINCHEY. Thank you, Mr. Chairman. Thank you, very, very much, and I just want to express my appreciation and deeply appreciate everything that you do, and particularly what you have said here today. I mean, the responses that you have given to the questions are very, very interesting and very, very important. And I thank you very much for all that you have done today and everything that you do elsewhere.

I just want to make a simple question, but first I want to just express my appreciation also to the reduction that you have been engaged in in Iraq and elsewhere, and the very effective way in which you have been reducing what many people would say, the waste prices that have been engaged out in other parts of the world. So thank you very much for all of that.

I want to just ask a very simple question. It has to do with energy and the initiation of solar energy and how this is something that you are engaged in and something that you have done very effectively, initially, to try to bring this about, and bring it back effectively, actually. But also there is a lot of energy that is coming in from elsewhere. In Nellis Air Force Base, for example, how the solar energy is coming from China.

And there is a lot of, now, speculation that some of the energy that has come from elsewhere, outside of this country, is weak and it is not lasting. There are some people who are saying that there are some indications that some of this, some of these energy contracts are lowering down in 3 years or so.

So I just wonder what we can do. What are we doing with regard to this? What are we going to do to stimulate more of the energy operation here internally in the United States? There are a lot of things that are going on here that are trying to make it better, but we have competition from elsewhere. Places that we have competition from do not have competition from us with regard to energy of this kind.

So what are we going to do, what are we going to do to maintain this, make it more effective? I mean, all of the prices that we are now experiencing with the normal energy that we have always been dependent upon, is getting higher and higher and higher, and solar energy is becoming more and more important.

So this is something that is critically important for all of us and it is something that you are doing that is very important. And I was just wondering what you could do to help on this, and what kind of examples you could set forward that might extend beyond the military operation into this—the rest of this country, to get more and more concentration of solar energy?

General DEMPSEY. Well, let me take a stab, Congressman, knowing full well that as I begin the journey, I am probably not going to give you as complete an answer as you would like, because some of that I am less familiar with than I should be.

By the way, thanks for your service. I know that you have decided not to renew your contract here in the Congress of the United States, so thanks for your service.

Every service has a program of becoming more energy independent, if you will, or semiautonomous anyway. So I will speak

to the one I know most about, which is the Army, from my time as the Army Chief. We have got a net zero program, five pilot organizations where we aspire to be fundamentally net zero in terms of energy consumption by 2017. But every service has it. That is garrison energy or, if you will, institutional energy and we are trying to be a leading edge organization to do that.

Then there is operational energy. You know, we have got a brigade combat team sitting in Afghanistan that is vulnerable to lines of communication moving materiel, food, fuel, all of the supplies that are necessary. And we put our soldiers at risk in transiting those LOCs, line of communication. So we also have prototypes—as do the Marines in Afghanistan, probably actually ahead of the Army in this regard—using solar energy to become as semi-autonomous as we possibly can be in terms of energy dependence so that we are not putting our kids on the road and putting them at risk.

And so all I can really do today is assure you that we are seized with this and looking for opportunities in every service. As the Service Chiefs rotate through here, I am sure they will be able to speak a lot more eloquently about this than I can.

Mr. HINCHEY. Uh-huh. So I believe that we, too, should be doing things to concentrate this energy operation and to make it much more effective and to ensure that the initiation of solar energy is done by us here in this country for our own future. All of those things, I think, are very important.

Secretary PANETTA. Oh, absolutely. If you go to the battlefield, you can see these units, and it isn't just the Army, it is the Marines and others. They immediately put up a solar-powered operation and they are working off solar power as one of the efficiencies that they put in place. I am actually amazed to see how far they have gone in terms of being able to develop that capability.

The Navy, as you know, is one of the services that has done a tremendous amount in trying to develop energy efficiency as well, using biofuels and other things to really be able to—I mean, that is a big price tag for the Navy to begin with in their ability to be able to develop energy independence, and the way they operate is going to be tremendously important to cutting costs in the future.

Mr. HINCHEY. Well, thanks very much. Thanks very much for everything. I deeply appreciate it.

Mr. YOUNG. Mr. Hinchey, thank you very much. We are being pushed to vacate the room. Somebody else needs it.

I want to thank you for a really good hearing. Thank you, Mr. Secretary, and General Dempsey, for your service to our country.

I have one question, series of questions, that probably wouldn't interest anybody except the members of this committee and our staff, and that is on reprogramming. And so I am just going to submit those to you for the record and ask that you respond, or Secretary Hale respond and we communicate with you——

Secretary PANETTA. Put it to the attention of Bob Hale, would you please?

Mr. YOUNG. Well, we communicate with Secretary Hale quite often.

General DEMPSEY. That is how they are sending him——

Mr. DICKS. Just very briefly, Mr. Chairman.

Mr. YOUNG. And I just wanted to say thank you again very much, and we are going to close this hearing and the last word goes to Mr. Dicks.

READINESS

Mr. DICKS. General Dempsey, the Department's quarterly readiness report to the Congress states that 75 percent of the Army military units are not able to accomplish their assigned mission. Now, I realize that for the last 10 years we have been doing counterinsurgency, but I assume we have a plan to try to get that turned around now that we are out of Iraq.

General DEMPSEY. We do, and that is a reflection in some cases of the fact that we haven't trained to our maneuver tasks. You know, we have been involved in stability operations which tend to be a static environment. And what you are probably seeing reflected there is—against what we call the mission-essential tasks. You are probably seeing a reflection that they recognize that they need to restore or rekindle those skills. But there are also some equipping issues, you know, that we have to clean up our tables of organization of equipment. We are probably reporting against things we no longer need.

So I would—I will pass that on to Ray Odierno, and he will be ready for you.

Mr. DICKS. Reset, too, is going to be a problem. Thank you, Mr. Chairman.

General DEMPSEY. You are right.

Mr. YOUNG. Thank you, thanks very much.

[CLERK'S NOTE.—Questions submitted by Mr. Frelinghuysen and the answers thereto follow:]

MILITARY'S UTILIZATION OF SHORT SEA TRANSPORTATION (E.G., BARGE) OF MILITARY CARGO

*Question.* What are the criteria used by the Pentagon and its agents in arranging military cargo shipments domestically and internationally?

Answer. The Department of Defense (DOD) uses short sea transportation in circumstances when barges or smaller vessels are required and available. Short sea transportation, in these instances, is cost effective and satisfies military requirements.

*Domestic Business:* U.S. Transportation Command's Surface Deployment & Distribution Command (SDDC) and Military Sealift Command (MSC) components manage short sea shipping requirements. Shippers select carrier tenders via the Global Freight Management System. The criteria to be a responsive, responsible carrier includes U.S. flag status, past performance, ability to meet Required Delivery Dates (RDDs) for the shipment, ability to provide the necessary equipment, current eligibility as a SDDC approved carrier for the DOD and capability to utilize the government's Third Party Pay System (TPPS), which currently is Syncada. Additionally, all carriers must meet the Environmental Liability limits for the cost of oil spill cleanup within the United States' territorial seas or economic zones. In the case of MSC, they submit a Request for Proposal (RFP) to industry soliciting carriers to fulfill the shipment requirement. The RDD, along with the type of ship required, including minimum/maximum size, speed of vessel, size of cargo, type of cargo, HAZMAT, ammo, and under deck storage requirements, are all taken into account in developing a Statement of Work for RFP.

*International Business:* Similar procedures are followed for international short sea shipments of DOD cargo, although the use of U.S. flag vessels becomes very difficult when operating in foreign markets. MSC international charters must meet all applicable international requirements, as well as the cargo preference law. Military cargo is shipped on U.S. flag vessels, unless no U.S. flag vessel is available that meets the requirements of the charter.

*Question.* One area of tremendous expense to the Department of Defense is the transport of goods to various theaters of operation such as Afghanistan. In the interests of saving taxpayer money, have Pentagon officials considered playing a role in choosing transport subcontractors to ensure that the most cost effective methods of transport are utilized?

Answer. Yes, the Department uses commercial partners to provide 1,203 Civil Reserve Air Fleet (CRAF) aircraft and 379 Voluntary Intermodal Sealift Agreement (VISA) vessels.

The Department is committed to reducing transportation costs. The U.S. Transportation Command (USTRANSCOM) operates as a working capital fund commanded by a four-star General. It provides responsive strategic air, land, and sea mobility capability in times of peace and war in the most cost-effective manner possible while maintaining the transportation readiness assets needed to support combat operations. Cost-saving initiatives include:

*Productivity and Organizational Streamlining:*

— Renegotiating ship contracts
— Reducing ship testing periods
— Initiating fuel savings techniques for ship charters and military aircraft
— Operating aircraft channels and utilizing aircraft more efficiently
— Phasing out unneeded commercial air passenger and cargo capacity
— Eliminating redundancies between components
— Rightsizing port infrastructure
— Consolidating command headquarters and streamlining organizational structures
— Improving container utilization on ocean liner missions

*Distribution Process Owner (DPO) Cost Avoidance:*

— Shifting transportation modes from air to sea and truck to rail
— Canceling redundant orders or contracts due to supply system interventions
— Identifying and returning lost transportation equipment to the supply system
— Comparing non-standard transportation mode rates prior to awarding contracts
— Working with Combatant Commands to use the most efficient transportation modes
— Engaging Services to maximize use of sealift and multi-modal operations
— Improving container utilization on ocean liner missions

*Question.* Do Pentagon officials consider, in addition to the paramount issue of cost-effectiveness, other pertinent issues such as energy efficiency and cargo security, as they relate to ALL segments of military cargo transport?

Answer. As with many other acquisitions, the Department acquires transportation (including barge transportation) based on best value to the Government. This includes cost, technical, and performance evaluation factors, which may include energy efficiency and cargo security, that are tailored to the particular procurement to ensure that DoD mission requirements will be met.

*Question.* Has the Pentagon instructed its vendors to investigate short sea transportation projects in the movement of military cargo as per the Energy Independence and Security Act (EISA2007)?

Answer. While the Department uses barges in circumstances when they are available and cost effective and satisfy military requirements, we have not specifically instructed vendors to investigate short sea transportation projects; however, the topic is discussed and reviewed during various industry/DoD forums.

[CLERK'S NOTE.—End of questions submitted by Mr. Frelinghuysen. Questions submitted by Mr. Kingston and the answers thereto follow:]

DOWNSIZING THE MILITARY—PERSONNEL

*Question.* The Army is preparing to be cut 72,000 soldiers and 20,000 Marines, with the Navy and Air Force losing another 10,000+ together. Reserve strength is scheduled to be cut by 22,000.

Will these be specific targeted military skill sets or across the board cuts? How will these personnel cuts impact Deployment/Dwell time ratio?

Answer. With regard to whether there will be targeted military skill sets or across the board cuts, readiness is our number one priority. The Department, teamed with experts from each of the Services, is carefully examining the right mix of exit strategies to shape the force with precision. Our plan is to take a targeted, precise approach when reducing the force size; thus, avoiding across the board cuts. We will focus our reductions on surplus and obsolete skill sets. We will continue to work

with the Congress to reinstate additional expired authorities from previous drawdowns that would offer the Department the ability to target separations and avoid the loss of critical expertise.

IRAQ

*Question.* With the small number of personnel left behind (600 or so soldiers and civilians working OSCI—Office of Security Cooperation in Iraq) under the State Department, where are we with respect to facilitating the training of Iraqi army and police forces and what still remains to be done?

Answer. The OSC–I, under Chief of Mission authority, is the cornerstone of the long-term U.S.-Iraqi strategic security partnership, and represents a critical component of the normalization of the U.S.-Iraq bilateral relationship. The OSC–I coordinates security assistance and security cooperation activities, and conducts training to support the development and modernization of the Iraq Security Forces (ISF). OSC–I activities are focused on addressing the remaining ISF intelligence fusion, air sovereignty, logistics, and combined arms training capability gaps, as well as on developing a joint training exercise program.

AFGHANISTAN

*Question.* Is the United States still on track to transfer Afghan forces to the lead security role, as we have planned with our NATO and ISAF allies? What impact does it have when nations (like France, most recently) announce that they are withdrawing early? Has this impacted our decision at all with respect to our withdrawal timing?

Answer. The Government of Afghanistan is still on track to take the lead for security throughout the country by the end of 2014. To date, approximately 50 percent of the population of Afghanistan is currently in areas that have started the transition process. Even though France has stated its intent to end its participation in combat operations in 2013, it will likely continue to play a significant role in training and development of the Afghan National Security Forces in 2013 and beyond, which will support the overall transition process. Commander, International Security Assistance Force (COMISAF) is working with our Coalition partners to enable them to maintain their long-term commitments to Afghanistan.

*Question.* What were some of the military & national security considerations that were taken into account when looking at the timing of withdrawal? What level have these discussions been occurring at?

Answer. Discussions on withdrawal are conducted at all levels, from U.S. Forces-Afghanistan to the U.S. Government leadership in Washington, D.C. We continue to work towards the core goal of disrupting, dismantling, and defeating al-Qaeda, and preventing Afghanistan from ever again becoming a safe haven that could threaten the United States or our Allies and partners. We have started this drawdown from a position of strength, taking many factors into account. These include the fact that al-Qaeda is under more pressure now than at any other time since 9/11, and that we have taken much of al-Qaeda's leadership out of the fight. The Afghan National Security Forces (ANSF) have grown to approximately 330,000 personnel and are on track to meet the October 2012 goal of 352,000 personnel. The ANSF are in the process of taking the lead for security in many provinces and municipalities, and year over year trends continue to show a decrease in insurgent incidents. As Afghans have fought and many have died for their country, they also have began to establish local police forces, open markets and schools and create new opportunities for women and girls, as they try to turn the page on decades of war. This process of transition is on track to be complete by the end of 2014 and the Afghan people and the ASNF will be responsible for their own security.

*Question.* News media have recently been reporting that US officials are supporting establishment of a Taliban mission in Qatar to discuss the status of Afghanistan post US withdrawal. Are we elevating a hostile, non-state terrorist entity and undermining the Afghan government by supporting and conducting talks through such a mission in Qatar? Do we legitimize a lead Taliban role in post-US Afghanistan by allowing this to occur?

Answer. For reconciliation to succeed, the process must be Afghan-led. Our role is to support that process. We continue to support a process to bring Afghans together and insurgents off the battlefield, provided they break from al Qaeda, abandon violence, and abide by the Afghan Constitution, which includes its provisions on respect for the rights of all Afghan women and ethnic minorities. Both the Afghan government and the Afghan Taliban have voiced support for a venue for talks with the US.

*Question.* By directly engaging the Taliban in talks—especially through a new quasi-embassy entity outside Afghanistan, what does this say about the US view of the government of Afghanistan's ability to assume control over the situation and lead? Is the withdrawal of surge forces this year in sync with the need for trainers at the Afghani police and Army unit levels?

Answer. Our Afghan partners are on track to successfully assume security lead in their country by the end of 2014. With the implementation of tranches 1 and 2 transition areas, the Afghan National Security Forces (ANSF) have begun to take security lead and will be responsible for the security of approximately 50% of the Afghan population once these transfers are complete. There will be more risk as we begin the transition process in some of the more security challenged areas of Afghanistan, but the ANSF have proven themselves as capable partners. The surge recovery of U.S. troops is synchronized in the COMISAF Campaign Plan with transition and ANSF development. These efforts take into account the need for trainers for both the army and police.

*Question.* Do you have any estimate of the full time span required to "reset" of equipment used in Iraq and Afghanistan? Any idea of how much it will cost? (DoD comptroller, Mr. Hale said we have $9.3 billion planned for FY13 OCO reset at the 15 Feb HASC hearing).

Answer. We have a large wave of recapitalization and reconstitution coming our way. Even if the war ended today, the next two to three years would be spent resetting the force. Unfortunately, precise reset requirements are difficult to estimate—dependent on many variables including equipment condition upon return—and we cannot predict exactly what those costs will be at this point. However, we do know that the high operating tempo and harsh environments of Afghanistan and Iraq have a substantial deteriorating effect on equipment.

*Question.* What factors in the reset guide the decisions between refurbishing our legacy equipment versus deciding to buy new equipment? In other words where is the line drawn generally in this budget between committing to new, next generation systems and replacing the old?

Answer. Whether to repair or replace a wartime item depends largely on the condition of the item as well as other factors such as necessary upgrades available for the item. If the item is worn through regular use, but economically viable to repair, and still meets the operational requirement, the item would be repaired through a combination of depot, intermediate, or organizational level maintenance. If the item is lost or destroyed, it must be replaced, either with the same item, or a current variant, if the original item is no longer manufactured. Sometimes, an item may go through a repair cycle, but also receive an upgrade, depending on operational requirement. These are the basic factors in determining the requirement to repair vs. replace.

## SEA-BASED X-BAND RADAR CUT

*Question.* Can you expand on the proposal to place the Sea-Based X-Band Radar in a 'limited test support' status? What does that mean? Are there any unique capabilities that we give up when we take this action?

Answer. In the Limited Test Support Status, the SBX will have an increased response time for operational contingency missions. There is a tremendous cost to keeping the SBX manned around the clock for operational contingencies and at sea for an extended amount of time as we have in the past. The Missile Defense Agency is working with the U.S. Strategic Command's Joint Functional Component Command for Integrated Missile Defense to determine the appropriate response time.

SBX gives up no radar unique capabilities while in a Limited Test Support Status. The SBX will retain its current technical performance capability, to discriminate targets and pass that information to the Ground-Based Midcourse Defense Fire Control and Communication System. Additionally, development of algorithms to improve its discrimination capability will continue. The SBX will be staffed to perform normal maintenance on the vessel, X-Band radar, and other critical systems. It will participate in ballistic missile defense system ground and flight testing, while being available to support contingency operations as necessary and directed by the Office of the Secretary of Defense and the Joint Staff.

*Question.* The justification for this action states that the US will rely on existing systems like THAAD and AN/TPY–2, but this budget request cuts back on planned purchases of both of those systems. Do we have enough systems currently fielded so that we aren't sacrificing our ability to detect ballistic missiles and track them through their full flight from all regions of threat?

Answer.———

GLOBAL HAWK CUTS

*Question.* The administration is proposing to cut the Global Hawk Block 30 unmanned aerial vehicle, saying that reconnaissance missions will be done using the U–2 instead, due to lower operating costs. Are we going to stop flying the Block 30 variant altogether or will we be looking at using these for other missions? We have invested a lot of money in the Block 30 variant. How can we just tie up that investment by having them sit in a hangar somewhere? Is there a way to use, sell or salvage that investment? If we can't afford to operate the system, knowing the operating cost of the U2 by comparison, why did we take it this far?

Answer. The Air Force has stated they will stop flying the Block 30 altogether. In terms of dispositioning the current Block 30s, the Air Force is considering several alternatives at this time but has not made a final determination. Potential uses include spares for other Air Force and Navy Global Hawk variants, transfer to other U.S. Government organizations, or selling the assets to non-U.S. government customers. With respect to Block 30 operating costs, the cost savings that the Air Force expected as the program matured did not materialize. In addition, the Joint Staff approved a change in high altitude airborne requirements, allowing the Air Force to cancel Block 30 with no significant impact to requirements.

OHIO-CLASS REPLACEMENT

*Question.* What is your degree of confidence that we will not have a reduction in submarine launched ballistic missile capability, given that we are looking at slipping the Ohio-class replacement by 2 years? Based on our latest briefings from the DoD, the existing fleet is already intended to be stretched to its absolute maximum service life. How will this proposed SSBN(x) delay not put enormous pressure on the development and construction of the new subs staying on schedule? How will we plan to avoid any gap as the old ships phase out without reducing the integrity of the strategic nuclear triad deterrent?

Answer. Details on force structure will be in the Annual Report to Congress on the Long Range Plan for Construction of Naval Vessels for FY 2013, which is currently under review within the Department and will be provided to Congress upon completion of this review.

This 2-year delay to all 12 ships makes the timely delivery of each OHIO Replacement (OR) ship even more important. The lead ship is scheduled to be ready for strategic deterrence patrol in 2031. Any further delays to delivery of OR ships will impact the operational capability of the SSBN force, since the OHIO Class has already been extended as long as possible. Further delays to OR delivery will reduce the number of SSBNs available for strategic deterrence. The Navy will be closely managing this risk during this transition period.

To control cost and risk, the OR SSBN is planned to maximize reuse of VIRGINIA and OHIO Class systems where feasible. The 2-year delay allows some additional time to mature designs and reduce the risk associated with designing new systems and integrating existing technology. Overall design maturity at construction start will be no less than originally planned, commensurate with the funding provided.

Ensuring adequate resources to maintain the operational availability of the OHIO Class SSBNs and on-time delivery of OHIO Replacement SSBNs will be necessary to help mitigate this risk during this period until the last OHIO Replacement enters strategic service.

The current plan leverages the highly successful VIRGINIA modular construction techniques. The lead ship construction and certification timelines were not compressed in response to the 2-year delay allowing adequate time for construction, lead ship testing, and strategic certification.

IRAN

*Question.* How confident are we in our ability to ensure freedom of movement through the Straits of Hormuz? The Operation Millennium Challenge exercise (in 2002) was fairly widely known to have revealed some concerns with our capabilities in this specific area, so in light of the cuts that we are considering making, has anything changed, either with our capabilities or with any potential adversary capabilities?

Answer.———

*Question.* Secretary Panetta was recently quoted (Jan 2012 Wall Street Journal) as saying that we do not have a bunker buster (bomb) big enough to penetrate/destroy the underground facilities that we suspect Iran is using to develop their nuclear program, but you said we'd have that capability soon. How confident are we

that we will have the capabilities that we need to counter this threat when we need it?

Answer. We are confident that we have the resources required to defend our national interests. The Massive Ordnance Penetrator (MOP) is a weapon system designed to accomplish a difficult, complicated mission of destroying our adversaries' weapons of mass destruction located in well protected facilities. MOP integration activities and initial weapons delivery are complete. As with all weapon systems, MOP capabilities will continue to evolve to meet the dynamic threat environment.

*Question.* Specifically regarding US submarine-launched ballistic missile capabilities, how has our balance of presence in the Indian Ocean been affected by our concerns with ensuring the Straits of Hormuz stays open? Are either the east or west coast Ohio-class bases being over-tasked due to the current situation in the Gulf?

Answer. With respect to US submarine-launched ballistic missile capabilities, our balance of presence in the Indian Ocean has not been affected by concerns with ensuring the Straits of Hormuz stays open. Neither the east or west coast Ohio-class bases are being over-tasked due to the current situation in the Gulf.

## EGYPTIAN-ISRAELI RELATIONS

*Question.* What is the current assessment of the state of Egyptian-Israeli relations in light of the recent political upheaval in Egypt and the ongoing concern of Iranian development of nuclear weapons capabilities?

Answer. Egypt maintains a strong relationship with Israel and has assured us that it remains committed to the 1979 Peace Accord with Israel. We are working very closely with the Egyptian political and military leadership to ensure a smooth and stable transition to democracy during this sensitive time in Egypt's history, and we will continue to monitor Egypt-Israel relations as a critical consideration in our foreign military assistance and sales to Egypt.

The U.S. commitment to Israel's security is unshakeable and as the President has said many times, the U.S. is committed to preventing Iran from obtaining a nuclear weapon. Recognizing the instability in the region, including the threat of a nuclear Iran, the United States has continued to strengthen the U.S.-Israel relationship. Today, we are working with Israel more closely than ever in areas such as missile defense technology, counter-terrorism, through military exercise—to ensure the Israel is always secure that its qualitative military edge is maintained. We are engaged in a robust ongoing dialogue with the Government of Israel regarding its requirements and capabilities.

## CYBER PROTECTION

*Question.* With all of the recent examples of foreign entities hacking into our networks (those of defense contractors, FBI and law enforcement, as well as our military unmanned aerial vehicle systems), it's clear that we can't prevent all of these incidents. Is there more we can do on the detection side? Given recent incidents (such as the Air Force discovery of malware on the Unmanned Aerial System harddrives) how confident are we that our military operations networks are secure?

Answer. The Department continues to strengthen cyber security detection efforts and address the threat posed by network attacks. The current philosophy is to first block most of the adversarial activity via layered security fundamentals and to fight the balance based on network and host-based detection and prevention mechanisms. With a flexible defense posture, detection should feed new signatures to be applied on the protection mechanisms to reduce the attack. This essentially drives up the required skill, sophistication, cost, risk factors and difficulty for exploiting our networks, while limiting the attack damage and timeframe. Fundamental protections layered against the entire attack lifecycle should flush out most moderately-skilled actors so that nation-state level effort and sophistication is required for success.

Our unclassified network hardening initiative has resulted in movement of outward internet-facing servers into what are termed DoD Demilitarized Zones (DMZs), which effectively isolate the departments official use networks from the internet using a variety of techniques. Those include redesigning the domain name addressing system for increased security, searching for and removing web browsing malware, and filtering malware and spam from incoming email. We have also improved blocking for distributed denial of service attacks at perimeter routers, and that, coupled with quarantine of suspicious and known bad traffic and files, these efforts have resulted in increased security from internet probes and attacks. Our internal efforts include configuring every computer securely and keeping them that way. We do this through the use of Defense Information Systems Agency and National Security Agency published security guides, which are now being automated for ease of implementation, and applying Unified Government Configuration Base-

line operating system settings in accordance with Office of Management and Budget direction. Additionally, we are procuring advanced automated vulnerability scanning & management tools for our networks, and implementing a Department-wide enterprise Host-based Security System to extend protections to the user's desktop level. Implementation of the Host-based Security System is nearing Department-wide deployment on our unclassified and classified systems. This will result in a new landscape of reduced noise where detection can be geared toward the remaining threats.

We are also increasing our identity and access management capability to drive out anonymity within our networks. In FY13 the department will move entirely to smart card/PKI logon on the SIPRNET in accordance with existing CIO guidance. In FY–13 the department will configure the SIPRNET-based and JWICS-based web servers to require end-users to present the PKI credentials for all information access, and will log these accesses. In FY–13, 14, and 15 the department will transition remaining user-accessible information services in the SIPRNET and JWICS to require such PKI authentication as the first part of each information access decision. In FY13 and 14 the department will finish doing the same for the NIPRNET web and other server and information services.

Although there is always room for improvement, we are increasingly confident that our classified military operations networks are secure as we pursue balanced investment in protection backed by aggressive detection. Cyber Command has made progress in recruiting and hiring cyber specialists. Operations plans and directives have also been issued to strengthen the U.S. Cyber Command role in defending, protecting, and operating the Department's vital classified and unclassified networks.

## PROCUREMENT

*Question.* Small businesses are providing a great deal of innovation throughout this country. These small businesses provide the new and interesting ideas into the defense industry, help ensure the vitality of the overall industrial base, and support the economy. How does concern for the defense industrial base, including the small and mid-size suppliers, factor into the development of this budget proposal?

Answer. Small business participation continues to be a high priority for the Department of Defense (DoD). The Department recognizes the ability of small businesses to innovate and the important contributions to the economy and military capability. A recent Deputy Secretary of Defense memorandum requires senior executives to support the attainment of established small business goals. The requirement is part of the annual performance evaluation for senior executives that acquire services or supplies and oversee acquisition officials, including program managers, contracting officers, and other acquisition workforce personnel who are responsible for formulating and approving acquisition strategies and plans that directly influence procurement decisions.

All DoD acquisitions are reviewed to determine if small businesses can competitively provide the required service or supply. When market research indicates two or more small businesses have the ability to provide the required service or supply at a fair market price, the acquisition is reserved exclusively for small businesses. Only when market research indicates that just one small business can respond, the acquisition will be competed among large and small businesses. However, acquisitions under the simplified acquisition threshold are always reserved exclusively for small businesses.

Each fiscal year, a Military Department or DoD Component with contracting authority has an established contracting goal for awards to small businesses. Additional goals are established for awards to small disadvantaged businesses, service-disabled, veteran-owned small businesses, women-owned small businesses, and HUBZone small businesses. Performance is monitored by the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) Office of Small Business Programs on a continuing basis.

It is also important to note that:

- Technology development awards under the Small Business Innovation Research/Small Business Technology Transfer program are reserved exclusively for small businesses.
- Other programs, such as the Rapid Innovation Fund, provide a preference for small business during the selection process.
- The Secretary of Defense issued a memorandum to the entire Department emphasizing the need to better utilize small businesses.
- The USD(AT&L) conducts several small business outreach events and supports numerous others.

• The Military Departments and DoD Components each conduct and support numerous small business outreach events to ensure their awareness of planned procurements.

[CLERK'S NOTE.—End of questions submitted by Mr. Kingston. Questions submitted by Ms. Granger and the answers thereto follow:]

AFGHAN SECURITY FORCES FUND

*Question.* Secretary Panetta/General Dempsey: The ASFF budget request has been cut by 50% which you and others have attributed to a drop-off in front loaded costs, such as equipment and facilities as the primary justification. This is understandable, but my reading of requests also shows a 50% reduction in funds from $2.113 to $500M for "training and operations" for the Ministry of Interior forces which includes the Afghan National Police. Is such a dramatic reduction wise, especially when by all accounts fielding a police force that is sufficient in size and capabilities is key to the U.S. transition plan and the Afghan people's security?"

Answer. The Afghan National Security Forces (ANSF), specifically the Afghan National Police (ANP), is growing in capability. This growth in capability is covered by two distinct phases: Build ANP capabilities and Sustain ANP capabilities. During FY 2012, the ANP will achieve their planned end strength of 157K. This fact passes the ANP into the Sustain phase in FY 2013 and subsequently reduces their requirement for initial entry training to only sustaining the force level. Another savings is projected based upon the Afghans assuming a greater role in overall training mission in FY 2013 and thus significantly reducing the reliance upon mentor and trainer contracts to meet these needs. The ANP is growing in overall strength and in capability. This capability will be reflected in both their operating and generating forces. For clarification, the funding decrease for training and operations for the ANP is $1.1B in FY 2012 and $570M in FY 2013 for a reduction of 48%.

[CLERK'S NOTE.—End of questions submitted by Ms. Granger. Questions submitted by Mr. Calvert and the answers thereto follow:]

DEFENSE ACQUISITION

*Question.* In the President's Budget, acquisition reform is included for the Department of Defense. It builds upon the Better Buying Power Initiative initiated under Secretary Gates. Could you walk us through what the Department is doing to reform acquisition, in particular an update on: Mandating Affordability as a requirement as part of the Acquisition Decision Memorandum. The Will Cost/Should Cost management technique to address the problem of underestimating costs which then result in cost overruns. Promoting competition at each program Milestone.

Answer. The Department is making great progress in executing the Better Buying Power (BBP) efficiency initiatives we introduced in the latter half of CY 2010. First, we are working with the requirements and resource communities to ensure the programs we start have firm cost goals in place, appropriate priorities set, and the necessary trade-offs made to keep our programs within affordable limits. In concert with this, the Milestone Decision Authority must now establish affordability targets at Milestone (MS) A decisions, to include sustainment costs, that are applicable to design and decisions early in the program. At MS B and beyond, these targets become requirements, based on the information garnered from the technology development phase and a more mature cost estimate. In each case, the affordability targets are captured in the Acquisition Decision Memorandum documenting the milestone approval. Additionally, the affordability requirements are now being treated as Key Performance Parameters in the Acquisition Program Baseline and will be closely monitored during the remainder of the acquisition process. In parallel, we are also mandating the use of "Should-Cost" principles to eliminate non-value added costs at the program level and continually reduce costs wherever it makes sense. At each program milestone, the initiatives that we have implemented, such as assessing program affordability; analyzing effectiveness of Should-Cost opportunities; promoting real competition by scrutinizing contracts and the overall program strategy; and integrating small business opportunities whenever possible, will ensure we have the appropriate incentives structures in place to provide best value to the Government. These practices are, and will continue to be, major drivers in all current and future Defense Acquisition Board investment decisions.

*Question.* I would like to bring your attention to the Light Utility Helicopter which is part of the helicopter fleet for the Army and the Army National Guard. I bring your attention to it because this helicopter was competed and a contract was awarded to EADS North America. The LUH is essentially a militarized version of the Eurocopter which had already been developed by our allies in Germany and France. However, in another instance, the Army recently awarded two technology development contracts for the new Ground Combat Vehicle. The Army could have awarded a third contract to a competitor that was basing its model off of the already fielded Puma in Germany. While I am sure there are specific reasons the Army chose not to award the third contract, I am concerned that in this instance we are not availing ourselves of proven technology that has already been fielded and in this case the Army is not even testing it. I support utilizing American ingenuity when possible, but what is the Department doing to optimize off-the-shelf proven design and technology, whether it is in the U.S. or outside the U.S. in order to get away from a trend of never-ending requirements, immature technology and faulty design?

Answer. The Department does support off-the-shelf solutions. DoD Directive 5000.01 states that DoD Components shall work with users to define capability needs to facilitate the procurement or modification of commercially available products, services, and technologies, from domestic or international sources, or the development of dual-use technologies. Most systems being developed today use some commercial items (e.g., computer hardware, operating systems, database management systems, and even batteries, engines, and air conditioners).

With respect to the specific examples you mention, the Army's Light Utility Helicopter (LUH) is a commercial aircraft, operated under a Federal Aviation Administration (FAA) certificate and maintained under FAA standards. The LUH can only be used in "permissive-use" environments, for example, as an aeromedical evacuation aircraft at training ranges; it does not meet the requirements for "combat use" and is fielded only in the United States and select European sites. It is important to note that commercial aircraft generally cannot meet the statutory requirements for combat. Further development and testing, to include live fire test and evaluation, adds cost and schedule.

The Ground Combat Vehicle Request for Proposal specifically encouraged the use of non-developmental vehicles as part of the technology development competition. In addition to the technology development contracts for the Ground Combat Vehicle, the Defense Acquisition Executive directed the Army to resource and execute a follow-on Analysis of Alternatives and an assessment of selected non-developmental vehicles to support a Milestone B decision in FY 2014. The additional efforts include technical and operational assessments of the existing platforms: Bradley, Stryker, CV9035 (Sweden), and the Namer (Israel). An assessment was conducted on the Puma (Germany) with the cooperation of the German government. Limited assessments were also conducted on the Boyevaya Mashina Pekhoty from Russia, and the Le Véhicule Blindé de Combat d'Infanterie and Nexter, which are both from France.

All data and information derived from the Analysis of Alternative and non-developmental vehicle assessments will be used to inform the requirements and support the Milestone B decision.

*Question.* I am worried that with the significant decrease in defense dollars, small and mid-size defense companies that have been the backbone of the defense industrial base may be squeezed out of the competition. The Department has a long history of actively working to promote fair competition, but what is the Department doing now to ensure that the large Prime Contractors are not going to begin unfairly competing with their small and mid-size suppliers, that currently support their programs, as the competition for limited defense dollars increases?

Answer. For FY 2012, the Department of Defense (DoD) established a mandatory performance requirement for senior executives that are within the Performance Element of their annual performance evaluation. The performance criteria requires senior executives to address and support the attainment of established DoD small business goals by considering potential small business contracting opportunities during the acquisition process and by establishing a command or program climate that is responsive to small business.

Small business participation is a high priority for the Department. The Department recognizes their ability to innovate and their contribution to the economy and military capability. Every defense acquisition is reviewed to determine if small businesses can competitively provide the required service or supply. When market research indicates two or more small businesses have the ability to provide the required service or supply at a fair market price, the acquisition is reserved exclusively for small businesses.

When market research indicates only one small business can respond, the acquisition will be competed among large and small businesses. Acquisitions under the

simplified acquisition threshold are always reserved exclusively for small businesses.

Each Military Service/DoD Component with contracting authority has an established goal for awards to small businesses. Additional goals are given for awards to small disadvantaged businesses, service-disabled, veteran-owned small businesses, women-owned small businesses, and HUBZone small businesses. Performance is monitored by the Under Secretary of Defense for Acquisition, Technology and Logistics' Office of Small Business Programs on a continuing basis.

For procurements above $650 thousand, prime contractors are required to establish small business subcontracting plans. These plans establish goals for small business subcontracts to small businesses, small disadvantaged businesses, service-disabled, veteran-owned small businesses, women-owned small businesses, and HUBZone small businesses. Small business subcontracting plans and the small business subcontracting performance achieved in past contracts are both evaluated as part of the source selection process for new procurements. DoD guidance has been issued to provide incentives to Prime contractors for achieving and exceeding small business subcontracting goals.

*Question.* I am very concerned that as the DoD's budgets grow smaller and large weapons programs are reduced or cancelled the major Primes will seek additional profits by trying to deliver the same technologies and subcomponents already provided by their subcontractors—the very same subcontractors that were selected by the Primes in the first place because of their expertise and competiveness. I believe such a "gobbling up" of the services and technologies already being provided by the downstream subs will severely shrink the defense industrial base and ultimately decrease competition. It will also offer little incentive for our best entrepreneurial and creative smaller companies to participate in a defense industrial base dominated by a few Primes if they think their technologies and processes will be stolen by their partners. If the major Primes are allowed to dominate the entire upstream and downstream programmatic process, I fear the competitive defense procurement and research processes as we know them will severely suffer. I would appreciate specific answers to the questions above as well as general comments on this topic.

More than 10% of the total Future Years Defense Program (FYDP) savings come from delays and terminations of acquisition projects ($41.8 billion come from delays; and $9.6 billion from cancellations). Do these figures include the penalties that will be imposed by the contractors for those delays and cancellations? What is the total cost of those penalties?

Answer. The savings are calculated net of the termination and penalty costs based on the Department's best estimates before actually negotiating the terms of the contract modifications. Delay costs are largely borne throughout the remainder of the program and are typically caused by less efficient program execution, e.g., reducing buy rates. In contrast, program cancellation costs are typically incurred in the fiscal year prior and the budget year in which the action is taken. The total cost for these actions vary significantly from program to program.

## REBALANCING THE FORCE

*Question.* In a steady, non-deployed state, reserve and guard forces are undoubtedly less expensive to maintain than active duty forces. A traditional reservist, for example, is only paid by the DoD two days out of every month, rather than 30 or 31 days for the active duty member. And, the reservist's pay does not include housing, subsistence, or COLA allowances. Even though the average reservist has more years of service and has a higher rank than the average active duty member, the associate increased expense is more than offset by the pay differentials listed above. Even when the reserve and guard members' annual 2-week tour is figured in, the costs still are not even comparable. Reserve and guard forces are significantly less expensive.

That being the case, why are the Navy and Air Force active duty personnel cuts smaller than their reserve force cuts? The Navy is cutting back 1,000 more reserve sailors than active duty and the Air Force is cutting 2,000 more than active duty. Given the transition from a fully-deployed operational force to a more steady-state, ready-and-waiting force, the Army and Marine Corps model (cutting active duty, not reserve and guard) seems more appropriate. Why aren't the Navy and Air Force taking that approach?

Answer. It is true that Reserve Component forces are less costly—as long as we do not mobilize them. Our National Security Strategy demands, however, that we have routine access to certain forces (i.e., Active Component). As part of our comprehensive review we have determined the required mix between Active and Reserve Component forces.

In determining the best approach to support the President's National Security Strategy, both the Air Force and Navy assessed the contribution and required levels of various current and future capabilities to meet the strategy. In assessing where risks were prudent to take, these Services determined that certain levels of specific legacy systems could be divested. In many cases, much, and in some cases all, of the force structure associated with these legacy systems reside in the Reserve Components. As a result, the Reserve Components bore a larger share of the force structure decrements.

## OVERSEAS CONTINGENCY OPERATIONS

*Question.* The President's Budget asks for $96.7 billion for overseas contingency operations (OCO) this fiscal year (including State Department funding) and seeks a $450 billion cap on fiscal year 13 to fiscal year 21 OCO funding. This cap is purportedly intended to preclude future Administrations and Congresses from evading the fiscal discipline the Budget Control Act requires.

Is the cap intended to apply to any and all overseas contingency operations—even those that have not yet been identified? Doesn't this cap do precisely what the Department has so consistently cautioned Congress against—establishing a funding cap and then forcing the Department to develop a defense strategy within the limits of funding provided? How do, will the Department manage its OCO mobility requirements to achieve as-yet-unidentified strategic goals within an arbitrarily-determined OCO cap?

Answer. The proposed $450 billion cap on OCO spending was established based on the current strategies for ending the military presence in Iraq and drawing down troops in Afghanistan. The Administration believes that the proposed cap is sufficient to cover OCO costs. To allow for ample flexibility in budgeting for OCO, the $450 billion proposed cap is multi-year as opposed to a series of year-by-year caps. Moreover, in the event of a new contingency that requires significant additional OCO funding, the President may propose, or Congress may simply act, to adjust the cap to address the need. Without some limit on OCO funding, current law does nothing to prevent the shifting of base costs to the OCO budget in order to evade the fiscal discipline the Budget Control Act requires in other areas of discretionary spending.

## HEALTH CARE

*Question.* The President's Budget requests nearly $50 billion for military health care; an amount has more than doubled over the past 10 years. As Secretary Panetta explained to the Senate Armed Services Committee, the proposed budget intends to control the growth of health care costs by increasing TRICARE co-pays and deductibles over the next five years for retirees. The proposal, however, does more than that. It deletes non-formulary prescription coverage from the TRICARE program altogether, for all beneficiaries. It also establishes a fee for the military's Medicare supplemental program (TRICARE for Life)—currently a free benefit. And that enrollment fee increases over five years to as much as $475 per year. The proposal also increases the current TRICARE Prime annual enrollment fee from $460 per year to $2,048 per year for almost all retired officers and for E–9s with 26 years or more of service. That is more than a 400% increase!

A) If an active duty member retires in the next 2–5 years, all of these increased TRICARE enrollment fees will apply to them, won't they? B) If an active duty dependent—or reservist—is presently taking a non-formulary prescription medication to control a disease or condition, will they have any insurance or health care benefit for that prescription? C) Current active duty members are not being protected from these reductions by a grandfathering clause, are they? D) You proposed establishing a commission to review military retirement payments and requested that current troops' retirement benefits should be protected by grandfathering. Why not grandfather reductions in healthcare retirement benefits too?

Answer. A)

- If the proposals are enacted, as requested by the Department, all retirees, with the exceptions of the most vulnerable beneficiaries (as noted below), will be impacted by the increased fees beginning in FY 2013.
- Exemptions: To protect the most vulnerable, the proposals exempt survivors of members who die on active duty and medically retired and their family members from these increases.
- It is important to note, that even once the proposals are fully implemented, the TRICARE program remains a very generous benefit with the average beneficiary cost share well below the original 27 percent of health care costs when the program was fully implemented in 1996.

Answer. B)

○ Absolutely. Beneficiaries will always have access to needed medications in all venues. The vast majority of drugs prescribed to beneficiaries will continue to be available in retail venues.

○ For beneficiaries requiring non-formulary maintenance medication, the Department would follow commercial best practices, whereby, beneficiaries would be instructed to obtain two prescriptions from their doctor, one for a 30-day supply that could be filled immediately in a retail network pharmacy and a 90-day prescription with three refills that must be filled at the mail order pharmacy.

○ The 30-day prescription is needed in most cases to start therapy immediately while the mail order prescription is processed and the medications mailed to the beneficiary within two to three weeks.

○ There would be exceptions when clinically necessary, such as, refrigerated medications that cannot be mailed or lost medications.

Answer. C)

○ If enacted, as requested by the Department, all retirees, with the exceptions of the most venerable beneficiaries, will be impacted by the increased fees beginning in FY 2013.

Answer: D)

○ The Nation's fiscal crisis and the resulting Budget Control Act of 2011 required DoD to find $487 billion in budget reductions over ten years. The department's senior civilian and military leaders determined how they could meet that target and meet the mission.

○ Almost all the savings were achieved through changes in force structure reductions and investment changes consistent with our new defense strategy. However, to avoid overly large cuts in forces and investments, DoD also reviewed military pay and allowances. Health care costs, comprising ten percent of the department's overall budget, had to be included.

○ The Department has studied the health care benefit for the past decade and multiple Administrations have recommended changes to the beneficiary cost shares. Grandfathering these changes would have meant higher cuts in forces and investments; however the Department believes that the approach put forward is careful and responsible and that the cost shares properly recognizes the special sacrifices of our men and women in uniform, past and present.

○ For fifteen years the Department had not increased most TRICARE fees. In 1996, retired beneficiaries used to bear 27 percent of overall health care costs; by 2012 they were responsible for less than 11 percent of the costs of their health care. If these proposals are enacted, the beneficiary share for costs rises to only 14 percent of overall health care cost.

○ At the end of this effort, the TRICARE benefit will remain one of the finest and most generous health benefits available in the country and better than the TRICARE benefit in 1996. The beneficiary out-of-pocket cost share will remain among the lowest available to anyone—and lower than costs by other federal government employees.

## GUAM

*Question.* The Department of Defense requested $159 million for funding for the Okinawa to Guam realignment in fiscal year 2012. For fiscal year 2013, the Department has requested only $51 million. As I understand it, this lowered request is to allow the Department time to obligate existing authorizations, complete an expanded environmental impact study, etc.

Will this reduced funding (at only ⅓ of the previous year) cause a delay in the move from Okinawa to Guam? If so, how much of a delay? Have you discussed the reduced funding and any potential delay with the Japanese government? If so, what was Japan's response?

Answer. As was announced in early February, we have begun discussions with the Government of Japan (GoJ) to adjust our current realignment plans. We remain committed to the principles set forth in the 2006 Realignment Roadmap, establishing an operational Marine Corps presence on Guam, mitigating the impact of U.S. forces in Okinawa, constructing a Futenma Replacement Facility (FRF) at Camp Schwab, and returning lands south of Kadena Air Base at the conclusion of the process. We have discussed with the GoJ a plan to move fewer Marines (5,000 instead of 8,000) to Guam from Okinawa. We have also discussed plans to delink the movement of Marines to Guam and the return of lands south of Kadena, from progress on the FRF. These proposals have both U.S. Government and GoJ support. There have been no final decisions at this point. As we have explained to the GoJ, Our Funding request for Guam will be limited until we have finalized these under-

standings and have completed any necessary environmental assessments. We will keep Congress closely apprised of developments in these discussions, so that we end up with a plan that Congress can support, and that meets our strategic and operational imperatives for the Asia-Pacific region.

[CLERK'S NOTE.—End of Questions submitted by Mr. Calvert. Questions submitted by Mr. Visclosky and the answers thereto follow:]

NUCLEAR DETERRENT FORCE STRUCTURE

*Question.* Secretary Panetta, recent media reports have indicated that the Administration is reviewing alternatives to the current nuclear deterrence force structure. In the near future, important and resource intensive decisions will be necessary regarding the recapitalization of the triad, decisions that will drive the strategic force for decades to come. I would hope that these decisions are driven by policy rather than resource constraints, however, we all must recognize that resources are tight in the current environment.

How does the military determine the required size and capabilities of the nuclear deterrent force structure?

Answer. Presidential Policy Directives on nuclear deterrence policy are the starting point for the Department in determining U.S. nuclear deterrent plans, force structure, and required capabilities. Based on this guidance from the President and relevant intelligence assessments, the Chairman of the Joint Chiefs and I issue specific planning guidance that directs the Commander of Strategic Command to prepare appropriate concepts of operation and plans. Those plans inform the development of requirements for the Services. The Services meet these requirements in accordance with planning guidance and fiscal guidance which I issue, as well as treaty requirements, in particular the New START Treaty. As stated in the 2010 Nuclear Posture Review, ensuring the United States remains well hedged against geopolitical or technological surprise remains a key priority in determining the size and capabilities of our nuclear deterrent. The Department reviews these Service program proposals in a defensewide context during the annual Program and Budget Review process. Upon my approval, program and budget proposals are submitted to OMB and from there to the Congress.

*Question.* Once decisions are made regarding the size and capabilities of the stockpile and required delivery platforms, how do you assess the cost implications of those needs? In particular, how do you assess the requirements within a leg of the triad?

Answer. The components of the existing strategic triad have been deployed for many years. The Air Force and the Navy have considerable experience in assessing the cost of maintaining and modernizing these weapon systems. The Services model the cost implications of any potential change to force structure and use that information as one input to assess such potential changes. Once decisions are made regarding changes to size and capabilities of the force structure, platforms and associated warheads, my office provides programming guidance to the Services to implement those decisions. The Services prepare detailed budget estimates based on that guidance as part of the annual Planning, Programming, Budgeting, and Execution process. If concerns or issues arise during this process, they are subjected to a detailed review in the Program and Budget Review. The outcome of these efforts is used to prepare the President's Budget.

*Question.* How does the DoD and the NWC interact with the NNSA to fulfill the requirements of the stockpile? Does the NNSA provide any feedback regarding costs to fulfill those requirements, and is that feedback taken into account?

Answer. The Nuclear Weapon Council (NWC) is a statutorily required (10 USC 179) joint DoD and Department of Energy (DoE)/NNSA organization that provides the primary mechanism for coordinating activities among the two Departments related to the nuclear weapons stockpile. The Under Secretary of Defense for Acquisition, Technology, and Logistics serves as the NWC chairman, and the DoE/NNSA Administrator serves as the vice-chairman. The DoE/NNSA routinely provides weapon program updates to the NWC. When an issue or change to a program is required, the NWC conducts a formal vote to determine the path forward. The DoE/NNSA provides feedback through the NWC regarding costs to fulfill DoD's requirements, which occurs for all of the major weapons activities.

[CLERK'S NOTE.—End of questions submitted by Mr. Visclosky. Questions submitted by Mr. Hinchey and the answers thereto follow:]

SOLAR ENERGY

*Question.* The financing end is a great deal for the federal government, however the current contract requirements allow for solar panels manufactured in foreign countries. Nellis Air Force Base is a prime example of how Chinese solar panels can end up installed on our bases. I would be surprised if China would ever allow a U.S. solar panel on their military bases. I find it unfortunate, particularly when there is an anti-dumping and countervailing duty case filed against the Chinese solar industry, that current Department contracting rules allow for the Buy American Act to be circumvented for solar projects. Further, many of these foreign solar panels have significant failure rates. Anecdotal evidence has been provided to me claiming cheap solar panels were purchased and are beginning to fail after only three years.

When will the Department adjust its contracting rules to stop the circumvention of the Buy American Act for the installation of solar panels on military bases? Also, when will the Department begin implementing more stringent requirements in its contracts on the quality of solar panels installed on military bases?

Answer. The Department of Defense published an interim rule to implement section 846 of the Ike Skelton National Defense Authorization Act for Fiscal Year 2011 in the Federal Register on December 20, 2011. It became effective immediately. The rule provides that photovoltaic devices utilized in performance of any covered contract shall comply with the Buy American statute, subject to the exceptions provided in the Trade Agreements Act of 1979 or as otherwise provided by law. This rule applies to any photovoltaic device installed on DoD property or in a facility owned by DoD, and reserved for the exclusive use of DoD for the full economic life of the device.

CONTRACTING

*Question.* Mr. Secretary, for a number of years now I have been concerned about the privatization of services that we're seeing at military facilities across the country. As we all understand that current budget constraints are going to take shared sacrifice. As you know, the Department's civilian workforce has been capped since 2010, despite the fact that the Department's overall budget has continued to grow. Section 808 of the last year's National Defense Authorization Act caps the Department's spending on service contracts with private companies for this and next year at $63 billion, the level of the President's budget request in 2010. In the past few years, however, the Department has spent well over $63 billion on private service contractors. And in 2010, the Department exceeded its budget for service contract spending by tens of billions of dollars. With this in mind, and now that Congress has imposed a statutory cap on private service contractor spending, I'm concerned that the Department's self imposed cap on civilian employees will affect services at our military installations. There is plenty of evidence that civilian employees can perform the same level of services as private contractors for the same or lower costs.

What guidance has been issued by the Department to comply with Section 808? Under Section 808, how much less will the Department be able to spend on contractors in next year and what functions will no longer be performed by private contractors?

Answer. Formal guidance to the Department of Defense Components is forthcoming. The FY 2012 and FY 2013 budget reviews specifically established savings goals for advisory and assistance services and service support contracts. The goals are reflected in the FY 2012-enacted budget and the FY 2013 President's Budget request. Although the Department has not categorically identified specific functions that will no longer be performed by private contractors, the primary areas affected will be those contracts that entail staff augmentation or the performance of functions that are closely associated with inherently governmental functions (as defined in section 2383(b)(3) of title 10, U.S. Code, and described in Office of Federal Procurement Policy Letter 11–01). In addition to the adjustments to the amount of services acquired, we expect to fulfill the requirements of section 808 by acquiring these services in a more efficient manner as directed in the September 14, 2010, USD(AT&L) "Better Buying Power" memorandum.

*Question.* Has the Pentagon given further thought to lifting the cap on the civilian workforce? What assurances can you give us that as wide-spread civilian reductions are occurring across the Department work is not shifting illegally to contract performance?

Answer. The Department's FY 2013 budget request reflects a continuation of the initiative to hold civilian FTE levels at the FY 2010 level with some adjustments for recognized workload increases. In the aggregate, U.S. Direct Hires are declining by 7,367 from FY 2012 to FY 2013. The reduction is in the reimbursable program (12,194) which is partially offset by an increase in the direct program. The direct

program increases by 4,827 for critical workload requirements supporting the National Guard and Reserves; the acquisition, audit and contract management communities; and medical readiness programs.

The size of the civilian workforce is correlated to workload and mission prioritization. The Department is committed to ensuring that workload associated with civilian reductions does not shift to contract but is eliminated or realigned to other civilians. On December 1, 2011, the Under Secretary of Defense for Personnel & Readiness issued guidance to the Department reiterating the statutory prohibition on conversion of work to contracts. This guidance directed vigilance in preventing the inappropriate conversion of work to contract performance, particularly as the Department adapted to declining budgets. Specifically, managers and Commanders were reminded of their obligations to preclude such illegal shifting of work as they implemented the results of organizational assessments, continued to assess missions and functions in terms of priority, and revisited both their civilian and military force structures. In addition, the Department has established a multi-level governance process for monitoring implementation of all efficiencies, to include the civilian workforce reduction. Any issue, such as illegal shifting of work, can be addressed by these governing bodies. If warranted, a waiver request to grow the civilian workforce can also be submitted to the Deputy Secretary of Defense.

In the long-term, the Department is making improvements to its Inventory of Contracts for Services to provide increased visibility and accountability into such contracts. Specifically, improvements currently underway will enable the Department to more accurately identify contracted level of effort based on direct labor hours and associated data. This increased fidelity into contracted services will serve as another critical tool for the Department to monitor and preclude possible workload realignment.

*Question.* To what extent have the existing data sets available to Department planners, specifically the Department's annual inventory of inherently governmental and commercial activities, contributed to the functional streamlining, organizational realignments, workforce shaping decisions, and civilian personnel reductions reflected in last year's efficiencies initiative and continued in this year's budget?

Answer. The efficiencies initiatives began under Secretary Gates, and continued in this year's budget, were implemented based on guidance to conduct organizational assessments and mission/function prioritization. This guidance required DoD components to: baseline their organizations; assess and prioritize missions; eliminate duplication; ensure workload distribution; and submit recommendations for organization restructuring and reallocation of manpower, including workforce reductions.

While the guidance did not specifically require DoD components use their annual inventory of inherently governmental and commercial activities, it is one of many data sets and workload quantification sources that DoD components had available as they conducted their assessments. The inventory provides DoD components with visibility into their respective workforce and organizations based on functional descriptors, manpower mix criteria, location of services, and specific units and assignment of billets. The extent to which individual DoD components relied on their respective inventories of inherently governmental and commercial activities to inform their efficiencies and personnel reductions would vary based on the processes they undertook and other available data sources.

*Question.* In achieving the right mix for the Total Force, how does the Department use the annual inventory of inherently governmental and commercial activities, and associated manpower mix determinations, to identify the civilian workforce reductions reflected in the past two budgets?

Answer. The FY 2013 budget reflects continuation of the initiative to hold civilian FTE levels at the FY 2010 level. While the budget guidance did not specifically require DoD Components use their annual inventory of inherently governmental and commercial activities, it is one of many data sets and workload quantification sources that DoD Components had available as they developed their FY 2013 budget requests. The inventory provides DoD Components with visibility into their respective workforce and organizations based on functional descriptors, manpower mix criteria, location of services, and specific units and assignment of billets. The extent to which individual DoD Components relied on their respective inventories of inherently governmental and commercial activities to inform their efficiencies and personnel allocations would vary based on the processes they undertook and other available data sources.

*Question.* As civilian personnel reductions are being executed across the Department, are the workload and functions associated with those being tracked as eliminated or divested through the annual inventory of functions?

Answer. The Department is tracking Component efficiency initiatives implementation using the Defense Enterprise Performance Management System (DEPMS). This includes monitoring compliance with the direction to maintain, with certain exceptions, civilian full-time equivalent authorizations at fiscal year 2010 levels and any attendant civilian personnel reductions. In addition, the Department's guidance for the annual inventory of inherently governmental and commercial functions, issued 24 October 2011, required DoD Components to identify and provide rationale for all major changes, to both civilian military workload, "to include identification of any difference resulting from the implementation of organizational efficiencies and budgetary reductions as a result of the Department's efforts to streamline business operations, reduce redundancies and/or overhead functions, and maximize shared services." DoD components are required to submit their data sets for DoD review beginning in April 2012.

IRAN SPENDING

*Question.* Mr. Secretary, the Overseas Contingency Operations (OCO) budget asks for $2.9 billion for Iraq spending despite the official end of Operation Iraqi Freedom. Your budget overview states this funding will finalize transition in Iraq and "continue security assistance and security cooperation." Can you please provide a more detailed breakdown and justification of how this money will be spent?

Answer. The $2.9 billion FY 2013 OCO request for Iraq provides for equipment reset, the Department of Defense (DoD) portion of cost for the continuation of the Office of Security Cooperation—Iraq (OSC–I), continued security assistance and cooperation with the Government of Jordan, and classified programs.

| Description | FY 2013 OCO request for post-OND/Iraq activities ($B) |
|---|---|
| Equipment Reset and Retrograde | $1.4 |
| OSC–I | 0.5 |
| Coalition Support | 0.1 |
| Classified Programs | 0.9 |
| Total | 2.9 |

The $1.4 billion requested for equipment reset and retrograde activities includes maintenance for rotary wing aircraft, and combat, field artillery, ammunition supply, and tactical wheeled vehicles redeployed from Iraq and required in DoD inventory to maintain combat readiness.

The $0.5 billion requested for the OSC–I provides for the development and sustainment of facilities, equipment, vehicles, and security services for the DoD portion of cost for the continuation of the OSC–I.

The $0.1 billion requested for coalition support includes amounts for reimbursement to the Government of Jordan for logistical, military, and other expenses incurred in the conduct of border operations, as long as the border operations are deemed essential to the activities of the OSC–I. Border operations include curbing undesirables from transiting across the border and protecting key transit routes supporting the OSC–I.

[CLERK'S NOTE.—End of questions submitted by Mr. Hinchey. Questions submitted by Mr. Young and the answers thereto follow:]

FISCAL MANAGEMENT: GROWING RELIANCE ON REPROGRAMMINGS

*Question.* While an increased number of funding transfers would be expected in the early stages of a contingency operation, the war should not be the rationale for increasing funding transfers after ten years. There appears to be a fundamental flaw in the Department's budget process that started when the structure of the Planning, Programming, and Budgeting System process was abandoned in favor of a simultaneous program and budget review.

Secretary Panetta, we are concerned that your Department has increasingly transferred and spent funding differently than the purposes for which the funding was justified and appropriated. What actions are being taken to enhance the discipline in the budget process?

Answer. The current reprogramming process provides the Department of Defense (DoD) with necessary flexibility while preserving Congress's appropriate oversight.

The Department prepares the budget 18 to 20 months prior to actual execution; the reprogramming process permits the Department with Congressional approval, to meet emerging requirements in a timely manner. My staff will meet with your staff to provide details on how reprogramming actions are reviewed and prioritized within the Department.

*Question.* Mr. Secretary, establishing a clear strategic plan, which you have done, is very important and you are to be commended for that. However, there is not a disciplined process which forces resource allocation decisions to occur deliberatively. How do you plan to fix this? Have you considered resuming sequential program and budget reviews within your Department, rather than conducting these two not-insignificant events simultaneously?

Answer. On the contrary, the Department's process is very deliberative and disciplined. The new strategic guidance was developed before any final budget decisions were made to ensure that the budget choices reflected the new defense strategy. While shaping this strategy, the Department of Defense leadership did not want to repeat the mistakes of the past. The goals were: to maintain the strongest military in the world, to not "hollow out" the force, to take a balanced approach to budget cuts, to put everything on the table, and to not break faith with troops and their families. Throughout the review all steps were taken to ensure this was an inclusive process. General Dempsey and the Secretary of Defense worked closely with the leadership of the Services and Combatant Commanders, and consulted regularly with members of Congress. As a result of these efforts, the Department is strongly united behind the President's budget request for fiscal year 2013, and the accompanying Future Years Defense Program.

FISCAL MANAGEMENT: USE OF REPROGRAMMINGS TO INITIATE NEW PROGRAMS

*Question.* The increased use of reprogramming actions to finance new programs or "new starts" during the execution year is a fairly recent phenomenon and appears to be directly related to the breakdown of a rational and deliberative budget process. The Department's financial management regulation states ". . . Congressional committees discourage the use of the reprogramming process to initiate programs. Except for extraordinary situations, consideration will not be given new start reprogramming requests for which the follow-on funding is not budgeted or programmed . . ." However, there has been an extraordinary increase in the number of new program starts initiated via reprogramming: Fiscal year 1999 contained no new starts, fiscal year 2000 contained seven new starts, and fiscal year 2010 saw 46 new starts initiated during the execution year via a reprogramming action.

Secretary Panetta, we are concerned with the Department's increased use of reprogramming actions to initiate new weapon systems and research efforts. Often the rationale for the request is simply that the program fulfills a joint urgent operational need. Although this may be a valid reason, it seems after ten years of war many of these operational needs should be accommodated in the budget request rather than in the year of execution. Those programs and projects that are truly urgent should be able to be justified and defended in some detail. Why is the Department increasingly initiating so many programs outside of the normal budget process?

Answer. The current reprogramming process provides the Department of Defense (DoD) with necessary flexibility while preserving Congress's appropriate oversight. The Department prepares the budget 18 to 20 months prior to actual execution; the reprogramming process permits the Department to meet emerging requirements in a timely manner. Given the dynamic nature of operations in Afghanistan and a desire to take advantage of emerging technology where appropriate, a few new starts are necessary to meet the needs of the Combatant Commanders. The Department conducts a careful review of all new start requests before they are forwarded to Congress. The ones forwarded to you represent the high priority requirements.

*Question.* Secretary Panetta, the Department's own financial regulation states that reprograming requests must reflect "total program costs, proposed funding and procurement quantities by year . . . [and] an explanation of how subsequent years' funding will be provided . . . The Department will not approve new starts that do not have budgeted or programmed follow-on funding." Recent requests have contained none of this information required by your own regulations, yet your Department always expects a quick turnaround by the Committee. This information is vital to the Committee in order to make an informed decision about the projects. Without this information readily available, time is added to the review process. Why has your Department routinely failed to follow your own regulation and procedures when submitting these reprogramming requests? Do you expect this trend to continue this year and into the future?

Answer: I was not aware that we were not complying with policy. I can assure you that the Department will redouble our efforts to ensure that all reprogramming requests are in full compliance with the financial regulations.

[CLERK'S NOTE.—End of questions submitted by Mr. Young.]

THURSDAY, MARCH 2, 2012.

# FISCAL YEAR 2013 NAVY/MARINE CORPS BUDGET OVERVIEW

WITNESSES

**HON. RAY MABUS, SECRETARY OF THE NAVY**
**ADMIRAL JONATHAN W. GREENERT, CHIEF OF NAVAL OPERATIONS**
**GENERAL JOSEPH F. DUNFORD, JR., ASSISTANT COMMANDANT OF THE MARINE CORPS, ON BEHALF OF GENERAL JAMES F. AMOS, COMMANDANT OF THE MARINE CORPS**

## OPENING STATEMENT OF CHAIRMAN YOUNG

Mr. YOUNG. The committee will be in order. And we welcome our guests.

This afternoon the subcommittee will hold an open hearing on the posture and budget requests of the Department of the Navy. We will focus on Navy and Marine Corps personnel, training and equipment readiness, and will also touch on acquisition issues to gain insights into the Department's priorities and decisionmaking.

I would like to welcome the Secretary of the Navy, Raymond Mabus; Chief of Naval Operations, Admiral Jonathan Greenert; and Assistant Commandant of the Marine Corps, General Joseph Dunford, to the subcommittee. And I would explain that General Amos is a little indisposed today, but he is okay.

While Secretary Mabus is a familiar face to the subcommittee, Admiral Greenert is making his first appearance in his new capacity as the 30th Chief of Naval Operations.

Admiral, congratulations, and welcome to you, sir.

Additionally, General Dunford is filling in for General Amos, as I said. And to whatever extent he wants to explain that, we will let the general be in charge of that. We welcome General Dunford. As you know, the Marine Corps has a very, very deep history, and I am sure General Amos can use this time to recover from some of that history that he has played a part in and know that the Marines are in very capable hands here today. And I can say that without contradiction, because I spent the morning with General Dunford, and he performed extremely well on behalf of the Marine Corps at the Subcommittee on Military Construction.

I thank all of you for being here today, and I think I can speak safely for every member of this subcommittee in thanking you for your service to our great Nation, the challenges that you have met over the years, just really extremely proud of all of you and the troops that you command.

We are looking forward today to hearing how you were able to craft a workable budget for fiscal year 2013 with the constraints that were placed upon you with respect to the decreasing top line. We are especially anxious to hear how the Marine Corps is going

to handle the force reductions that seem to be coming right on the heels of the recent force buildup. We certainly do not want to break faith with any of our young marines who have been performing so well, and we are not going to turn our backs on them and send them along their way without having some plan to be of help and service to them.

Also of interest to the subcommittee is the apparent contradiction that we see in the shipbuilding program. When it was announced that the Department of Defense was increasing its focus on the Asia-Pacific region, an increased naval presence immediately came to mind. I was comforted in recalling Secretary Mabus' words to the subcommittee last year when he told us that the Navy would be building 57 ships over the period of 2013 to 2017, finally putting the Navy on pace to reach 300 ships. Now, when it would seem even more important to have a larger fleet, the Navy has actually decreased the number of ships planned for construction over that same period, and the decrease is not small. The current number of ships planned for construction over the 2013 to 2017 timeframe is 41 ships, a decrease of 16 from what was forecast last year. This is a 28 percent decrease from last year's number.

I am a little concerned about the contradiction of planning to use a smaller fleet to cover a larger portion of the globe. And I know that if it can be done, you are going to do it, and I don't have any question about that. And granted, our new ships will be more capable, but they can still only be in one place at a time, and I would think that in some respects quantity itself is a capability.

However, as we have always done in the past this subcommittee will work hard to ensure the Department of the Navy is ready and able to conduct the very important mission that you have been given or will be given. We understand as well as anybody that the most important component of your Department are the sailors and marines that you have the privilege to lead, and who sacrifice so much in defending our freedoms.

So, again, welcome, we look forward to your comments and an informative question-and-answer session. And now let me turn to my good friend and partner, former chairman of this subcommittee, the ranking member Mr. Dicks for any comments he would like to make.

## REMARKS OF MR. DICKS

Mr. DICKS. Thank you, Mr. Chairman.

I want to also welcome our witnesses today, especially Admiral Greenert in his first appearance as the CNO. And a special welcome to General Dunford, who, like a good deputy, is stepping up to the plate when needed. Thanks to all of you for being here today.

The Navy and Marine Corps find itself in an interesting place for fiscal year 2013. Both services are dealing with the logistics tail of the end of operations in Iraq, yet maintain and seek to expand upon a strong presence in the region. Concurrently both are preparing for the eventual drawdown in Afghanistan, which is slated for 2014, while maintaining current operations in an increasingly dangerous security environment.

The Navy and Marine Corps find themselves simultaneously expanding to new places such as Darwin, Australia, and some familiar ones like the Philippines while winding down combat operations, reducing the size of the Marine Corps, and resetting the forces in all areas of readiness, personnel, training and equipment.

The committee looks forward to hearing your views on the new defense strategy and how it influenced the difficult budget decisions made for fiscal 2013, as well as in the outyears. We look forward to learning how the Navy and Marine Corps will be shaped to meet the renewed focus on the Asia-Pacific region and continued focus on the Middle East.

The new defense strategy places great responsibility on the Navy and Marine Corps as it acknowledges the strong historical presence you have had in the region during both wartime and in periods of peace. However, while much of the focus in recent months has been on the budget process, we are now interested in how you are focusing on your returning sailors and marines, particularly the wounded warriors and their families. This is especially true in the Marine Corps where many returning marines may wonder if there will be a place for them in the smaller corps.

We are also interested to learn how you are handling the disposition of equipment from Iran and Afghanistan as well as setting the conditions for success for the next time a nation calls upon you to respond to a crisis somewhere in the world. We want to hear about future ships and submarines, as well as aircraft you are developing and acquiring. We want to learn about the new programs you have proposed, the programs you have decided you can do without, and the process of acquiring and shedding these programs.

The constrained budget environment can force efficiencies, and out of painful decisions new and better acquisition practices can result, we hope. I look forward to hearing about those improvements.

In addition to all this, we are eager to hear how you are focusing your efforts on the newest warfighting domain, cyberoffense and cyberdefense. The threat is real, and it has already affected how the military operates and thinks about future operations. The threat is pervasive. It is a concern not only for military operations and systems, but also to protect the ideas and intellectual data that sets us apart from our adversaries.

We are eager to hear from you on these issues, on the decisions that influenced your 2013 budget, and on other topics important to the Navy and Marine Corps. Again, thank you for appearing before the committee, and thank you for your service to the Nation.

Mr. YOUNG. Mr. Dicks, thank you very much.

Mr. Secretary, we would be happy to hear from you. Your total statement will be placed in the record. You can present it to us in any way that you would like. And we will recognize you at this time, sir.

## STATEMENTS OF SECRETARY MABUS

Mr. MABUS. Thank you, Mr. Chairman, Ranking Member Dicks, distinguished members of this committee.

As you pointed out, Mr. Chairman, the Commandant of the Marine Corps is not with us today. He had a minor surgical procedure, although I think minor surgical procedures only happen to other

people. Nothing that happens to you is minor. And I told him when I spoke to him that I thought he was being a little extreme in trying to avoid this hearing. But I know that I have a wonderful representative for the Marine Corps in the Assistant Commandant of the Marine Corps, General Joe Dunford, and I am very happy to be here with him today, and with Admiral Jon Greenert, the Chief of Naval Operations. And the pride that the three of us and all the leadership of the Navy and Marine Corps take in leading the sailors, marines, civilians and their families who selflessly serve the United States is exceeded only by the accomplishments of those selfless individuals. Whatever has been asked of them by the American people through their Commander in Chief, from Afghanistan to Libya, from assisting the stricken people of Japan to assuring open sea lanes around the world, from bringing Osama bin Laden to final justice to bringing hostages out of wherever they may be hidden by terrorists or pirates, they answer the call, they get the job done.

The CNO, the Commandant, the ACMC and I are confident the United States Navy and Marine Corps are well prepared to meet the requirements of this new defense strategy and maintain their status as the most formidable expeditionary fighting force the world has ever known. No one should ever doubt the ability, capability or superiority of the Navy and Marine Corps team.

As we repositioned after two long ground wars, it was essential to review the basic strategic posture. And your guidance, developed under the leadership of the President and the Secretary of Defense, and with the full involvement, every service secretary, every service chief, responds to changes in global security. The budget presented to implement this strategy, which was also arrived with the full collaboration of all the services, assures that the Navy and Marine Corps will be able to fully execute this strategy while meeting the constraints imposed by the Budget Control Act passed by Congress.

This new strategy, as you pointed out, Mr. Chairman, has an understandable focus on the Western Pacific and Arabian Gulf region. It has a maritime focus. It requires us to maintain our worldwide partnerships and our global presence using innovative, low-cost, light-footprint engagement. It absolutely requires a Navy and Marine Corps team that is built and ready for any eventuality on land, in the air, on and under the world's ocean and in the vast cyberspace that Congressman Dicks mentioned. And it is going to be operated forward to protect American interests, respond to crises, and to deter and, if necessary, win wars.

I want to talk about ship numbers for a minute. Mr. Chairman, I appreciate very much your raising that issue. The impact of two ground wars over the last decade on our Fleet and our force is unmistakable. A Fleet that stood at 316 ships and over 377,000 sailors on 9/11, 2001, dropped to 283 ships and close to 49,000 fewer sailors just 8 years later when I took office.

This administration has made it a priority to rebuild our Fleet. Despite the budget constraints imposed under the Budget Control Act, our plan assures that we will have no fewer ships at the end of this 5-year period than we do today, although, as you pointed out, the Fleet of 2017 will include more "more capable" ships

equipped with state-of-the-art technology, manned as always by highly skilled personnel.

And although we are presenting one 5-year budget, one Future Years Defense Program (FYDP), this is certainly not a one-FYDP issue. As the defense strategy states, we are building the force for 2020. In the years beyond the current FYDP, we have a plan to grow our Fleet and ensure our capacity continues to match our missions. In fact, our plan will have us cross the threshold of 300 ships again in 2019.

Overall we will fully meet the requirements of the new strategy and maintain the industrial base needed. This is in spite of the fact, as you pointed out, that we have had to defer building some 16 ships. But the good news on that part is that the ships that—a vast majority of the ships that we are deferring are support ships and not combat capability ships. And as the mission has changed, the need for some of these ships has decreased.

And that is why I am particularly pleased that we will be able to have the same size Fleet 5 years from now that we do today, because we are not only deferring the building of the ships that you mentioned, we are also retiring seven cruisers and putting two small amphib ships into reserve status.

Speaking of amphibious roles, the Marine Corps will also return to its maritime routes and resume its traditional role as the Nation's expeditionary force in readiness. Our marines will retain the lessons of a decade of hard, but effective fighting in Iraq and Afghanistan as they transition back to a middle-weight force and amphibious force optimized for foreign presence engagement and rapid response.

We will very carefully manage the reduction in Active-Duty end strength from 202,000 to 182,100 marines by the end of fiscal year 2016 in order to keep faith with the marines and their families to the maximum extent possible.

This restructured Marine Corps, a plan that was arrived at after a year and a half of very careful study by the Marines, will be smaller, but it will be fast, it will be agile, it will be lethal. The number of marines in certain critical jobs like Special Forces and cyber will be increased, and unit manning levels, and therefore readiness, will go up.

Both the Navy and Marine Corps will continue to decrease operational vulnerabilities in ways that are cost efficient. That means we will maintain our efforts to reduce our dependence on foreign oil and to use energy more efficiently. These efforts have already made us better warfighters. By deploying to Afghanistan with solar blankets, charged radios and other electrical items, a marine patrol dropped 700 pounds in batteries from their packs and decreased the need for risky resupply missions. Using less fuel in theater can mean fewer fuel convoys, which will save lives. For every 50 convoys we bring in, a marine is killed or wounded. That is too high a price to pay.

We already know the reality of a volatile oil global market. Every time the cost of a barrel of oil goes up a dollar, it costs the Department of the Navy an additional $31 million in fuel costs. These price spikes have to be paid for out of our operational funds. That means that we sail less, we fly less, we train less. For these rea-

sons we have to be relentless in our pursuit of energy goals that will continue to make us a more effective fighting force and our military and our Nation more energy independent.

But as both you, Mr. Chairman, and Congressman Dicks have pointed out, as much as we focus on our Fleet's assets of ships, and airplanes, and vehicles and submarines, they don't sail, or fly, or drive or dive without the men and women who wear the uniform and their families. They have taken care of us. They have kept the faith with us. We owe them no less.

The commitment to sailors and marines and their families is there whether they serve 4 years or 40. It begins the moment they raise their hand and take the oath to defend our Nation. It continues through the training and education that spans their entire career. It reaches out to their loved ones, because it is not just an individual who serves, it is the entire family. It supports our wounded warriors with recovery, rehab and reintegration. It continues with transition services for our veterans to locate new jobs, and the GI Bill for their continued education or to transfer for a family member's education. The list goes on and on and on, as it should. Our commitment to our sailors and marines can never waiver, and it can never end.

So finally, for 236 years, from sail to steam to nuclear, from the USS CONSTITUTION to the USS CARL VINSON, from Tripoli to Tripoli, our maritime warriors have upheld a proud heritage, protected our Nation, projected our power and provided freedom of the seas. In the coming years this new strategy and our plans to execute that strategy will assure that our naval heritage not only perseveres, but that our Navy and Marine Corps continue to prevail.

Thank you, Mr. Chairman.

Mr. YOUNG. Mr. Secretary, thank you very much.

[The written statement of Secretary Mabus follows:]

NOT FOR PUBLICATION UNTIL
RELEASED BY THE
HOUSE COMMITTEE ON
APPROPRIATIONS

**STATEMENT OF**

**THE HONORABLE RAY MABUS**

**SECRETARY OF THE NAVY**

**BEFORE THE**

**HOUSE COMMITTEE ON APPROPRIATIONS**

**ON**

**01 MARCH 2012**

NOT FOR PUBLICATION UNTIL
RELEASED BY THE HOUSE
COMMITTEE ON APPROPRIATIONS

Chairman Young and Congressman Dicks, I have the privilege of appearing today on behalf of the Sailors, Marines, and civilians who make up the Department of the Navy ("DON" or "Department"). This is the fourth year that I have been honored to report on the readiness, posture, progress, and budgetary requests of the Department. The pride the Commandant of the Marine Corps, General James Amos, the Chief of Naval Operations (CNO), Admiral Jonathan Greenert, and I take in leading the dedicated men and women of the Department who selflessly serve the United States in the air, on land, and at sea is exceeded only by the accomplishments of these brave and selfless individuals.

Whatever is asked of them by the American people through their commander in chief—from Afghanistan to Libya, from assisting the stricken people of Japan to assuring open sea lanes around the world, from bringing Osama bin Laden to final justice to bringing hostages out of wherever they may be hidden by terrorists or pirates—they answer the call and get the mission done.

As we pivot away from a decade of war on two fronts in two separate nations, the Commandant, CNO and I are confident that the U.S. Navy and Marine Corps are well prepared to meet the requirements of the new defense strategy, and maintain their status as the most formidable expeditionary fighting force the world has ever known. No one should doubt the ability, capability, or superiority of the Navy-Marine Corps team.

The Administration's defense strategic guidance, with its understandable focus on the Western Pacific and Arabian Gulf region; its requirement to maintain our worldwide partnerships; and its

call for a global presence using innovative, low-cost, light footprint engagements requires a Navy-Marine Corps team that is built and ready for war—on land, in the air, on and under the world's oceans, or in the vast "cyberspace"—and operated forward to protect American interests, respond to crises, and deter and prevent war.

This new strategy, developed under the leadership of the President and the Secretary of Defense, with the full involvement of every service secretary and service chief, responds to the dynamic global security environment, while meeting the constraints imposed under the Budget Control Act (BCA) passed by Congress.

Our ability to meet the demands of this new strategy depends on the improvements we have begun and objectives we have set regarding how we design, purchase, and build new platforms, combat systems, and equipment; increase the development and deployment of unmanned systems to provide increased presence and enhanced persistence at lower cost and less danger; and how we use, produce and procure energy. Most importantly, our efforts and this new strategic guidance and the budget that guidance informs, will assure that we continue to keep faith with those who serve our country so selflessly and heroically, our Sailors and Marines, civilians, and their families.

**FY-13 Budget Submission**

**Fleet Size**

On September 11, 2001, the Navy's battle force stood at 316 ships and 377,000 Sailors. Eight years later when I took office, the battle force had fallen by 49,000 Sailors, and to 283 ships. Today, three years into the Obama Administration, the fleet increased to 285 ships of all types.

Many have noted that we have the lowest number of battle force ships since 1917. But today's "Fleet" is best thought of as an fully integrated *battle network* comprised of sensors, manned and unmanned platforms, modular payload bays, open architecture combat systems, and smart, tech-savvy people. Thus, making comparisons between today's "total force battle network" with the battle force of 1917 is like comparing a smart phone to the telegraph. Still, even though the ships coming into service today are vastly more capable than their 1917 predecessors, at some point quantity has a quality of its own. This is why building up the number of ships in our Fleet has been a priority for this administration from day one.

The topline reductions mandated by the BCA made holding to current Fleet numbers a difficult challenge. However, I am pleased to report to you that we have developed a plan that delivers a Fleet with the same number of ships by the end of the Future Years Defense Plan, or FYDP, as we have today—all while still meeting our fiscal obligation to support a responsible end to our ground combat mission in Afghanistan. The FY13-17 shipbuilding plan maintains a flexible, balanced naval battle force that will be able to prevail in any combat situation, including in the most stressing anti-access/area denial (A2/AD) environments.

While our ship count stabilizes in this FYDP, our shipbuilding plans aim to build a Fleet designed to support the new defense strategy and the joint force for 2020 and beyond. The specific requirements for this future Fleet will be determined by an ongoing Force Structure Assessment (FSA), which should be concluded later this year. Regardless of the final battle force objective, however, you can expect to see the Fleet's ship count to begin to rise as the Littoral Combat Ship (LCS) and Joint High Speed Vessels (JHSVs) built during the next five years begin to enter fleet service beyond this FYDP, and as we sustain our major combatant and submarine building profiles. As a result, even under the fiscal constraints imposed by the BCA, the battle force is projected to reach 300 ships by 2019.

While the final ship count will be determined by the FSA, the decisions made during the recent PB-13 budget deliberations will result in a battle force consisting of:

- *Nuclear-powered Aircraft Carriers and Air Wings.* With delivery of *USS Gerald R. Ford*, the first of a new class of nuclear-powered aircraft carriers, in 2015, we will have 11 CVNs in commission, and will sustain that number at least through 2040. Our future carriers will be even more powerful, with new combat capabilities resident in the F-35C Lightning II Joint Strike Fighter, F/A-18E/F Super Hornet, EA-18G Growler electronic attack aircraft, E-2D Advanced Hawkeye airborne early warning aircraft, and new unmanned air combat systems.

- *Nuclear-powered Attack Submarines.* SSNs are the key to sustaining our dominant lead in undersea warfare. While the procurement of one VIRGINIA-Class submarine was

delayed from 2014 to 2018 to help free up budget resources in the FYDP, the planned FY14-18 Multi-Year Procurement (MYP) of nine submarines remains intact. To mitigate the loss of large undersea strike capability when SSGNs retire in 2026-2028, we invested Research and Development for the VIRGINIA Payload Module (VPM). VPM could provide future VIRGINIA-Class SSNs with an additional four SSGN-like large diameter payload tubes, increasing each SSN's Tomahawk cruise missile capability from 12 to 40. While we are committed to a long-term force goal of 48 SSNs, low submarine build rates during the 1990s will cause us to fall below that number for some time starting in the late 2020s. We continue to explore ways to limit the submarine shortfall by increasing the near-term submarine build rate, improving affordability, and maintaining the health of this critical industrial base.

- *Guided Missile Cruisers and Destroyers.* The Arleigh Burke-class DDGs remain in serial production, with funding in place for a nine-ship FY13-17 MYP. The next flight of DDG 51s will introduce a more powerful and capable Air and Missile Defense Radar in FY16. We project that the new defense strategy will require slightly fewer large surface combatants so we will retire seven Ticonderoga-class CGs in this FYDP—all but one before a planned mid-life ballistic missile defense upgrade, and that one had serious structural issues—achieving considerable cost savings at relatively low risk. The long-term inventory of guided missile cruisers and destroyers is projected to come down as combatants built at the rate of 3-5 per year during the Cold War begin to retire in the 2020s. We are exploring a variety of ways to mitigate these losses.

- *Littoral Combat Ships.* With their flexible payload bays, open combat systems, ability to control unmanned systems, and superb aviation and boat handling capabilities, LCSs will be an important part of a more agile future Fleet. New crew rotation plans, built on a modified version of the highly successful SSBN two-crew model, will allow for substantially more LCS forward presence than the frigates, Mine Counter-Measures ships, and coastal patrol craft they will replace, and will free our more capable multi-mission destroyers for more complex missions. Although forced to shift two LCSs outside the current FYDP to achieve cost savings, we remain fully committed to our plan to ultimately purchase 55 of these warships.

- *Amphibious Ships.* 30 amphibious landing ships can support a two-Marine Expeditionary Brigade (MEB) forcible entry operation, with some risk. To generate 30 operationally available ships, the strategic review envisions an amphibious force consisting of 32 total ships, or five ships more than we have in commission today. The ultimate fleet will consist of 11 big deck Amphibious ships, Amphibious Transport Dock LPD-17s, and 10 Landing Ship, Dock ships (LSDs). To support routine forward deployments of Marine Expeditionary Units (MEUs), the amphibious force will be organized into nine, three-ship Amphibious Ready Groups (ARGs) and one four-ship ARG in Japan, plus an additional big-deck Amphibious ship available to support contingency operations worldwide. We will place two LSDs into reduced operations status, allowing us to reconstitute an eleventh ARG in the future, or to build up the number of ships in the active inventory, if necessary. Consistent with these changes, we have deferred procurement of a new LSD, aligning it with LSD-42's planned

retirement. We also intend to disband the third Maritime Prepositioning Force (MPF) squadron that we placed in reserve last year due to fiscal restraints, and reorganize the two remaining active squadrons with more capable ships, making them more effective.

- *New Afloat Forward Staging Bases (AFSBs)*. Navy is proposing to procure a fourth Mobile Landing Platform (MLP) in fiscal year 2014, configured to serve as an Afloat Forward Staging Base (AFSB). This AFSB will fulfill an urgent Combatant Commander request for sea-based support for mine warfare, Special Operations Forces (SOF), Intelligence, Surveillance and Reconnaissance (ISR), and other operations. To speed this capability into the fleet, and to ultimately provide for continuous AFSB support anywhere in the world, we also intend to request Congressional approval to convert the FY12 MLP into the AFSB configuration, resulting in a final force of two MLPs and two AFSBs. This mix will alleviate the demands on an already stressed surface combatant and amphibious fleet while reducing our reliance on shore-based infrastructure.

Most of the ship reductions in the President's FY13 budget submission—16 fewer than the comparable years' in the FY12 budget—are combat logistics and Fleet support ships and reflect prudent adjustments to our new strategy and a lower defense topline. For example, eight of the 16 ships cut from our five-year plan were JHSVs. These cuts reflect the new 10-ship JHSV requirement developed during our strategy review.

In addition, we simply delayed purchasing three new oilers, which were part of an early changeover from single-hulled to more environmentally safe and internationally accepted double-hulled ships. Our current Fleet of oilers will not start to retire until the 2020s, so there is no impact on the number of available oilers for Fleet operations. Finally, an ocean surveillance ship was added to the Navy's plan last year to provide greater operational depth to our current Fleet of five ships; however, after careful consideration, we concluded we could meet our operational needs with five ships and could cut the sixth ship with manageable risk.

Ships are not the only platforms in our "total force battle network." Accordingly, the new defense strategic guidance also required us to review and evaluate the needs of our naval aviation community going forward into the 21st century. We plan to complete our purchases of both the F/A-18 Super Hornet and the EA-18 Growler within the next two years. The Department recently completed a review of our aviation requirements for the F-35 that validates our decision to purchase for the Navy and Marine Corps 680 F-35s over the life of the program. While we plan to slow procurement over the next five years to address program risks, especially concurrency, we remain committed to procuring 680 aircraft. The F-35B, the short-take-off-vertical-landing (STOVL) variant, completed successful at-sea trials onboard the USS WASP and overall testing is proceeding very well. For the carrier version, the F-35C, testing exceeded the plan by 30 percent last year. In light of this encouraging testing performance, we are even more confident that this multirole, cutting-edge platform will more than meet our tactical requirements in the future security environment.

The Navy and the Marine Corps continues to carefully monitor strike fighter capacity requirements as well. Changes in the Marine's force structure, accelerated transition from the legacy Hornet aircraft to the Super Hornets, and a reduction in use resulted in an appropriately-sized strike fighter aircraft inventory. Based on current assumptions and plans, our strike fighter aircraft shortfall is predicted to remain below a manageable 65 aircraft through 2028, with some risk.

In the far term, the Navy will need to replace its F/A-18E/F Fleet. Pre-Milestone A activities are underway to define the follow-on F/A-XX aircraft. Options include additional F-35s, a variant of the Unmanned Carrier-Launched Airborne Surveillance and Strike System (UCLASS), a new manned/unmanned platform, or some combination of these. While we remain committed to the first-generation UCLASS, which will provide a low-observable, long-range, unmanned ISR-strike capability that will enhance the carrier's future ability to project power in anticipated A2/AD threat environments, the target date for a limited operational capability has shifted by two years from 2018 to 2020 to reduce schedule and technical risk, as well as to meet the savings targets mandated by the BCA.

The planned reduction in our cruiser inventory has decreased requirements for MH-60R Seahawk helicopters, allowing us to reduce procurement in this program by nine aircraft. Fiscal constraints have also led us to reduce E-2D Hawkeye and P-8 Neptune procurement over the FYDP. We still intend to procure all the aircraft originally planned, but at a slower rate.

**Future Force Structure Assessment and Re-designation of Primary Mission Platforms**

Given the broad refocus of the DoD program objectives reflected in the new defense strategy, the Navy has undertaken analysis of the existing Force Structure Requirements and, in conjunction with ongoing internal DoD studies and planning efforts, is reworking an updated FSA against which future requirements will be measured. The new FSA will consider the types of ships included in the final ship count based on changes in mission, requirements, deployment status, or capabilities. For example, classes of ships previously not part of the Battle Force such as AFSBs developed to support SOF/non-traditional missions, Patrol Combatant craft forward deployed to areas requiring that capability, and COMFORT Class Hospital Ships deployed to provide humanitarian assistance, an expanded core Navy mission, may be counted as primary mission platforms. Any changes in ship counting rules will be reported and publicized. Any comments on total ship numbers in this statement are based on current counting rules.

As noted earlier, in the years beyond the current FYDP, we have a plan that puts us back on track to increase our Fleet and ensure capacity matches the demands of the mission. However, with the Fleet and force we have today, we will meet the requirements of the new strategy, continue to protect our national interests, preserve our ability to deter or defeat aggressors, and maintain the industrial base needed.

**Marine Corps**

After a decade of hard fighting in Iraq and Afghanistan, the Marine Corps will return to its maritime roots and resume its traditional role as the nation's naval expeditionary force-in-readiness. We will carefully manage reduction in active duty end strength from 202,000 to 182,100 by the end of FY16. Drawing upon its long history of aligning its training and structure with areas of operations, the Marines will continue to provide tailored security force assistance and to build partnership capacity missions with allies and other regional partners. Along these same lines, the Marine Corps will continue to leverage the experience gained over the past decade of non-traditional warfare to strengthen its ties to the special operations community. The resulting middleweight force will be optimized for forward presence, engagement, and rapid crisis response through strategic positioning at forward bases in the western Pacific and Indian Oceans, as well as renewed participation in traditional Amphibious Ready Group/Marine Expeditionary Unit (ARG/MEU) exercises. The Marine Corps shall maintain required readiness levels throughout the transition process. Most importantly, we will drawdown without breaking faith with Marines and their families.

In summary, the Department's strategy calls for a world class Navy-Marine Corps team, and our plan delivers one that is fully ready to meet the current and emerging challenges. We will maintain a strong naval presence in the western Pacific, Indian Ocean and the Middle East. This will be accomplished by adjusting basing assignments for some units from the Atlantic to the Pacific, as well as by increasing the number of units operating from ports located in theaters of

interest. We are still committed to strategic dispersal. The Department will, for example, operate four LCSs from Singapore. Similarly, we will continue to expand our usage of AFSB and coastal patrol boats around Africa and in the Arabian Gulf to counter the growth of piracy and the growing threat of swarming small boats, as well as to help partner nations build their own maritime capacity while upholding our national interests. We also received two high-speed ferries from the Maritime Administration, which will most likely operate in the Western Pacific supporting the peacetime transport of U.S. Marine Corps forces deployed to Okinawa and Australia.

**Seapower and Naval Presence**

Since the end of the Second World War, the Navy-Marine Corps Team has acted as the guarantor of the global maritime commons, upholding a sophisticated set of international rules that rest upon two inextricably linked principles: free trade and freedom of navigation. These principles have supported an era of unprecedented economic stability and growth, not just for the United States, but for the world at large.

This period of growth has resulted in a truly "globalized" economy which owes much to the unique scalability and flexibility of our naval forces. We can reroute Navy ships and Marine Corps units to create appropriate responses as actions unfold. We can shift force concentrations from the Atlantic to the Pacific or from the southern oceans to northern seas with ease. From a single JHSV to a Carrier Strike Group and from a Marine Fleet Anti-terrorism Security Team (FAST) to an Expeditionary Unit, Combatant Commanders can scale naval forces and their responses appropriately to emerging challenges across the spectrum of engagement. Our forces are flexible enough to shift from supporting combat air patrols over Afghanistan to providing

humanitarian assistance and disaster relief in Japan at a moment's notice. Much of their flexibility derives from the use of the high seas as a vast, unencumbered maneuver space. This freedom of navigation allows our naval forces to gather information, perform surveillance and reconnaissance of seaborne and airborne threats, defend regional partners, interdict weapons of mass destruction, disrupt terrorist networks, deter, and, if necessary, defeat prospective adversaries.

**Law of the Sea**

The traditional freedom of the seas for all nations developed over centuries, mostly by custom, have been encoded within the United Nations Convention on the Law of the Sea (UNCLOS). This important treaty continues to enjoy the strong support of the DoD and the DON. The UNCLOS treaty guarantees rights such as innocent passage through territorial seas; transit passage through, under and over international straits; and the laying and maintaining of submarine cables. The convention has been approved by nearly every maritime power and all the permanent members of the UN Security Council, except the United States. Our notable absence as a signatory weakens our position with other nations, allowing the introduction of expansive definitions of sovereignty on the high seas that undermine our ability to defend our mineral rights along our own continental shelf and in the Arctic. The Department strongly supports the accession to UNCLOS, an action consistently recommended by my predecessors of both parties.

**Naval Operations in 2011**

Naval presence serves as a deterrent against those who would threaten the national interests of the United States even as it assures allies and partners of our consistent commitment. Our enduring national security interests require our continued presence to provide the President and our nation with credible response options to deter conflict and, if necessary, defend the United States' national security interests from the sea. From counter-insurgency and security force assistance operations in Afghanistan to ballistic missile defense and humanitarian assistance missions in Europe and the Western Pacific and naval engagement in South America and Africa, our Sailors and Marines are making a difference around the globe every day. On any given day, more than 72,000 Sailors and Marines are deployed and almost half of our 285 ships are underway, responding to tasking where needed by the Combatant Commanders.

Visiting our forward deployed forces and meeting with allies and partners, commanders and staffs, and our Marines and Sailors on the ground provides insights as to how we can better support all of their critical efforts. In June, September, and again in December, I travelled to Helmand province in Afghanistan on behalf of the Department, and visited forward operating bases. These were my fifth, sixth and seventh trips to theater in Afghanistan. In each area, Taliban offenses and infiltration had been forcefully rebuffed. Critical relations had been built with local Afghan leaders and significant progress has been made towards the goal of creating effective Afghan security forces that will be able to build on these efforts. I also visited Camp Leatherneck and, among other things, toured the Concussion Restoration Care Center where I met with Wounded Warriors. At all of my stops, I expressed the appreciation of the American

people for the courage and sacrifices of our Marines and Sailors who serve alongside them on the field of battle.

For more than six decades, our Navy-Marine Corps team has been the strongest naval force afloat and we are committed to maintaining this position of influence. Our strength, versatility, and efficacy derive from our unique capacity for global reach, our focus on warfighting excellence and our commitment to maintaining naval presence in regions vital to our national interests. We cannot predict the exact nature of the challenges facing the Department in the 21st century, but a glimpse back at operations in 2011 illustrate the increasing variability of events that required a flexible naval response.

*Special Operations.* United States Navy SEALS remain decisively engaged thru out the globe conducting the nation's most sensitive and important counterterrorism operations. They served with great distinction in Iraq and continue to serve in Afghanistan with telling effect. From the killing or capturing of the most wanted terrorists to the rescue and recovery of captured American citizens abroad we ask them to do the most daunting of missions.

*Operations in Iraq, Afghanistan, and Libya.* Having completed operations in Iraq, the Department has maintained over 23,000 Marines and Sailors in Afghanistan, largely associated with Regional Command-Southwest based in Helmand province. This force provides security and seeks to build the self defense capacity of our Afghan partners. Currently the Navy has deployed just over 8,000 Sailors on the ground, 2,920 of whom are Reservists, across the Central Command supporting joint and coalition efforts. Another 10,000 Sailors are in the Arabian Gulf

and the Indian Ocean supporting combat operations from destroyers, submarines, supply vessels and aircraft carriers, which launch around 30 percent of the aircraft conducting combat air patrols over Afghanistan. On the first day during the opening moments of Operation ODYSSEY DAWN in Libya, the U.S. Navy launched 122 Tomahawk Cruise Missiles from two surface ships and three submarines, including the guided missile submarine USS FLORIDA, the first time one of these converted ballistic missile submarines has fired ordnance in live operations. Ground based Navy E/A-18G Growlers flying combat missions in Iraq were repositioned to support ODYSSEY DAWN, and within 44 hours engaged hostile forces in Libya. When violence erupted across northern Africa and the Middle East, significant portions of the KEARSARGE ARG and 26th MEU, then off the coast of Pakistan, were directed to take station off the coast of Libya.

*Ballistic Missile Defense.* Another newly emergent mission centers on the Ballistic Missile Defense (BMD) capable Ticonderoga-class cruisers and Arleigh Burke-class destroyers that provide homeland defense-in-depth, as well as the protection of U.S. and allied forces in distant theaters. As ballistic missile capabilities have proliferated around the globe, the demand for BMD capable ships has increased dramatically. For example, over the past year, BMD ships like the USS RAMAGE, USS MONTEREY and USS STOUT took up station in the eastern Mediterranean to provide BMD for both Europe and Israel. Elsewhere, elements of Destroyer Squadron FIFTEEN provided similar support in the waters surrounding Japan.

*Humanitarian Assistance and Disaster Relief.* Following the devastating earthquake and tsunami last year that resulted in the deaths of over 15,000 Japanese citizens, the displacement of thousands, and the worst nuclear accident since Chernobyl, the RONALD REAGAN Strike Group, en route to support combat operations missions in Afghanistan, was diverted to Japan to provide humanitarian assistance. Upon arrival, instead of combat, the crews were employed to shuttle tons of water, food, and blankets to displaced victims ashore, while the Strike Group's ships simultaneously served as landing and refueling stations for Japanese Self Defense Force (JSDF) rescue helicopters operating in the region. The REAGAN Strike Group supplemented units of the USS ESSEX ARG with its embarked 31st MEU, which is forward deployed in Japan, in what became known as Operation TOMODACHI- "Friendship" in Japanese. Elements of the ESSEX ARG airlifted over 300 JSDF personnel and 90 vehicles from Hokkaido to disaster areas while USNS SAFEGUARD and Mobile Dive and Salvage Unit ONE transported relief supplies to Yokosuka for distribution throughout the affected areas. Additionally, the Navy transported the equipment and personnel of the Pearl Harbor Naval Shipyard's Radiological Control Team as well as the Marine Corps' Chemical Biological Incident Response Force to Japan to assist with nuclear monitoring efforts.

*Anti-Piracy.* Throughout the year the Navy performed the critical mission of combating piracy and supporting the anti-piracy efforts of our allies and partners in the region. Ships operated in conjunction with allies and partners in the vicinity of the Horn of Africa to prevent the disruption of the free flow of trade in the Gulf of Aden. More recently elements of the STENNIS Strike Group freed Iranian citizens who were being held hostage by pirates in the Arabian Sea. Their actions directly resulted in the capture or killing of 21 pirates and the freeing of 38 hostages.

*Partnership Stations and Maritime Exercises.* The Navy remains committed to building our partner nations' capacities to provide for their own maritime security. This year we once again created "partnership stations" in the Pacific Ocean and Caribbean Sea, off the coast of South America and around the continent of Africa to work with local navies to educate their leaders, train their Sailors, strengthen their material infrastructure, increase their maritime domain awareness, and raise their response capacity. USS CLEVELAND, USS OAK HILL, USS ROBERT G BRADLEY, the hospital ship USNS COMFORT and High Speed Vessel SWIFT were strategically deployed to work with the maximum number of partner navies to provide medical care and security training while building local naval capacity to plan and conduct operations in the maritime environment.

Lastly, with an eye to the future of naval and maritime operations in an increasingly ice-free Arctic, the VIRGINIA-Class submarine USS NEW HAMPSHIRE and the Seawolf-class submarine USS CONNECTICUT conducted Ice Exercise (ICEX) 2011 with Canadian and United Kingdom counterparts in the Arctic Ocean.

**Air Sea Battle**

The Navy and Marine Corps are working with the Air Force to implement the Air-Sea Battle concept which seeks to improve integration of air, land, maritime, space, and cyberspace forces in order to provide Combatant Commanders the range of military capabilities necessary to

maintain operational access and deter, and if necessary defeat, an adversary employing sophisticated A2/AD capabilities and strategies.

The Air-Sea Battle concept leverages the military and technological capabilities, as well as unprecedented Naval and Air Force collaboration, cooperation, integration and resource investments within the Services' purview to organize, train and equip.

The jointly manned Air-Sea Battle Office has defined a series of initiatives to achieve the capabilities and integration required in future naval and air forces so that Combatant Commanders have the tools necessary to ensure U.S. freedom of action in future years.
As we work to implement and enhance the Air-Sea Battle concept, the Navy continues to invest in capabilities to counter advanced A2/AD challenges, including:

- BMD enhancements both in the Aegis Combat System and the Standard Missile, as well as myriad "soft-kill" initiatives;
- Integration of advanced air and cruise missile defense capabilities;
- Harpoon missile replacement, which will increase the range (and speed) at which we can engage enemy surface combatants armed with advanced anti-ship cruise missiles (ASCMs);
- VIRGINIA-Class submarines and the VPM, which has the potential to mitigate the loss of the SSGN undersea strike capacity when they retire in the mid-2020s;
- Improvements in Joint Force Command, Control, Communications, Computers and ISR capabilities which will significantly increase our information gathering and warfighting coverage in access-challenged areas, as well as provide counters to adversary capabilities; and
- Cyberspace capabilities.

**Departmental Priorities**

The Department must adhere to four key priorities with strategic, tactical, operational and management elements if we are to maintain our position as the world's most formidable expeditionary fighting force while continuously evolving our Navy and Marine Corps as a strategic asset that provides our Commander-in-Chief with the broadest range of options in a highly dynamic international security environment. These priorities remain:

*(1) Taking care of our Sailors, Marines, civilians, and their families;*

(2) *Treating energy as a strategic national security issue;*

(3) *Promoting acquisition excellence and integrity; and*

(4) *Continuing development and deployment of unmanned systems.*

These principles guide the direction of the Department, from training our recruits at Great Lakes, Parris Island, and San Diego, to our ongoing operations in central Asia and the Western Pacific, to acquiring the Navy and Marine Corps of the future.

In the end it all comes down to stewardship; the careful management of our people, platforms, infrastructure and energy to guarantee that your Navy and Marine Corps are ready to defend our nation's interests.

**Taking Care of Sailors, Marines, Civilians and their Families**

As we move forward, the Department is committed to our most important asset—our Sailors, Marines, civilians and their families. A large part of our commitment is the careful attention to

pay and benefits. No one's pay will be cut; only the growth of pay is slowed in the later years of our five-year plan. Specifically, we are proposing continued pay raises at 1.7% for military personnel in FY13 and FY14, in line with the private sector, recognizing the continued stress on our forces and their families, and providing time for families to adjust.

We support asking Congress to establish a commission with authority to conduct a comprehensive review of military retirement in the context of overall compensation. The Commission should seek ways to identify improvements in the military retirement system, ensuring any proposed change to military retirement supports required force profiles of the Department of the Navy in a cost effective manner. We believe that the Commission should protect, through grandfathering, the retirement benefits of those currently serving.

With so much of our defense strategy dependent upon our Navy and Marine Corps, we must ensure that our resources support the most combat effective and the most resilient force in our history. We must set high standards, but at the same time we must provide individuals with the services needed to meet those standards. The Department will soon announce the 21st Century Sailor and Marine Initiative, which is a set of objectives and policies across a spectrum of wellness that maximizes Sailor and Marine personal readiness. The program consists of five "pillars:" readiness, safety, physical fitness, inclusion, and the continuum of service.

Readiness will ensure Sailors, Marines, and their families are prepared to handle the mental and emotional rigors of military service. Both services are introducing campaigns this year to deglamorize, treat, and track alcohol use. We will also develop new means to reduce suicides, and increase our family and personal preparedness programs. This includes zero tolerance for

sexual assault. The DON Sexual Assault Prevention and Response Office (SAPRO) was created and made part of the secretarial staff to keep the issue at the front of the discussion, to strengthen the lines of communication with the Navy Judge Advocate General (JAG) and Naval Criminal Investigative Service (NCIS), and to make sure the Secretariat received frequent updates about the incidents of sexual assault and our progress towards reducing the number of attacks. We are continually working to improve the reporting, investigation and disposition of sexual assault cases ensuring commanders, investigators, and prosecutors receive sufficient training and appropriate resources. Last year, JAG finalized a complete revision of the advanced trial advocacy courses that train litigators involved in sexual assault cases as well as filled the Deputy Director of the Trial Counsel Assistance Program position with a senior civilian sexual assault litigator. The JAG and NCIS are working aggressively to educate lawyers and agents on the unique aspects of sexual assault cases. NCIS has hired personnel to provide assistance and support to NCIS special agents; this will enable special agents to focus on conducting investigative activities, trial preparation and prosecutorial testimony relative to adult sexual assaults.

Our efforts to ensure the safest and most secure force in the Department's history extend to encouraging the safe use of motor vehicles and motorcycles.

Physical fitness is an important central pillar that resonates throughout the 21st Century Sailor and Marine Program. Personal fitness standards throughout the force will be emphasized. We will also improve nutrition standards at our dining facilities with the introduction of "Fueled to

Fight." Fueled to Fight ensures that healthy food items will be available and emphasized at every meal.

The Department will be inclusive, and consist of a force that reflects the nation it defends in a manner consistent with military efficiency and effectiveness. The Department will also reduce restrictions to military assignments for personnel to the greatest extent possible, consistent with our mission and military requirements. We must ensure that all who want to serve have opportunities to succeed and barriers that deny success are removed. Nothing reflects our core values of honor, courage, and commitment better than having an organization characterized by fairness and dedication. Last year for the first time ever, 16 women were assigned to submarines. This will expand command-at-sea opportunities and eventually increase the chances for more women to be promoted to admiral. Additionally, we need an officer corps that is representative of the enlisted force it leads. Through increased minority applications from diverse markets, the United States Naval Academy and Naval Reserve Officers' Training Corps (NROTC) programs are achieving historical racial and ethnic diversity rates. The United States Naval Academy received nearly 7,000 minority applications for its class of 2014, nearly double that of the class of 2010. Along with recent NROTC additions at Harvard, Yale, Columbia and Arizona State University (with the largest undergraduate population in the country), next we are establishing an NROTC unit at Rutgers University. Not only is it one of the nation's top engineering schools, but more than half of its class of 2014 identify themselves as minority.

The final pillar, continuum of service, will provide the most robust transition support in the Department's history. Individuals choosing or selected for either separation or retirement will be

afforded a myriad of assistance programs and benefits that are available to them as they transition to civilian life. These programs, which include education benefits, transition assistance, career management training, counseling, life-work balance programs, and morale, welfare, and recreation programs have been recognized by human resource experts as some of the best corporate level personnel support mechanisms in the nation.

Because Navy and Marine Corps were highly successful in meeting their recruiting goals, we have been able to be very selective, accepting only the very best candidates who are morally, mentally and physically ready to serve. Historically high retention rates have put us below our active duty manning ceiling of 322,700 Sailors and 202,100 Marines. Our recruiting classes have gotten smaller, as have our "A" school classes, and promotion rates from E-4 to E-6 have fallen as well. More officers in the O-5 and O-6 pay grades are choosing to remain on active duty rather than retire, leading to smaller promotion selection groups and repeated adjustments to promotion zones.

We have attempted to deal with this challenge within the enlisted ranks by instituting the "Perform to Serve" program that used a detailed algorithm to advise personnel specialists on who should be allowed to re-enlist, but this approach did not fully address either the systemic manning challenge confronting us or the unsustainable overmanning in certain enlisted ratings. This past year, given fiscal constraints and manpower draw-downs, we decided to confront the problem head on and convened special administrative Enlisted Retention Boards, Senior Enlisted Continuation boards and officer Selective Early Retirement Boards to pare back overmanned enlisted ratings and officer ranks. It was a difficult decision to use these force management

tools, but the future of the Department requires us to fix the problem now rather than further delaying a decision.

Another vital support program that we remain committed to is the support we provide to our Wounded Warriors. Since 2001, over 900 Sailors and nearly 13,000 Marines have been wounded as a result of combat operations in Iraq and Afghanistan. This year we completed the alignment of the Army's Walter Reed Medical Center with our own National Naval Medical Center in Bethesda and we continued to invest in the doctors, techniques, and technologies to care for the injuries that have become representative of modern warfare: traumatic brain injury, amputations, burns, and post traumatic stress disorder. The requirements for the Purple Heart were updated to include the immediate and lasting damage associated with brain injuries.

Part of our commitment centers around the families and caregivers that support our Wounded Warriors as they endure the challenges of recovery, rehabilitation, and reintegration. The 2010 National Defense Authorization Act provided a Special Compensation for Assistance with Activities in Daily Living to help offset income lost by those who provide non-medical care and support to service members who have incurred a permanent catastrophic injury or illness.

Driven by the moral obligation to assist our injured heroes, the Department has set a goal of being able to offer every combat wounded Sailor or Marine an opportunity to continue their service as a civilian on the Navy/Marine Corps team. Our Wounded Warrior Hiring and Support Initiative aims to increase the number of veterans with a 30% and above service-connected disability into our workforce. Through this initiative, we have hired over 1,000 veterans with

30% and above service-connected disability rating in FY10 and FY11. Our Naval Sea Systems Command alone hired 509 service-disabled veterans for FY11, exceeding its goal of hiring one veteran for each day of the fiscal year. We recently held our second annual Wounded Warrior Hiring and Support Conference to provide prospective employers and human resource professionals with the tools and resources to enable them to hire, train, and retain our Wounded Warriors in the civilian workplace.

This past August the President announced his Veteran's Employment Initiative that extends tax credits to businesses that hire Veterans. We work with the Departments of Veterans Affairs and Labor to establish programs that ease the transition of Veterans into the civilian world. We are also heavily engaged through the Yellow Ribbon Program in supporting the reintegration efforts of our Reserve forces.

I want to address the Defense budget proposals regarding health care costs. The DON and DoD on the whole continues to face rapidly rising costs in health care. In 2001, DoD health care costs were approximately $19 billion dollars. By 2010 that amount had risen to $51 billion dollars and as a percentage of our budget is approaching 10 percent. This rate of rise cannot be sustained. We continue to streamline our staffs and standard operating procedures in an ongoing effort to manage costs while retaining quality patient care and overall customer satisfaction. One area where we continue to be challenged is system accessibility for our retiree community, especially in areas where bases have been closed due to the BRAC process, leaving behind a large retiree population with no local access to military treatment facilities. Increasing use of the affordable Mail Order Pharmacy Program and implementing modest fee increases, where

appropriate, would go far towards ensuring the long term fiscal viability of the system while preserving equity in benefits for our retirees.

I consider my obligations to the well-being of every Sailor and Marine, and every family member under their care to be sacrosanct. We worked carefully to develop these proposals, with all participants - the government, the providers of health care, and the beneficiaries-sharing in the responsibility to better manage our health care costs. I have previously asserted that as a former Governor, I well know that the growth in health care costs is an issue for the country, not just the military. But, we all have to do our part. The TRICARE benefit remains one of the best benefits in the country. I hope you will support our proposed changes.

Also this past year the Department, along with the other military departments, worked with the U.S. Chamber of Commerce and over 70 employers to launch a program targeted at expanding the career opportunities for military spouses. The Military Spouse Employment Partnership seeks to help the business community recognize the skills and talents that military spouses bring to the workforce, but are unable to fully leverage due to frequent moves of the service member in the family. This partnership between the military and the business community promises to tap into the energy of one of the most hard-working, highly skilled, educated and yet under-utilized segments of our population.

Overall, the FY13 budget reflects a responsible request for the fiscal support and resources required to support our Marines, Sailors, their families, and our retirees in the face of increasing operational pressures and financial demands upon them. Thank you for your continuing support.

**Energy Security and Sustained Leadership**

We must reform how the Navy and Marine Corps use, produce, and procure energy, especially in this fiscally constrained environment. We must use energy more efficiently; however, the Department must also lead on alternative energy, or we will leave a critical military vulnerability unaddressed, further straining the readiness of our Sailors and Marines to be able to respond wherever and whenever called to defend and protect America's interests.

Fuel is a tactical and operational vulnerability in theater; guarding fuel convoys puts our Sailors and Marine's lives at risk and takes them away from what we sent them there to do: to fight, to engage, and to rebuild. The Department is also exposed to price shocks in the global market because too much fuel comes from volatile regions, places that are vulnerable to instability and ruled by regimes that do not support our interests. Every time the cost of a barrel of oil goes up a dollar, it costs the Department $30 million in extra fuel costs. In FY12 alone, in large part due to political unrest in oil producing regions, the price per barrel of oil is $38 more than was budgeted increasing the Navy's fuel bill by over $1 billion. These price spikes must be paid for out of our operations funds. That means that our Sailors and Marines are forced to steam less, fly less, and train less. The threat of price spikes is increased by the vulnerability of choke points. Energy analyst have speculated that if Iran ever succeeded in closing the Strait of Hormuz, the price of oil could rise by 50 percent or more in global markets within days.

We would never let the countries we buy oil from build our ships or our aircraft or our ground vehicles, but we give them a say on whether those ships sail, whether those aircraft fly, whether those ground vehicles operate because we buy their oil. As a nation we use over 22 percent of the world's fuel but only possess less than two percent of the world's oil reserves. Even if we tap every domestic resource we do not have enough to meet all of our needs over time, and as a minority producer of fuel we will never control the price.

That is why in the fall of 2009, I established five goals for the Department the broadest of which is that by no later than 2020, 50 percent of the Department's energy will come from alternative sources. These goals drive the Navy and Marine Corps to use energy more efficiently, to explore wider use of alternative energy and to make energy a factor in the acquisition of our next ships, tactical vehicles and aircraft.

As one example of our success, the Marine Corps continues to aggressively pursue technologies that will help achieve greater energy efficiency while increasing combat effectiveness in the theater. The Third Battalion, Fifth Marines, deployed to the Helmand Province in Afghanistan with solar blankets to power radios, LED lights to illuminate tents, and solar generators to provide power. One three-week patrol was able to reduce their carrying weight by 700 pounds, reducing the number of dangerous re-supply missions needed. Even in a tough fight in Sangin, the Marines managed to cut fuel use and logistical support requirements by 25 percent at main operating bases and up to 90 percent at combat outposts by relying on these alternative energy technologies. The Marine Corps is committed to finding more innovative solutions to decreasing

dependence on convoys by conducting two Experimental Forward Operating Bases (ExFOB) per year (one in 29 Palms and one in Camp Lejeune).

Another initiative to increase alternative energy supply is using advanced, drop-in biofuel in aircraft and ships. Our criteria for this fuel are straight forward. It must be "drop in" fuel requiring no changes to our aircraft or our ship or our infrastructure; it must be derived from non-food sources; and, its production should not increase our carbon footprint as required by law. In 2011, the Department completed testing on 50/50 blends of drop-in biofuel and jet fuel on all manned and unmanned aircraft, including an F/A-18 Hornet at MACH 1.7 and all six Blue Angels during an air show. The Department has also tested and experimental Riverine Command Boat (RCB-X), a self defense test ship, a ridged hull inflatable boat (RHIB), and a Landing Craft Air Cushion (LCAC) that traveled at more than 50 knots.

In March of this past year, the President directed the Departments of Agriculture, Energy and the Navy to partner with the private sector to catalyze a domestic, geographically dispersed, advanced biofuel industry for the United States. In response to this directive, Energy Secretary Dr. Steven Chu, Agriculture Secretary Tom Vilsack, and I signed a memorandum of understanding (MOU) committing our departments to jointly partner with industry to construct or retrofit multiple domestic commercial or pre-commercial scale advanced drop-in biofuel refineries capable of producing cost competitive fuels. Under the MOU we issued a request for information in August, which drew over 100 responses in 30 days from companies ranging from major oil companies and large defense contractors to small businesses.

In December, DLA Energy awarded a contract on our behalf to purchase 450,000 gallons of biofuel; the single largest purchase of biofuel in government history. The Department will use fuel from this purchase—awarded to the most competitive bidder under full and open competition—to demonstrate the capability of a carrier Strike Group and its air wing to burn alternative fuels in a full operational environment including UNREPs for destroyers and refueling of helos and jets on the deck of an aircraft carrier. The demonstration will take place as part of the Rim of the Pacific (RIMPAC) Naval Exercise.

We are also pursuing efficiencies measures in our fleet. The USS MAKIN ISLAND, the Navy's first hybrid electric-drive ship, saved $2 million on its maiden voyage from Pascagoula, MS to its homeport in San Diego, CA. It is estimated to save approximately $250 million in fuel costs over the course of its lifetime – approximately 40 years – at current energy prices.

A hybrid electric drive system will also be installed as a retrofit proof of concept on the USS TRUXTUN (DDG 103) – an existing Navy destroyer. We estimate that successful testing will result in fuel savings of up to 8,500 barrels per year. If these tests are successful we will continue to install hybrid electric drives as a retrofit on other DDGs in the fleet. The U.S. Navy has been installing stern flaps to reduce drag and energy on amphibious ships in an effort to make them more fuel-efficient, which could save up to $450,000 annually in fuel costs per ship.

Whether it is the procurement of new ships and aircraft or the retrofit of existing platforms we are making energy a consideration in the acquisition process. In addition to traditional performance parameters such as speed, range, and payload, the Department is institutionalizing

energy initiatives that will save lives, money and increase warfighting capability. Analyzing energy costs during the "analysis of alternatives" phase of major defense acquisition programs will ensure warfighters get the speed, range, and power they require, as well as help the department manage the life-cycle costs of its systems. The Marine Corps pioneered this approach last year by including system energy performance parameters in developing a new surveillance system and the Navy has included energy criteria as part of the procurement of the LSD-X.

All across our shore installations, Navy and Marine Corps are also undertaking energy efficiency initiatives and installing alternative energy wherever practical. As just one example, at China Lake Naval Air Weapons Station we are a net contributor to the local power grid, creating more than 270 Megawatts (MW) of clean, affordable geothermal power in partnership with the private sector.

And in January, we tapped the vast renewable energy resources available at China Lake again breaking ground on a 13.8MW solar array, offsetting 30 percent of the base's electric load. The contract is a 20-year power purchase agreement (PPA) having no upfront costs to the Navy and saving the Navy $13 million over its term.

To meet the energy goal of 50 percent alternative energy ashore, I have directed the Navy and Marine Corps to produce or consume one Gigawatt of new, renewable energy to power naval installations across the country using existing authorities such as PPAs, enhanced use leases, and joint ventures. One Gigawatt of renewable energy could power 250,000 homes, or a city the size

of Orlando. This will be a broad and dynamic project that, over the life of the contract, will not cost the taxpayer any additional money, and will create domestic private sector jobs. This will be our path to unlocking our nation's clean energy potential that leaves our military more secure, agile, flexible and ready.

To further facilitate our partnerships with industry, the Department is trying to make our contracting opportunities more accessible. Two years ago we introduced a website called Green Biz Ops which aggregates our energy and efficiency opportunities for procurement. This site helps all companies interested in doing business with the Navy—and especially small businesses—find opportunities in one place. In partnership with the Small Business Administration last year our agencies launched a "2.0" version of Green Biz Ops called the Green Procurement Portal which expands the site to include more features as well as energy opportunities across DoD and the federal government.

To prepare our leadership to achieve our energy goals, this fall the Naval Postgraduate School began offering a dedicated energy graduate degree program, the first military educational institution to do so. Later this year, NPS will launch an Executive Energy Series to bring our senior leadership together to discuss specific energy challenges that confront the Navy and Marine Corps. This energy-focused Masters Degree program and the executive energy series will target both the current and future civilian and military leadership of the Navy and Marine Corps.

Further, promotion boards have been directed to specifically consider the background and experience in energy some of our men and women in uniform are gaining today. Energy is not just an issue for the future, or just the young officers and policy experts that attend NPS. It is an issue for all of us.

Those who question why the Navy should be leading on energy should study their history. The Navy has always led in new forms of energy: shifting from wind to coal-powered steam in the middle of the 19th Century, from coal to oil in the early 20th Century, and pioneering nuclear power in the middle of the 20th Century.

**Promoting Acquisition Excellence and Integrity**

Especially given the fiscal reality of our budget deficit, we are fully cognizant of our responsibility to the President, the Congress, and the American people to spend this money wisely. What history shows us is that when budgets are tight we should get smarter about the way we spend our money. As noted earlier, rebuilding our fleet has been and will continue to be a top priority of this administration. Achieving this lies at the heart of the acquisition excellence initiative that has been a priority for the Department for almost two years now, because if we do not get smarter about how we buy, in addition to what we buy, we are not going to be able to afford the Navy and Marine Corps that the nation needs in the future.

Improving how we buy means that we have take actions against fraud and shoddy contractors. The Department's General Counsel and the Assistant Secretary of the Navy for Research, Development, and Acquisition (ASN(RDA)) are authorized to take the swiftest and strongest

action in any case where bribery or attempts to gain preferential contracting treatment are substantiated. When a violation occurs, RDA may terminate the contract and assess damages immediately, in addition to pursuing suspension and debarment. The Department's Acquisition Integrity Program was recently recognized by the Government Accountability Office (GAO) as one of the more effective at using suspension and debarment practices.

The Department's role in the President's new defense strategy is clear and will drive acquisition programs underway or in development. We will carefully define program requirements and then drive affordability through aggressive "should cost" oversight and competition where possible, such as the fixed price contracts we negotiated for the LCS or the multi-year procurements that we negotiated for VIRGINIA-Class submarines. Innovative funding strategies and stable industrial base workload further allow for efficiencies that provide opportunities to acquire more ships more affordably.

To keep our technological advantage, we plan to invest in science and technology and research and development to maintain the knowledge base and keep it moving forward. This is the lesson of the 1920s and 1930s when so much of the technologies that became critical to our victory in World War II were kept alive in military, academic, and industrial laboratories. Times and technologies change, and we need to preserve the capability to change with them. Proper funding of our labs and research centers is key to incubating the next "game-changing" breakthroughs that will sustain the United States' military advantage over time.

The acquisition workforce was downsized over the past 15 years and, in truth, was stretched too thin. Accordingly, and with your strong support, we are increasing the number of acquisition professionals and restoring to the government the core competencies inherent to their profession and to our responsibilities in the Department to organize, train and equip the Navy and Marine Corps. The Department has grown its acquisition work force by 4400 personnel since starting the effort two years ago, increasing its technical authority and business skill sets.

Additionally the Department is keeping program managers in place longer to build up their experience, expertise and oversight on individual programs. We are also investing in education for our program managers. As an example, we send all of our program managers to an intensive short course at the graduate business school at the University of North Carolina, specifically targeting a better understanding of our defense contractors: what motivates them; what are their financial situations; and how can we work with them to achieve a win-win contract award for both the taxpayer and the stockholder. We are also changing the way in which we evaluate our program leaders to incentivize them to work with their industry counterparts to manage costs.

Over the FYDP, affordability will continue to be a central concern of this Department. As resources are tight, cost has got to be one of the primary considerations of every program, and it ought to be driven by "should cost, will cost," methods. "Should cost" scrutinizes each contributing ingredient of program cost and seeks to justify it. The "will cost" method represents an effort to budget and plan weapons acquisition programs using realistic independent cost estimates rather than relying on those supplied by the manufacturer. Make no mistake, our focus

will remain on the security of our primary customer, the American people, for whom we will build the best possible Fleet for the future.

*Shipbuilding/Industrial Base*

A healthy industrial base is critical to supporting the Department's top priorities. The dangerous downward trend in our ship inventory has been and must stay reversed. Even though we face increased fiscal constraints, we still plan, as we noted earlier, to grow the Fleet to 300 ships by 2019. We want to increase the number of our highly capable large surface combatants to meet the President's directive that we confront the growing ballistic missile threat to the United States and its Allies, while strengthening our small combatant inventory to provide the presence needed to maintain freedom of navigation. We have to make significant investments in support vessels while continuing our investment in our nuclear submarine force and maintaining the viability of our last yard capable of building nuclear powered aircraft carriers.

What all this means is that we will need to closely monitor the shipbuilding industrial base as we move forward. Much as with energy, we need to ensure diversity in supply moving forward. We need to strengthen our relationship with traditional shipbuilders, but we need to reach beyond them to small and mid-tier shipbuilders to develop innovative designs and new construction techniques to meet emerging threats.

**Developing and Deploying Unmanned Systems**

When I took office in 2009, unmanned systems were already at work within the Department. To assist our troops on the ground in Iraq and in Afghanistan we had either purchased or contracted for thousands of unmanned aerial vehicles that flew hundreds of thousands of hours in support of our mission. Despite their demonstrated utility, there was no vision of where unmanned systems belonged in the Navy and Marine Corps future force structure or coherent plan to achieve that vision. Over the past two years, the Services have worked hard to develop a plan and the presence and reach of our unmanned systems have expanded, including the first expeditionary deployment of a Fire Scout Vertical Takeoff and Landing unmanned aerial vehicle (UAV), and the first successful flight of the unmanned combat air system, (UCAS), which will begin carrier demonstrations later this year. In total, nearly 1,500 unmanned aerial systems deployed into theater.

In the Fleet, unmanned systems need to be integrated into established operational communities. The Marines have been out in front on this effort, having established four unmanned aerial system squadrons over the past quarter century, and the Navy is working on these capabilities as well. This past year a detachment of Helicopter AntiSubmarine Squadron 42 deployed with a SH-60B Helicopter and a MQ-8B Firescout and supported combat operations in Libya and counter piracy operations in the Gulf of Aden. In both environments, they leveraged the operational flexibility and low signature characteristics of unmanned systems to support local commanders while keeping Sailors and Marines safe from danger. Additionally, our Tactical Air Control Community took possession of their first Small Tactical Unmanned Aerial System

(STUAS) this past year and began to integrate it into the Surface Warfare community's day-to-day operations. In the future, the Maritime Patrol and Reconnaissance Aviation community, soon to take delivery of the P-8A Poseidon, will add the MQ-4C Broad Area Maritime Surveillance unmanned aerial system to their squadrons and hangars, extending the reach and persistence of maritime reconnaissance capabilities.

We will test and field mine hunting and then mine sweeping capability of the Mine Countermeasures (MCM) Mission Module in LCS, employing airborne and remotely operated vehicles to reduce the risk to Sailors and the cost. Current developmental testing of the Increment I Mine Warfare mission package is underway in USS INDEPENDENCE (LCS 2), demonstrating mine hunting capability with the AN/AQS 20A mine hunting sonar set, towed by the remotely operated vehicle RMMV. Future increments will incorporate autonomous mine sweeping and the ability to find buried mines using unmanned surface and underwater vehicles.

The Unmanned Carrier Launched Airborne Surveillance and Strike system, or UCLASS, is changing the way we plan to deliver reconnaissance and strike capabilities from our venerable aircraft carrier platforms. Designed to operate in contested airspace and conduct ISR or strike missions over extended periods of time, the UCLASS at sea will differ fundamentally from the standard operating procedures of both manned carrier aircraft or land based unmanned aircraft. Unlike with a manned carrier aircraft that is mostly used to maintain the qualifications of its pilot, a UCLASS airframe will be employed only for operational missions and pilots will maintain qualifications in the simulator, extending its useful life expectancy considerably. Its airborne mission time will not be limited by human physiology but rather will be determined by

the availability of tankers to refuel it, ordnance expenditure, or the need to change the oil after many hours of flight time. This will allow us to launch from greater distances, effectively negating emergent A2/AD technologies. We have only just begun to understand the potential of this unmanned system and the capabilities that will spiral from it.

**Conclusion**

Our Constitution requires that the Congress "Maintain a Navy." We do so with the world's most advanced platforms, equipped with cutting edge weapons systems and manned by crews who receive the best training possible is a credit to our nation. The Navy that fought and defeated a more advanced British Navy in the War of 1812 looked very different from the Navy of 2012. But our Sailors and Marines continue to live up to that legacy forged two hundred years ago. Today your Navy and Marine Corps are deployed across the spectrum of engagement from rendering humanitarian assistance to combat. They often seem to be everywhere except at home. They bring to these efforts skills, training and dedication unmatched anywhere else in the world. The enduring support of this Committee for our key programs and our people enables us to fulfill the ancient charge of the founders that we should sail as the Shield of the Republic, and we thank you.

The goals and programs discussed today will determine our future as a global force. At the direction of the President, we have worked to streamline our processes, to eliminate programs that no longer fit in the current strategic environment and to construct new approaches to the challenges of the modern world while retaining the ability to deter regional conflict and respond

rapidly and decisively to emerging crises. Our specific requests are reflected in the President's FY13 budget submission.

The process by which we arrived at these requests was both deliberate and determined. We are fully aware of the economic environment and the fiscal constraints that our government faces today. We have attempted to balance these considerations with the President's requirement that we maintain a ready and agile force capable of conducting the full range of military operations. We want to assure you that the Department has considered the risks and applied our available resources efficiently and carefully. This year's request aligns with the Defense Strategic Guidance and the priorities and missions contained within it while balancing trade-offs that you and the American taxpayer expect of us.

For 236 years, from sail to steam to nuclear; from the USS CONSTITUTION to the USS CARL VINSON; from Tripoli to Tripoli; our maritime warriors have upheld a proud heritage, protected our nation, projected our power, and provided freedom of the seas. In the coming years, this new strategy and our plans to execute that strategy will assure that our Naval heritage not only perseveres, but that our Navy and Marine Corps continue to prevail.

Thank you and Godspeed.

## Ray Mabus

Ray Mabus is the 75th United States Secretary of the Navy. As Secretary, he leads America's Navy and Marine Corps and is responsible for an annual budget in excess of $150 billion and almost 900,000 people.

The Secretary of the Navy is responsible for conducting all the affairs of the Department of the Navy, including recruiting, organizing, supplying, equipping, training, and mobilizing. Additionally, he oversees the construction, outfitting, and repair of naval ships, equipment and facilities, and is responsible for the formulation and implementation of policies and programs that are consistent with the national security policies and objectives established by the President and the Secretary of Defense.

Prior to joining the administration of President Barack Obama, Mabus served in a variety of top posts in government and the private sector. In 1987, Mabus was elected Governor of Mississippi. As the youngest governor of Mississippi in more than 100 years at the time of his election, he stressed education and job creation. He passed B.E.S.T. (Better Education for Success Tomorrow), one of the most comprehensive education reform programs in America, and was named one of Fortune Magazine's top ten education governors. He was appointed Ambassador to the Kingdom of Saudi Arabia for the Clinton Administration in 1994. During his tenure as Ambassador, a crisis with Iraq was successfully averted and Saudi Arabia officially abandoned the boycott of United States businesses that trade with Israel. He also was Chairman and CEO of Foamex, a large manufacturing company, which he led out of bankruptcy in less than nine months paying all creditors in full and saving equity. Prior to becoming Governor, he was elected State Auditor of Mississippi and served as a Surface Warfare Officer in the U.S. Navy aboard the cruiser USS *Little Rock*.

In June 2010, President Obama asked Secretary Mabus to prepare a long-term recovery plan for the Gulf of Mexico in the aftermath of the Deepwater Horizon oil spill. After extensive travel and many meetings, his report "America's Gulf Coast: A Long-Term Recovery Plan After the Deepwater Horizon Oil Spill" was released in September 2010. The report was met with broad bi-partisan support.

Secretary Mabus is a native of Ackerman, Mississippi, and received a Bachelor's Degree from the University of Mississippi, a Master's Degree from Johns Hopkins University, and a Law Degree from Harvard Law School. He has been awarded the U.S. Department of Defense Distinguished Public Service Award, the U.S. Army's distinguished Civilian Service Award, the Martin Luther King Social Responsibility Award from the King Center in Atlanta, the National Wildlife Federation Conservation Achievement Award, the King Abdul Aziz Award from the Kingdom of Saudi Arabia, and the Mississippi Association of Educators' Friend of Education Award.

Mr. YOUNG. We are all very much aware that you, your Department and this committee have been given a tremendous budget challenge this year. The committee proved that we were up to the task last year because we were able to find $39 billion in savings for the fiscal year 2011 and fiscal year 2012 bills. It was not easy, but we were determined to do that without affecting readiness and without affecting the men and women who wear our uniform. And in working in conjunction with you, and the Navy, and Marine Corps and all of the services, we will do our very best to again make sure that we have adequate funding, and that we do not have an adverse affect on readiness or the ability to protect our troops while they are providing for our security.

So thank you very much. And I know that you are up to the challenge. And with a partner like Admiral Greenert, I know that we are going to face up to this challenge. It may not be easy, but we are going to deal with it.

And, Admiral Greenert, we are happy to hear from you sir.

Admiral GREENERT. Thank you, Mr. Chairman.

Chairman Young, Ranking Member Dicks, distinguished members of the committee, it is my honor to appear before you for the first time to discuss our budget submission. Because of the dedication of 625,000 Active and Reserve sailors and civilians and their families, the Navy and our primary joint partner, the Marine Corps, remain a vital part of our national security. I am honored to be able to serve and lead the Navy in these challenging times, and I thank this committee for your continued support.

This afternoon I will address three points: the Navy's importance to security; our enduring tenets and the priorities that guided my decisions in the Navy; and how these decisions were shaped—excuse me, how these decisions shaped the Navy's budget submission.

Today our Navy is the world's preeminent maritime force. Our global Fleet operates forward from U.S. bases and partner nation, quote, "places," unquote, around the world to deter aggregation, to respond to crises, and, when needed and when called upon, to win our Nation's wars.

If you refer to the chartlet that I have provided, it should be in front of you, you can see that on any given day we have about 50,000 sailors and 145 ships underway with about 100 of those ships deployed overseas. These ships and sailors allow us to influence events abroad because they ensure access to what I refer to as the maritime crossroads. These are areas where shipping lanes and our security interests intersect, and they are indicated by orange bow ties, if you will, on the chartlet. We can remain forward in these areas because of facilities and support from nearby allies and partners.

For example, in the Middle East we have 30 ships and more than 22,000 sailors at sea and ashore. They are combating piracy, supporting operations in Afghanistan, assuring our allies, and maintaining a presence in the region to deter or counter destabilizing activities. These forces rely on facilities in Bahrain, our U.S. partner for six decades.

In the Asia-Pacific region, we have about 50 ships supported by our base in Guam and our facilities and places in Singapore, the Republic of Korea and Japan. They will be joined next spring by our first littoral combat ship, which will deploy to Singapore for several months to evaluate that operational concept.

In the Indian Ocean we depend on Diego Garcia and the fleet tender and the airfield there for ship repair and logistics support.

Around the Horn of Africa we depend on the airfield and port in Djibouti to support our forces conducting counterterrorism and counterpiracy operations.

In Europe we rely on places in Spain, Italy and Greece to sustain our forces forward in support of our NATO allies.

And in our own hemisphere, our port and airfield at Guantanamo Bay will grow more important in the next several years as the Panama Canal is widened.

When I assumed the watch of CNO, I established three key principles for our decisionmaking. I call them tenets, and, to me, they are the clear, unambiguous direction for my Navy leadership. And they are warfighting first, operate forward, and be ready.

Warfighting first. That means the Navy must be ready to fight and prevail today while building the ability to win tomorrow. This is our primary mission, and all our efforts must be grounded in this fundamental responsibility.

Iran's recent provocative rhetoric highlights the need for us to have forward-deployed warfighting capability. In our 2013 budget submission, we redirected funding toward weapons systems, sensors and tactical training that can be more rapidly fielded to the Fleet. This includes demonstrators and prototypes that could quickly improve our force's capability.

Operate forward. That means we will provide the Nation offshore options to deter, to influence and to win in an era of uncertainty. Our 2013 budget submission supports several initiatives to establish our forward posture at the maritime crossroads. These include placing forward-deployed Navy force destroyers in Rota, Spain, and forward stationing littoral combat ships in Singapore, and patrol coastal ships in Bahrain. One ship that is operating from an overseas location can provide the same presence as about four ships if we would rotationally deploy from the continental United States. We are also collaborating with the Marine Corps to determine the support and the lift needed for marines to effectively operate forward in Darwin, Australia, in the future.

Be ready. That means we will harness the teamwork, the talent and the imagination of our diverse force to be ready to fight and responsibly use our resources. This is more than completing required maintenance and ensuring parts and supplies are available. Being ready also means being proficient; being confident with our weapons, our sensors, command and control, communications, and our engineering systems as well.

In applying these tenets to meet the strategic—the defense strategic guidance, we built our 2013 budget submission to implement three main investment priorities. Number one, we will remain ready to meet our current challenges today. Consistent with the defense strategic guidance, I will continue to prioritize readiness over capacity and focus our warfighting presence on the Asia-Pacific and

the Middle East. We will also sustain the Nation's most survivable strategic deterrent in our Ballistic Missile Submarines (SSBNs).

Priority two. We will build a relevant and capable future force. Our Navy will evolve to remain the world's preeminent maritime force, and our shipbuilding and aircraft construction investments will form the foundation of the future Fleet.

In developing our aircraft and ship procurement plans, we focused on three approaches: one, to sustain serial production of today's proven platforms, including Arleigh Burke destroyers, Virginia-class submarines, and F/A–18 Super Hornets; two, to promptly field new platforms in development such as the littoral combat ship, the Joint Strike Fighter, the Ford-class carrier, the P–8A Poseidon aircraft and the America-class amphibious assault ship; three, will improve the capability of today's platforms through new weapons, sensors and unmanned vehicles, including the advanced missile defense radar, the Fire Scout unmanned aerial system, and the Fire-X unmanned aerial system.

New payloads like these will help ensure we can project power despite threats to access as described in the new defense strategic guidance. They will also enable our continued dominance in the undersea environment and support our goal to operate effectively in cyberspace and to fully exploit the electromagnetic spectrum.

Now, in developing the future force, we will continue to emphasize jointness as described in our air-sea battle concept. We will also emphasize affordability by controlling requirements creep and by making cost the entering argument for our new systems.

Third priority, we will enable and support our sailors, civilians and their families. I am extremely proud of our people. We have a professional and moral obligation to lead, to train, and to equip and to motivate them. Our personnel programs deliver a high return on investment and readiness. We fully funded our programs to address operational stress, support families, eliminate the use of synthetic drugs like Spice, and aggressively prevent suicides and sexual assaults.

I support the compensation reforms included in the Defense Department's 2013 budget submission, which I believe are appropriate changes to manage the cost of the All-Volunteer Force.

In closing, Mr. Chairman, your Navy will continue to be critical to our Nation's security and prosperity by assuring access to the global commons and by being at the front line of our Nation's efforts in war and in peace. I assure you, the committee and the Congress, the American people, that we will focus on warfighting first. We will operate forward, and we will be ready.

I want to thank you for your support. I want to thank also the professional staff that sit around us here and for their help through the deliberations here in the budget. They are of great assistance to us. And I thank you very much, sir, and I look forward to your questions.

[The written statement of Admiral Greenert follows.]

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HOUSE COMMITTEE ON
APPROPRIATIONS

**STATEMENT OF**

**ADMIRAL JONATHAN GREENERT**

**CHIEF OF NAVAL OPERATIONS**

**BEFORE THE**

**HOUSE COMMITTEE ON APPROPRIATIONS**

**ON**

**FY 2013 DEPARTMENT OF NAVY POSTURE**

**01 MARCH 2012**

NOT FOR PUBLICATION
UNTIL RELEASED BY THE
HOUSE COMMITTEE
ON APPROPRIATIONS

Chairman Young, Ranking Member Dicks, and distinguished members of the Committee, it is my honor and pleasure to appear before you to submit my first budget as Chief of Naval Operations. Thanks to our 625,000 active and reserve Sailors and Civilians and your continued support, the Navy–Marine Corps team remains vital to our national security and economic prosperity. Operating globally at the front line of our nation's efforts in war and peace, our Fleet protects the interconnected systems of trade, information, and security that underpin our own economy and those of our friends and allies. Our Navy and Marine Corps are the first responders to international crises through combat operations or humanitarian assistance. And after U.S. ground forces have drawn down in the Middle East, the naval services will remain on watch with offshore options to deter aggression and—when necessary—fight and win on, over, and under the sea. Despite the economic and military challenges facing our nation, your Navy will evolve and adapt to fight and win our nation's wars, remain forward, and be ready. I appreciate your continued support and look forward to working together in pursuing our national security objectives.

**The Navy has been important to our nation's security and prosperity**

Today our Navy is the world's preeminent maritime force – but that has not always been the case. Leading up to the War of 1812, Britain's Royal Navy held that distinction. Our own Fleet, lacking warfighting capability, forward posture and readiness, was bottled up in port early in the war. It was unable to break the British blockade of the Atlantic Coast or stop the Royal Navy from wreaking havoc along the mid-Atlantic seaboard and burning parts of Washington, D.C. in 1814. Our nation's economy suffered as shipping costs soared and imports from Europe and the Caribbean grew scarce. Soon, however, the Fleet developed a warfighting focus and engaged the British, winning victories on Lake Erie, at New Orleans, and in the Atlantic that, combined with concerns about France, brought Britain to the negotiating table. However, outside of a determined effort from privateers, the U.S. Navy still could not project power away from home, could not control the sea, and could not deter aggression against our interests. We needed these key capabilities - outlined in our Maritime Strategy – then, just as much as now. The War of 1812 offered a number of hard lessons, and for the next century our Navy focused on preventing an aggressor from restricting our trade or isolating us from the sea as our nation expanded across the North American continent.

Our Navy operated farther forward as our nation's economy grew and, by necessity, became more integrated with Eurasia. In the midst of the world's first wave of globalization, the Great White Fleet from 1907 to 1909 demonstrated to the world America's emerging power and capability to project it globally. These episodes of "operating forward" became sustained during World War I as our Fleet convoyed supplies and forces to Europe and combated German submarines across the Atlantic Ocean. And in World War II, our Navy established dominance in the air, sea and undersea domains, going forward around the world to protect sea lanes and project power to Europe and Africa, and take the fight across the Pacific to Asia. We sustained our maritime dominance and remained forward and global throughout the Cold War to contain Soviet expansion and provide tangible support to allies and partners with whom we were highly interdependent diplomatically, economically and militarily.

Our Navy today remains global, operating forward from U.S. bases and international "places" around the world. From these "places" we continue to support and operate with allies and partners who face a range of challenges, from piracy and terrorism to aggressive neighbors and natural disasters. "Places," from Guantanamo Bay to Singapore, enable us to remain present or have access to the world's strategic maritime crossroads – areas where shipping lanes, energy resources, information networks and security interests intersect. On any given day over the last year, more than 50,000 Sailors were underway or deployed on 145 of the Navy's 285 ships and submarines, 100 of them deployed overseas (see Figure 1). They were joined by more than 125 land-based patrol aircraft and helicopters, 1,000 information dominance personnel, and over 4,000 Naval Expeditionary Combat Command Sailors on the ground and in the littorals, building the ability of partners to protect their people, resources and territory.

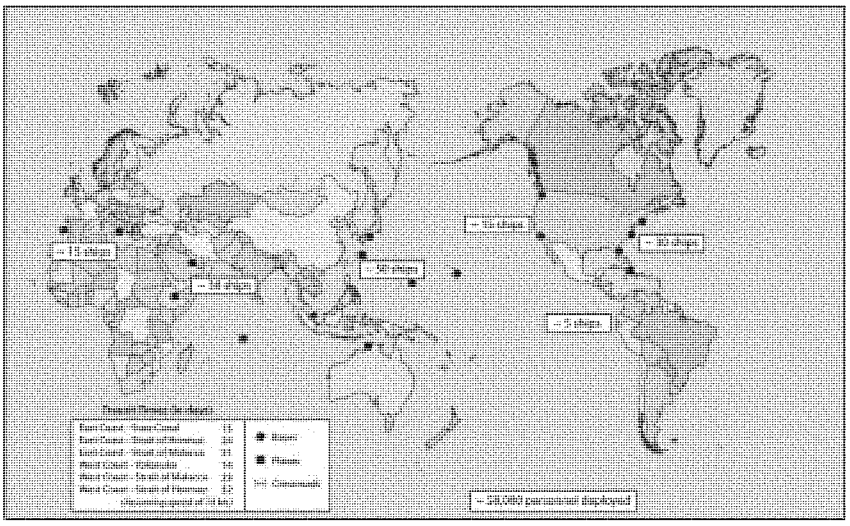

Figure 1

The security and prosperity of our nation, and that of our friends and allies, depends on the freedom of the seas, particularly at the strategic maritime crossroads. For example, twenty percent of the world's oil flows through the Strait of Hormuz, the center of a region where more than 12,000 Sailors on 30 ships combat piracy, smuggling and terrorism, deter Iranian aggression and fly about 30 percent of the close air support missions in Operation ENDURING FREEDOM. These Sailors directly supported the special operations forces mission that resulted in the death of Osama Bin Laden, provided ballistic missile defense to our Arabian Gulf partners, and just last month rescued the crew of the Iranian dhow, AL MORAI, from Somali pirates. Our forces there depend on facilities in Bahrain, a U.S partner for more than 60 years, for supplies, communications, and repairs, while our maritime patrol and reconnaissance aircraft, patrol craft, and minesweepers in the region are based on the island. Our forces at sea are joined by another 10,000 Sailors on the ground, most supporting our combat forces in Afghanistan as we continue to transition that effort to the Afghan government.

In the Asia-Pacific, about 40 percent of the world's trade passes through the 1.7-mile wide Strait of Malacca, while the broader region is home to five of our seven treaty alliances and many of the world's largest economies. About 50 U.S. ships are deployed in the Asia-Pacific region every day, supported by facilities (or "places") in Singapore, the Republic of Korea, and Japan in addition to our bases on Guam. Our forward posture and ready and available capability proved invaluable to our allies in Japan following the Great East Japan Earthquake and Tsunami last March. Twenty four ships, 140 aircraft and more than 15,000 Sailors and Marines delivered over 280 tons of relief supplies to beleaguered survivors as part of Operation TOMODACHI. Working from offshore and unhindered by road and rail damage, Navy efforts helped save lives and fostered a stronger alliance. Our combined readiness with our Pacific allies and partners is a result of the nearly 170 exercises and training events we conduct in the region each year, such as TALISMAN SABRE, which last year brought together 18 U.S. and Australian ships and more than 22,500 Sailors and Marines for a series of events from maritime security to amphibious assault. In 2012, the U.S. Navy will host Rim of the Pacific (RIMPAC), the world's largest maritime exercise, bringing together more than 20,000 Sailors from 14 nations to practice the entire range of maritime missions from counter-piracy to missile defense and anti-submarine warfare.

Africa is adjacent to several key strategic crossroads - Bab El Mandeb on the southern end of the Red Sea, the Suez Canal at its northern end, and the Strait of Gibraltar at the western edge of the Mediterranean. Events at each of these crossroads can significantly impact the global economy and regional security. Supported by our air and port facilities in Djibouti (Camp Lemonier), our ships form the backbone of multinational forces from more than 20 nations that combat pirates and terrorists around East Africa and the Arabian Peninsula. In the Mediterranean and Northern Africa our forward forces enabled a rapid response to the Libyan civil war. During NATO Operations ODYSSEY DAWN and UNIFIED PROTECTOR, our ships and submarines fired 221 Tomahawk Land Attack Missiles and Navy EA-18G Growlers redeployed from Iraq in less than 48 hours to suppress and destroy Libya's air defense network. The Navy-Marine Corps team aboard USS KEARSARGE supported NATO forces with air strikes and personnel recovery, while on USS MOUNT WHITNEY, NATO leaders managed and coordinated the fight.

We continue our commitment to our NATO allies in the Mediterranean and other waters around Europe. Supported by facilities in Rota, Spain, Souda Bay, Greece, and Naples, Italy, our destroyers and cruisers conducted, among other critical U.S. and NATO missions, continuous ballistic missile defense patrols in the Mediterranean to counter the growing Iranian ballistic missile threat. Additionally, the Fleet trained with allied navies from the Mediterranean to the Baltic in security cooperation exercises.

In Latin America, the ongoing expansion of the Panama Canal will increase the importance of that strategic maritime crossroad. Today the waters around Central America already experience a high level of illegal trafficking, which could adversely affect the increasing volume of shipping through an expanded canal. Our first Littoral Combat Ship (LCS), USS FREEDOM, made its first operational deployment to the region in 2011, preventing more than three tons of cocaine from entering the United States as part of Joint Interagency Task Force – South. We leveraged our port and airfield in Guantanamo Bay, Cuba, to continue supporting operations in the Gulf of Mexico and Caribbean. And as the capability of our Latin American partners has grown, so has the sophistication of our cooperation. In 2011 we conducted anti-submarine warfare (ASW) training with Brazil, Peru, Colombia and Chile, where their diesel submarines helped to train our surface and submarine crews and our crews exchanged lessons learned on effective undersea operations.

**Establishing first principles**

These are challenging and dynamic times for the U.S. military services and the U.S. national security enterprise. We need to remain focused on our enduring principles and contributions that hold true regardless of funding, force structure size or day-to-day world events. Upon taking office as Chief of Naval Operations, I established these first principles for Navy leaders to follow in my "Sailing Directions."

I believe historical and current events demonstrate that the Navy is most effective and best able to support our national security objectives when Fleet leaders and Sailors are focused on three tenets:

- Warfighting first
- Operate forward

- Be ready

I incorporated these tenets into "Sailing Directions." Similar to their nautical counterpart, my directions describe in general terms where the Navy needs to go in the next 10-15 years, and the approach we will take to get there. We applied "Sailing Directions" to the final decisions we made in building our FY2013 budget submission and I believe they are consistent with the Defense Strategic Guidance that emerged from our collaborative efforts with the Chairman of the Joint Chiefs of Staff, the Secretary of Defense and the President. I am in the process of drafting a "Navigation Plan" to define our course and speed now that our defense strategy is established and our budget request submitted.

**My guidance for the Navy and what we believe**

We use these three tenets – Warfighting First, Operate Forward, and Be Ready – as "lenses" through which we view each decision as we organize, train and equip the Navy.

*Warfighting First.* The Navy must be ready to fight and win today, while building the ability to win tomorrow. This is our primary mission and all our efforts from the "wardroom to the boardroom" must be grounded in this fundamental responsibility. The recent posturing and rhetoric from Iran highlight the importance of our ability to deter aggression, promptly respond to crisis, and deny any aggressors' objectives. This requires getting relevant and effective warfighting capability to the Fleet today, not waiting for perfect solutions on paper that may not arrive for ten years. We can no longer afford, strategically or fiscally, to let the perfect be the enemy of the good – or the good enough – when it comes to critical warfighting capability. Our history and the contemporary cases of Iran, North Korea, violent extremists, and pirates show that conflict is unlikely to appear in the form of the scenarios for which we traditionally plan. Therefore, our ships, aircraft and Sailors that operate forward must be able to decisively act and defeat an adversary's actions in situ to deter continued aggression and preclude escalation. To that end, in our FY2013 budget submission we shifted procurement, research and development, and readiness funds toward weapons, systems, sensors and tactical training that can be rapidly fielded to the Fleet, including demonstrators and prototypes that can quickly improve our forces' capability. I request that you support those investments.

*Operate Forward.* We provide the nation offshore options to deter, influence and win in an era of uncertainty. Our Navy is at its best when it is forward, assuring allies and building partnerships, deterring aggression without escalation, defusing threats without fanfare, and containing conflict without regional disruption. We keep the Fleet forward through a combination of rotational deployments from the United States, Forward Deployed Naval Forces (FDNF) in Japan, Guam and Italy, and forward stationing ships in places such as Bahrain or Diego Garcia. Our ability to operate forward depends on our U.S. bases and strategic partnerships overseas that provide "places" where the Navy-Marine Corps team can rest, repair, refuel and resupply. Our FY2013 budget submission supports several initiatives to establish our forward posture including placing FDNF destroyers in Rota, Spain, and forward stationing Littoral Combat Ships (LCS) in Singapore and Patrol Coastal ships (PC) in Bahrain. We are also now collaborating with Headquarters Marine Corps to determine the support and lift needed for Marines to effectively operate forward in Darwin, Australia. In the FDNF construct, the ships, crews and families all reside in the host nation. This is in contrast to forward stationing, where the ship's families reside in the United States and the crew rotates to the ship's overseas location for deployment. We will rely on both of these basing constructs and the "places" that support them to remain forward without increases to the Fleet's size. I request you support funding for these initiatives so our Navy-Marine Corps team can continue delivering the rapid response our nation requires of us. We will continue to pursue innovative concepts for operating forward such as rotational crewing and employing new classes of ships such as Joint High Speed Vessels (JHSV), Mobile Landing Platforms (MLP), and Afloat Forward Staging Bases (AFSB).

*Be ready.* We will harness the teamwork, talent and imagination of our diverse force to be ready to fight and responsibly use our resources. This is more than simply completing required maintenance and ensuring parts and supplies are available. Those things are essential, but "being ready" also means being proficient and confident in our ability to use our weapons, employ and rely on our sensors, and operate our command and control, communication and engineering systems. This requires practice, so in our FY2013 budget submission we increased readiness and procurement funding for training deploying personnel and for exercise ordnance - funding that I request you support. Further, we are employing simulation and adjusting our Fleet Readiness and Training Plan (FRTP) to afford more time to train prior to deployment. Our

FY2013 budget submission provides the opportunity to build on events such as this year's BOLD ALLIGATOR, our largest amphibious assault exercise in more than a decade, which brought together more than 20,000 Sailors and Marines and 25 ships from five nations. Fundamentally, being ready depends on our ability to train, lead and motivate our Sailors and Marines through events such as BOLD ALLIGATOR. As we continue to move through challenging times strategically and fiscally, we will increasingly depend on their resolve and imagination.

**PB13 shaped by three main priorities of the CNO**

The Budget Control Act of 2011 placed new constraints on our budget, which required hard choices and prioritization to address. I applied our tenets to my three main priorities as we built our FY2013 budget submission to support the new defense strategic guidance.

*Priority 1: Remain ready to meet current challenges, today*

Readiness means operational capability where it needs to be to deter aggression, respond to crises, and win our nation's wars. I will continue to prioritize readiness over capacity and focus our warfighting presence on the Asia Pacific and Middle East. Our FY2013 decision to decommission seven *Ticonderoga* class guided missile cruisers (CG) and two Dock Landing Ships (LSD) exemplify our resolve to provide a more ready and sustainable Fleet within our budget constraints. The resources made available by these retirements will allow increased funding for training and maintenance. To ensure these investments improve readiness, we adjusted the FRTP to be more sustainable and provide units adequate time to train, maintain and achieve the needed "fit" and "fill" in their manning between deployments. The FRTP is aligned to and supports the FY2013 Global Force Management Allocation Plan (GFMAP), which is the authoritative, Secretary of Defense-approved plan for supporting Combatant Commander presence requirements.

A ready Fleet requires proper maintenance of our ships and aircraft, and our long-term force structure inventory plans require each of them to affordably reach expected service life. Our FY2013 budget submission fully funds ship maintenance and midlife modernization periods. We are also continuing a series of actions to address surface ship material condition. We increased the number of Sailors in select surface ships and established Integrated Material

Assistance Teams to ensure adequate personnel for preventive maintenance and at-sea repairs. To improve maintenance planning and budgeting, the new surface ship life cycle engineering and support organization develops comprehensive plans for maintenance and modernization of non-nuclear ships. These plans will allow us to refine our assessments of ship material condition, improve our ability to estimate maintenance costs, and identify actions needed to achieve expected service life. These initiatives, supported in this budget submission, have tangibly improved ship readiness and enable more efficient maintenance periods. Our FY2013 budget submission also funds aircraft depot maintenance requirements to 94 percent, meeting our goal for available airframes and engines.

Readiness involves more than material condition. Our capabilities must also be "whole," meaning our weapons, combat systems, and sensors must be able to interface with one another, are available in adequate numbers, and our Sailors are proficient and confident in their use. We emphasized training in our FY2013 budget submission – allocating time, ordnance and targets for increased live-fire training as well as funds to improve the fidelity, capacity and interoperability of our Fleet simulators. Our FY2013 budget submission also funds improved data links and radar reliability to enhance the interoperability and availability of weapons and sensors. In aviation we fully funded the Flying Hour Program and invested in F/A-18 A-F life cycle sustainment and system capability upgrades to ensure these "workhorses" of the carrier air wing remain ready and relevant. F/A-18 A-F sustainment helps ensure our strike fighters reach their expected service lives and our strike fighter inventory remains sufficient to meet anticipated needs. Ashore, we fully funded air and port operations and nuclear weapons infrastructure and security. Our FY2013 budget submission accepts some risk in facilities sustainment and recapitalization, but we anticipate minimal impact on Fleet readiness. We will continue to closely monitor our shore infrastructure to ensure it remains capable of supporting the needed level of Fleet operations. Our FY2013 budget submission maintains funding for Homeport Ashore to provide quality housing for our single Sailors and increases funding for family readiness programs such as child development centers.

To sustain a ready and relevant Fleet we must continue to improve our fuel efficiency. Our goal remains to reduce our tactical energy use by 15 percent in 2020. We will combine

modernization, research and development, acquisition and efficient behavior by operators at sea and on the waterfront to achieve that goal. Our FY2013 budget submission continues to incorporate technological advances incrementally, but steadily. Our *Lewis and Clark* class supply ships now employ an all-electric propulsion system, as will our new *Zumwalt* and Flight III *Arleigh Burke* class destroyers (DDG). Our new hybrid-electric powered amphibious assault ship USS MAKIN ISLAND saved more than $2 million in fuel costs on its maiden voyage from the Gulf Coast to its San Diego homeport. The insights we gain from these efforts will be applied in developing requirements for future ships, where energy usage was established last year as a key performance parameter.

*Priority 2: Build a relevant and capable future force*

Our Navy will evolve to remain the world's preeminent maritime force in the face of emerging threats and our shipbuilding and aircraft construction investments form the foundation of the future Fleet. In developing our aircraft and ship procurement plans, we focused on three approaches: Sustaining serial production of today's proven platforms, rapidly fielding new platforms in development, and improving the capability of today's platforms through new payloads of weapons, sensors and unmanned vehicles.

First, sustained production of today's platforms maintains the Fleet's capacity, reduces per-unit cost for each ship or aircraft, and fosters the health of the industrial base. Examples of this serial investment in our FY2013 budget submission include *Arleigh Burke* DDG, MH-60R/S *Seahawk* helicopters, F/A-18 *Super Hornet* and SSN-774 *Virginia* class submarines (SSN). These proven ships and aircraft represent a known quantity to both the government and contractor and provide opportunities for cost savings through multi-year procurement. Our FY2013 budget submission requests multi-year procurement of nine *Arleigh Burke* DDG and nine *Virginia* SSN. Your support for continued block purchases of DDG and SSN is essential to our Fleet's capacity over the next decade when decommissionings and the procurement of SSBN(X) combine to reduce the number of these Fleet workhorses. In addition to the capacity they bring, our experience with proven platforms also allows us to incrementally improve their capabilities with new weapons, sensors and unmanned vehicles, such as we are doing with *Arleigh Burke* DDG by adding the Surface Electronic Warfare Improvement Program (SEWIP),

SM-6 missile, Advanced Missile Defense Radar (AMDR), and MQ-8 *Firescout* unmanned air vehicles.

Second, we will rapidly field the classes of ships and aircraft in development which are needed to recapitalize the Fleet and pace emerging threats. Each of these platforms are nearing completion or are in initial production and offer a significant return on our research and development investment over the past two decades. We will harvest this return and focus on capability improvement via new weapons, sensors and unmanned systems before we begin our next generation of platforms. Our FY2013 budget submission prudently moves into sustained production of *Freedom* and *Independence* class LCS, MQ-4C Broad Area Maritime Surveillance (BAMS) unmanned air system (UAS), P-8A *Poseidon* maritime patrol and reconnaissance aircraft and F-35C *Lightning II* strike fighter. We slowed production of the F-35C to allow lessons from testing to be better incorporated into the aircraft and it will be a key element of the future carrier air wing. The FY2013 budget submission continues funding for *Gerald R. Ford* aircraft carriers (CVN), although the delivery of CVN-79 was delayed to most cost effectively maintain our Fleet of 11 CVNs by not delivering the ship ahead of need. Our budget submission continues funding for the *Zumwalt* class DDG, which will provide an exceptional improvement in littoral and land-attack capability while also proving several new technologies to be incorporated into future ships. To sustain our capacity for amphibious operations, our FY2013 budget submission funds continued production of the *America* class amphibious assault ships (LHA), the first of which (LHA-6) is nearing completion. Each of these new platforms is designed to be adaptable and allow future capability evolution through new payloads. The physical and electronic open architecture of LCS, for example, will allow it to change missions in a short refit, but will also allow it to be widely adaptable over its lifetime. The P-8A has a similar reserve capacity for adaptation, as well as an operating profile which will allow it to do a wide range of missions, depending on the weapons and sensors placed aboard.

And third, we will evolve the force to maintain our warfighting edge by exploiting the ability of new payloads to dramatically change what our existing ships and aircraft can do. A focus on what our platforms carry will be increasingly important as anti-access / area-denial (A2/AD) threats including new radars and more sophisticated surface-to-air and anti-ship

missiles limit the ability of manned platforms to get close to an adversary in wartime. Our Air-Sea Battle Concept, developed with the Marine Corps and the Air Force, describes our response to these growing A2/AD threats. This concept emphasizes the ability of new weapons, sensors, and unmanned systems to expand the reach, capability and persistence of our current manned ships and aircraft. Our focus on payloads also allows more rapid evolution of our capabilities compared to changing the platform itself. This approach is exemplified by our FY2013 investment in LCS, which will carry an adaptable portfolio of unmanned vehicles, weapons, manned helicopters, and personnel. In aviation, new weapons such as the Small Diameter Bomb, Joint Standoff Weapon, and Mark-54 torpedo will give our legacy aircraft the stand-off range, penetration and lethality to defeat adversaries even if they employ advanced A2/AD threats.

Our focus on payloads includes unmanned systems such as the *Firescout* UAS, which already demonstrated in Libya and the Middle East how it can add significant capability to our legacy frigates (FFG) and Amphibious Transport Dock (LPD) ships. Our FY2013 budget submission continues production of the MQ-8B *Firescout* and adds the longer-range / higher-payload MQ-8C. The submission also continues our investment in the Unmanned Combat Air System (UCAS) demonstrator and the follow-on Unmanned Carrier Launched Air Surveillance and Strike system (UCLASS), which will expand the reach and persistence of our current carrier-based air wings.

Improved sensors and new unmanned systems are essential to our continued domination of the undersea environment. Our FY2013 budget submission funds the development of *Virginia* SSN payload modules that will be able to carry a mix of missiles, sensors and unmanned undersea vehicles (UUV) such as the new Large Displacement UUV. Leveraging our undersea superiority, our FY2013 budget submission includes funding to study the possible use of *Ohio* class guided missile submarine (SSGN) and *Virginia* class SSN as platforms for a future conventional prompt global strike capability. These undersea systems are joined by investments in the P-8A *Poseidon* and *Arleigh Burke* DDG to improve cueing and close-in anti-submarine warfare (ASW) operations.

While we currently dominate the undersea domain, cyberspace and the electromagnetic spectrum present a different set of challenges and a lower barrier to entry to our potential

adversaries. Our FY2013 budget submission furthers our goal to operate effectively in cyberspace and fully exploit the electromagnetic spectrum. Investments including SEWIP, the Consolidated Afloat Network Enterprise System (CANES), E-2D *Hawkeye*, Next-Generation Enterprise Network (NGEN) and Mobile User Objective System (MUOS) support development of a common operational picture of cyberspace and the electromagnetic spectrum. They also support robust defense of our networks and improve our ability to use non-kinetic effects to defend our ships from attack, conduct offensive operations and conduct superior command and control.

*Priority 3: Enable and support our Sailors, Navy Civilians and their families*

Today's active and reserve Sailors and Navy Civilians are the most highly trained, motivated and educated force we have ever employed. Our people are the source of our warfighting capability and our FY2013 budget submission continues the investments needed to ably lead, equip, train and motivate them.

Our personnel programs deliver a high return on investment in the readiness of our Sailors and Civilians. We fully funded our programs to address operational stress, support families, prevent suicides, eliminate the use of synthetic drugs like Spice and aggressively reduce the number of sexual assaults. I view each of these challenges as safety and readiness concerns that can be just as damaging to our warfighting capability as operational accidents and mishaps. To ensure Sailors and their families have a quality environment in which to live, we sustained our support for quality housing, including Homeport Ashore for Sailors, and expanded our child development and youth programs.

Our wounded warriors are a top priority. Our FY2013 budget submission fully funds programs that support the mental, emotional and financial well-being of our returning warriors and their families.

The Navy continues to face a unique manpower challenge. Retention is high, attrition remains steady at a very low level and highly qualified people continue to want to join the service. To continue bringing in new Sailors with new and diverse backgrounds and ideas, we must have turnover in the force. To manage our end strength, sustain upward mobility and

address overmanning in some specialties, we selected 2,947 Sailors for separation in 2012 by conducting an Enlisted Retention Board (ERB). These Sailors served honorably and we are now focused on providing the best transition possible for them, including early retirement for Sailors selected for ERB who will have completed at least 15 years of active service as of September 1, 2012. Thank you for providing this Temporary Early Retirement Authority (TERA) in the FY2012 National Defense Authorization Act (NDAA). We do not plan another ERB for FY2013. Nor do we plan to offer early retirement more broadly, but we will evaluate this option if overmanning again becomes a concern.

We will continue to use a range of force shaping tools to ensure we keep our best performers and align our people with needed skills and specialties. Perform-to-Serve (PTS), our centralized reenlistment program, will remain the principal method to shape the force. While in some cases we will be unable to offer reenlistment for Sailors due to high retention and overmanning, PTS also offers Sailors the opportunity to change specialties or enter the reserves when they come up for reenlistment if their current specialty is overmanned. We will continue to offer and regularly adjust Selective Reenlistment Bonuses and incentive pays for critical specialties to ensure we properly sustain the skills required in the force.

By managing the size and composition of the force, we are able to bring in new Sailors and Civilians. Our FY2013 budget submission continues to invest in recruiting quality people, including diversity outreach and programs to develop science, technology, engineering and mathematics candidates for the service. Our future depends on the innovation and creativity that people with diverse backgrounds, experience and ideas can bring to the Navy.

**DoD and Navy's turning point – and the ueed for a new strategy**

We built our FY2013 budget submission by applying the tenets of *Warfighting First, Operate Forward,* and *Be Ready* to our three enduring priorities. This approach focused our resources on investments that are essential to the Navy's ability to be relevant to the challenges we face as a nation. Today, three main trends place America and our Navy at a turning point. First, the federal government has to get its fiscal house in order by reducing deficits and putting the federal budget on a path toward balance. Second, the security environment around the world is becoming more dynamic as exemplified by the "Arab Awakening," ongoing piracy and

terrorism, and the continued threat of aggression from countries including Iran and North Korea. Third, after a decade of war in the Middle East, we are completing ground operations and stabilization efforts in Iraq and Afghanistan.

This confluence of factors was emerging when I wrote my Sailing Directions and, as they clarified, were the drivers behind the defense strategic guidance *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* issued by the President and Secretary of Defense. The defense strategic guidance was developed in a collaborative and transparent process and I believe it is aligned with Sailing Directions. The guidance calls for a more agile, lethal and flexible force to address the challenges and opportunities facing our nation and has clear implications for the Navy as a force provider, including:

*Emphasize readiness over capacity*

We will not let the force become "hollow" by having more force structure than we can afford to maintain, equip and man. Our FY2013 budget submission inactivates seven *Ticonderoga* CG and two Dock Landing Ships (LSD). These ships were in need of significant maintenance investment and six of the seven cruisers required further investment to install ballistic missile defense capability. Inactivating these ships allowed almost $2 billion in readiness funding to be shifted to other portions of the Fleet. This reduction in capacity and our shift to a more sustainable deployment model will result in some reductions to the amount of presence we provide overseas in some select areas, or a change in the nature of that presence to favor innovative and lower-cost approaches.

*Invest in current warfighting capability*

Our ability to deter aggression rests on our current warfighting capability. During the final stages of developing our FY2013 budget submission, we worked closely with the Office of the Secretary of Defense to shift more than $700 million into procurement, operations and maintenance, and research and development to rapidly improve the readiness of warfighting capabilities being deployed to the Middle East and Asia-Pacific. These changes focused on countering A2/AD threats through mine warfare (MIW), integrated air and missile defense (IAMD), anti-surface warfare (ASuW) against fast attack craft, and ASW. Our investments included training targets and ordnance, mine warfare maintenance and prototype systems, anti-

surface and ASW sensors and weapons, and kinetic and non-kinetic systems for self-defense against torpedoes, cruise missiles and ballistic missiles.

*Maintain Middle East presence and rebalance our focus toward Asia-Pacific*

The Asia-Pacific and Middle East are the most consequential regions for our future security and prosperity. Two factors drive the Navy's ability to provide presence: The size of the Fleet and the amount of time ships can remain deployed. Our FY2013 budget submission reduces the size of the Fleet in the next year by decommissioning some ships, but the Fleet returns to its current size by 2017 and grows to about 300 ships by 2019. We will work with the Joint Staff and Secretary of Defense's office to focus our presence on the Middle East and Asia-Pacific as part of the GFMAP. The mix of ships in the Fleet between now and 2020 will evolve to include more small combatants and support vessels that can provide innovative, low-cost platforms for security cooperation and partnership building activities in Latin America and Africa. This will enable our carriers, large surface combatants, submarines, and amphibious ships to focus on the Middle East, Asia-Pacific, and Europe.

As described above, we are fostering a series of bases and "places" with our allies and partners around the world to provide access and support forward operations at the strategic maritime crossroads. Some of these facilities will host FDNF or forward stationed ships and aircraft, while others will extend the range and duration of deployments by providing places to rest, repair, refuel and resupply. Our FY2013 budget submission includes funding to support these facilities, while we are studying options for rotational crewing which may allow overseas "places" to host crew exchanges for additional classes of ships such as we plan to do for LCS and currently conduct for PCs, SSGNs and mine countermeasures ships (MCM).

*Develop innovative, low-cost and small footprint approaches to partnerships*

The United States will continue to be the security partner of choice, and the Navy will tailor our efforts to be both affordable and appropriate. The evolution of the Fleet's mix over the next eight years will provide ships suited to cooperative operations such as maritime security; building partner capacity; countering terrorism, illegal trafficking, and proliferation; and providing humanitarian assistance / disaster response (HA/DR). Ships including LCS (with SUW mission packages), JHSV, MLP, AFSB, Hospital Ships (T-AH), and Combat Logistics

Force (CLF) ships will provide platforms to conduct the low-cost, small footprint missions called for in the defense strategic guidance. These ships will free up higher-end combatants for other missions and will employ innovative crewing concepts such as civilian mariners and rotational military crews that will provide more time forward per ship.

**Our FY2013 investments support the Department's most important missions**

Within the fiscal constraints of the Budget Control Act of 2011, we applied our priorities and tenets to develop our FY2013 budget submission, which strongly supports the missions described the new defense strategic guidance.

*Counterterrorism and Irregular Warfare*

We will support the Joint Force in an active approach to countering terrorist and extremist threats. With the drawdown in Afghanistan and sensitivity to U.S. forces ashore, these efforts will increasingly be conducted from the sea. The Navy's FY2013 budget submission increases our ability to support these operations through investments including the sea-based MQ-8B and longer range / higher payload MQ-8C UAS, MLP, AFSB, LCS, BAMS, tailored language and culture training, and increases in SEAL manning. Places including Djibouti, Singapore, Bahrain, and Guantanamo Bay, Cuba will continue to support small-footprint, long-duration operations to counter illegal activities – including terrorism, piracy, and trafficking – from the Horn of Africa and Arabian Gulf to the South China Sea and the Caribbean.

*Deter and Defeat Aggression*

The Navy-Marine Corps team is the nation's front line to deny an aggressor's objectives or promptly impose costs on the aggressor. Naval forces bring two essential qualities to this mission: Presence or prompt access forward where conflict occurs, and credible warfighting capability to counter the aggressor. Our FY2013 budget submission supports forward operations at the places where conflict is most likely or consequential – the strategic maritime crossroads. In addition to the readiness and operations funding that allow our forces to operate forward, our FY2013 budget submission also invests in establishing FDNF DDG in Rota, Spain, forward stationed LCS in Singapore, additional forward stationed PCs in Bahrain and a sustainable tempo of rotational deployments.

Our FY2013 budget submission improves the warfighting capability of the forces we send forward. The centerpieces of naval capability remain the Carrier Strike Group and Amphibious Ready Group. Our FY2013 budget submission sustains funding for CVNs, the strike fighters (F-35C, F/A-18 E/F and EA-18G *Growler)* they deliver to the fight, and the unmanned NUCAS and UCLASS aircraft that will expand the reach and persistence of the future air wing. To complement our aviation capabilities, our FY2013 submission funds a "big deck" amphibious assault ship (LHA) in FY17 to support power projection by Marine Air-Ground Task Forces. These ships, aircraft, Sailors and Marines have deterred and defeated aggression since World War II and will continue to do so well into the future.

Our FY2013 budget submission invests in capabilities to counter specific types of aggression, such as Iranian threats to deny access to the Strait of Hormuz through mine warfare. While we develop the LCS as the future host of MIW capabilities, our FY2013 budget submission invests in sonar upgrades and maintenance for our current MCMs, new mine detection and neutralization UUVs, establishment of an AFSB in the Arabian Gulf to support air and surface MIW operations, and sea-based intelligence, surveillance and reconnaissance (ISR). Our FY2013 budget submission also funds ASW improvements geared toward the Iranian threat such as air-launched Mark-54 torpedoes and torpedo defense systems, as well as ASuW weapons to counter fast attack craft such as Griffin and Spike missiles for PCs and rockets for helicopters.

*Project Power Despite A2/AD Challenges*

Potential adversaries are mounting strategies to prevent U.S. forces from entering their theater (anti-access) or operating effectively once within the theater (area-denial). These adversaries intend to prevent U.S. forces from defeating their aggression or coming to the aid of allies and partners. Both state and non-state actors are undertaking these strategies using capabilities including mines, submarines, anti-ship cruise and ballistic missiles, anti-satellite weapons, cyber attack, and communications jamming. The Navy FY2013 budget submission addresses these threats through a wide range of investments that support the multi-service Air-Sea Battle concept. In addition to the MIW, ASuW and ASW investments identified above, our FY2013 budget submission funds upgrades in electronic warfare (EW), integrated fire control, cyber operations, networks, *Virginia* SSN and payload modules, and the F-35C.

The Navy's ability to retain access to international waters and airspace as well as critical chokepoints throughout the world would be enhanced by accession to the United Nations Convention on the Law of the Sea (UNCLOS). As the world's preeminent maritime power, the United States has much to gain from the legal certainty and global order brought by UNCLOS. The United States should not rely on customs and traditions for the legal basis of our military and commercial activity when we can instead use a formal mechanism such as UNCLOS. As a party to UNCLOS, we will be in a better position to counter the efforts of coastal nations to restrict freedom of the seas.

*Counter Weapons of Mass Destruction (WMD)*

The Navy's primary contribution to countering WMD is interdicting WMD and their precursors through the international Proliferation Security Initiative (PSI). Our FY2013 budget submission funds the readiness and force structure necessary to maintain forces forward at the strategic maritime crossroads where these interdictions are most common, while continuing to enable PSI by sustaining the command and control and sensors needed to find and track WMD transporters.

*Operate Effectively in Space and Cyberspace*

As a forward deployed force, our Fleet is highly dependent upon space-based systems, cyberspace and the electromagnetic spectrum. Naval forces rely on long-haul communications for command and control, positioning, navigation and timing and administration. Given the growing A2/AD threat from communications jamming and anti-satellite weapons, our FY2013 budget submission includes investment in the maritime portion of the Joint Airborne Layer Network, a UAV-based system to assure our ability to communicate and conduct command and control.

Cyberspace and the electromagnetic spectrum are a key area of emphasis for our future force development. In the past two years, we made significant investments in personnel for Navy Cyber Command / Tenth Fleet as well as U.S. Cyber Command, which continue in our FY2013 budget submission. These highly-skilled operators are developing a "common operational picture" (COP) of cyberspace and the tools to effectively defend our interests within it. Cyberspace and the electromagnetic spectrum are inextricably linked, and in our FY2013 budget

submission, we fund a range of EW and electronic support systems including SEWIP, Next-Generation Jammer, shipboard prototype and demonstrator systems, Ship Signal Exploitation Equipment (SSEE) and the E-2D *Hawkeye*. These systems sustain our ability exploit the electromagnetic spectrum for sensing and communication, while denying our adversaries accurate or effective information. We are also developing the conceptual and doctrinal framework to fully exploit the electromagnetic spectrum as a warfighting domain.

*Maintain a Safe, Secure and Effective Nuclear Deterrent*

The Navy provides the most survivable leg of the US nuclear triad with the ballistic missile submarine (SSBN) and associated nuclear command and control, maintenance, and support infrastructure. Our FY2013 program continues to fund the recapitalization of our *Ohio* class submarines and the safe handling of *Trident* D-5 missiles through investment in an additional explosive handling wharf. Consistent with the defense strategic guidance, we delayed the *Ohio* replacement program by two years. This delay will result in an SSBN force of 10 ships in the 2030s and will require a high state of readiness to meet the nation's strategic deterrence needs. Our FY2013 budget submission fully funds the maintenance and support to today's *Ohio* class SSBNs to help maximize their operational availability throughout their service lives.

*Homeland Defense and Support to Civil Authorities*

We maintain approximately 45 ships underway around the United States and another 50 available within days to meet U.S. Northern Command's homeland defense requirements through our FRTP. The Navy's FY2013 budget submission also funds DDG modernization that can support homeland ballistic and cruise missile defense missions.

*Provide a Stabilizing Presence; Conduct Counterinsurgency, HA/DR and Other Operations*

Although our warfighting capability will be focused on the Middle East and Asia-Pacific, other regions will retain naval presence. The nature of that presence, however, will change over the next several years. While today DDGs and amphibious ships conduct security cooperation operations with partners in Latin America and Africa, our FY2013 budget submission funds procurement of JHSV, AFSB, MLP, and LCS and sustainment of PC and T-AH to take on these missions in the future. To support an expanding range of partnership missions, they will

increasingly carry tailored force packages of U.S. Marines to conduct security cooperation activities with partner armies and marines.

These same ships will support humanitarian assistance operations and rapid response by U.S. forces to crisis or disaster. They can embark a wide range of interagency and non-governmental personnel, allowing them to support the whole range of development, defense and diplomacy activities and contribute to non-military efforts to counter insurgencies and conduct stabilization operations. As naval forces, they can be backed up by the robust multi-mission capability and transportation capacity of amphibious ships and embarked Marines.

**Evaluating impacts of the new defense strategic guidance**

The new defense strategic guidance is not without risk. In particular, we will need to assess the impacts of capacity reductions on the force's ability to address highly likely or highly consequential security challenges. Senior defense leaders are conducting this assessment in a series of seminars over the next several months. Within the Navy, we are also reevaluating our force structure requirements in light of the defense strategic guidance. We are assessing the capabilities needed to implement the strategy, what force structure could deliver those capabilities, and the resulting inventory required of our ships and aircraft. The results of this assessment will indicate the risk in the ability of the Navy's investment plans to implement the defense strategic guidance. The force structure assessment will also indicate what ships should be counted as part of the battle force, and the extent to which the Navy will need to implement innovative concepts such as rotational crewing to deliver the needed level of forward presence.

We will also evaluate the impact of our investment plans on our industrial base, including ship and aircraft builders, depot maintenance facilities, equipment and weapons manufacturers, and science and technology researchers. Some of our suppliers, especially in specialized areas such as nuclear power, have the government as their only customer. Our FY2013 budget submission addresses the health of the industrial base, and we will work closely with our industry partners to manage the risk of any further budget reductions.

Ship inactivations in the FY2013 budget submission, when combined with those of previous budgets, may cause an imbalance in the Fleet's overall distribution. We are assessing what will be affordable and appropriate in homeporting new ships or moving existing ships to

ensure we efficiently employ our shore infrastructure, balance our port loading, and take advantage of collocating ships with common configurations and equipment.

The health care proposals in the President's budget are consistent with our efforts over the last several years to pursue a multi-pronged strategy to control the rate of growth in defense health costs – identifying more efficient processes internally; incentivizing healthy behaviors and wellness; and keeping our Sailors and Marines fit and ready to deploy. This budget maintains our commitment to those who serve and have served, and responsibly meets the demands dictated by federal budget constraints. I hope you will agree, and support our efforts. I also support the establishment of a commission to study changes to the structure and benefits of our retirement program for those who have not yet entered the service. That assessment must include an evaluation of the combined impact to our future recruiting and retention of changes to retirement benefits, pay, and health care.

**Conclusion**

I believe the risks of the new defense strategic guidance are manageable and can be mitigated with good management of the Joint Force. Our Navy will continue to be critical to our nation's security and prosperity by assuring access to the global commons and being at the front line of our nation's efforts in war and peace. I assure the Congress, the American people, and those who would seek to do our nation harm, that we will be focused on warfighting, operating forward, and being ready.

**9/23/2011 - Present**

## Admiral Jonathan W. Greenert

Adm. Jonathan W. Greenert is a native of Butler, Pa. He graduated from the U.S. Naval Academy in 1975 and completed studies in nuclear power for service as a submarine officer.

His career as a submariner includes assignments aboard USS *Flying Fish* (SSN 673), USS *Tautog* (SSN 639), Submarine NR-1 and USS *Michigan* (SSBN 727 - Gold Crew), culminating in command of USS *Honolulu* (SSN 718) from March 1991 to July 1993.

Subsequent fleet command assignments include Commander, Submarine Squadron 11; Commander, U.S. Naval Forces Marianas; Commander, U.S. 7th Fleet (August 2004 to September 2006); and, Commander, U.S. Fleet Forces Command (September 2007 to July 2009).

Greenert has served in various fleet support and financial management positions, including deputy chief of Naval Operations for Integration of Capabilities and Resources (N8); deputy commander, U.S. Pacific Fleet; chief of staff, U.S. 7th Fleet; head, Navy Programming Branch and director, Operations Division Navy Comptroller. Most recently he served as 36th vice chief of naval operations (August 2009 to August 2011).

He is a recipient of various personal and campaign awards including the Distinguished Service Medal (6 awards), Defense Superior Service Medal and Legion of Merit (4 awards). In 1992 he was awarded the Vice Admiral Stockdale Award for inspirational leadership. He considers those awards earned throughout his career associated with unit performance to be most satisfying and representative of naval service.

Greenert became the 30th Chief of Naval Operations Sep. 23, 2011.

Mr. YOUNG. Admiral, thank you very much. We have tremendous confidence in the United States Navy and the United States Marine Corps, and we are happy to have your presentation today. And we look forward to General Dunford. You will find that this committee is supportive. We are not in a negative or adversarial role.

General, we love the Marine Corps, and we are here to be supportive, although we will have questions that you might wonder sometime if that is being adversarial. It is not. It is seeking out our constitutional responsibility to appropriate the money and to know where it is going. So we are anxious to hear from you today, sir, and you have the floor.

STATEMENT OF GENERAL DUNFORD

General DUNFORD. Thank you, Chairman Young, Ranking Member Dicks and members of the committee. Thanks for the opportunity to represent General Amos today and articulate the Marine Corps budget submission.

Today more than 24,000 marines are forward deployed and forward engaged; 18,000 are in Afghanistan, while others around the world are projecting influence, deterring aggression, and poised for crisis response. Over the past year the Marine Corps, working in concert with our closest joint partner, the United States Navy, has provided the Nation a flexible and effective means of engaging, responding to crises, and providing decision space for our Nation's leaders.

Your marines provided humanitarian assistance and disaster relief in Japan in the aftermath of last year's earthquake and tsunami. They flew airstrikes over Libya. They evacuated nine noncombatants from Tunisia, and they reinforced our embassies in Egypt, Yemen and Bahrain. They did all that while continuing to support combat and counterinsurgency operations in Afghanistan.

Natural disasters, regime change, civil uprisings, this past year has reminded us that it is impossible to predict the future. That is why as our Nation's risk mitigator the United States Marine Corps is focused and prepared for unexpected crises and contingencies. We are committed to be the force that is most ready when the Nation is least ready.

There is a cost to maintaining that capability, but it is nominal in the context of the total defense budget, and it provides true value for our Nation. This fiscal year we are asking Congress for $30.8 billion. With your continued support we will fund ongoing operations around the world; provide quality resources for our marines, sailors and their families; and allow us to reset equipment worn from more than 10 years at war. This will also enable us to posture for the future.

As our Nation begins to direct its attention to the challenges and opportunities of a post-Afghanistan world, a world where the Pacific and the Middle East are our focus, the Marine Corps will stand ready to respond there and in other regions.

The strategic guidance directs that we rebalance and reset for the future, and we have a solid plan to do that. Our plan maintains balance across the five pillars of a ready Marine Corps: recruiting and retaining high-quality people, maintaining a high state of unit readiness, meeting the combatant commanders' requirements for

marines, and ensuring that we maintain appropriate infrastructure investment. We will do all that while keeping an eye toward the future by investing in the capabilities we will need to meet tomorrow's challenges.

By the end of fiscal year 2016, your corps will be streamlined to 182,100 marines. This Active-Duty force will be complemented by the depth of our Reserve component that remains 39,600 strong. Our corps will be optimized for forward-presence, engagement and rapid crisis response. It will be enhanced by critical enablers, special operators and cyber capabilities, all necessary in a modern battlefield.

Chairman, thanks for the opportunity this morning to appear before you, and I look forward to your questions.

Mr. YOUNG. Well, General, thank you very much.

[The written statement of General Amos follows:]

GENERAL JAMES F. AMOS

COMMANDANT OF THE MARINE CORPS

2012 REPORT TO

THE HOUSE SUBCOMMITTEE ON DEFENSE

COMMITTEE ON APPROPRIATIONS

ON

THE POSTURE OF THE UNITED STATES MARINE CORPS

MARCH 1, 2012

Not public until released by the
House Appropriations Committee
Subcommittee on Defense

## General James F. Amos
## Commandant of the Marine Corps

On October 22, 2010 General James F. Amos assumed the duties of Commandant of the Marine Corps. General Amos was born in Wendell, Idaho and is a graduate of the University of Idaho. A Marine Aviator, General Amos has held command at all levels from Lieutenant Colonel to Lieutenant General.

General Amos' command tours have included: Marine Wing Support Squadron 173 from 1985-1986; Marine Fighter Attack Squadron 312 - a component of Carrier Air Wing 8 onboard USS Theodore Roosevelt (CVN-71) - from 1991-1993; Marine Aircraft Group 31 from 1996-1998; 3rd Marine Aircraft Wing in combat during Operations IRAQI FREEDOM I and II from 2002-2004; II Marine Expeditionary Force from 2004-2006; and Commanding General, Marine Corps Combat Development Command and Deputy Commandant, Combat Development and Integration from 2006 to July 2008. Additional operational tours have included Marine Fighter Attack Squadrons 212, 235, 232, and 122.

General Amos' staff assignments have included tours with Marine Aircraft Groups 15 and 31, the III Marine Amphibious Force, Training Squadron Seven, The Basic School, and with the MAGTF Staff Training Program. Additionally, he was assigned to NATO as Deputy Commander, Naval Striking Forces, Southern Europe, Naples Italy where he commanded NATO's Kosovo Verification Center, and later served as Chief of Staff, U.S. Joint Task Force Noble Anvil during the air campaign over Serbia. Transferred in 2000 to the Pentagon, he was assigned as Assistant Deputy Commandant for Aviation. Reassigned in December 2001, General Amos served as the Assistant Deputy Commandant for Plans, Policies and Operations, Headquarters, Marine Corps. From 2008-2010 General Amos was assigned as the 31st Assistant Commandant of the Marine Corps.

General Amos' personal decorations include the Navy Distinguished Service Medal, Defense Superior Service Medal, Legion of Merit with Gold Star, Bronze Star, Meritorious Service Medal, Joint Service Commendation Medal, and the Navy and Marine Corps Achievement Medal.

## *The Indomitable Spirit of the U.S. Marine*

***Your Marines are Ready Today:*** We remain a Nation at war. Currently, nearly 20,000 Marines are conducting combat operations in Afghanistan. Operation ENDURING FREEDOM (OEF) remains our top priority. Having recently returned from visiting Marines and Sailors currently deployed throughout Central Command, I am pleased to report their professionalism and morale remains notably strong. *Whether patrolling in Afghanistan or planning at the Pentagon, serving on Navy amphibious warships or engaging our partners around the world, the* ***indomitable spirit*** *of our greatest asset—****the individual Marine****—stands ready: ready to safeguard our Nation's liberty, to ensure freedom of the seas and to protect our Nation's interests abroad. With your assistance, we will continue to resource this National Treasure...the U.S. Marine.*

***2011 Operational Highlights:*** During the past year, Marines have conducted counterinsurgency operations in Afghanistan, and have responded to a rapid succession of unpredicted political upheavals, natural disasters, social unrest, piracy and emerging threats in various unstable areas of the world's littoral regions.

- ***Operation ENDURING FREEDOM:*** *We are seeing measurable progress along all lines of operation in the Helmand Province: security, reintegration, rule of law, governance, development, education and health.* Over the past year, violence and the level of collateral damage have decreased significantly. Throughout 2012, Marines in Regional Command-Southwest [RC(SW)] will continue transitioning to partnership training missions as we transfer even greater security responsibility to the maturing Afghan National Security Forces; police and army forces in Helmand province have progressed in training and capability. There is a strong sense of optimism among our forces in Helmand.

- ***Operation TOMODACHI:*** Following a devastating earthquake and tsunami in Japan last spring, 3,600 Marines and Sailors from our amphibious forces in the Pacific responded within 24 hours notice. They served as the lead element of the Joint Force, delivered humanitarian aid (i.e. 500 tons of food and supplies; 2,150,000 gallons of water; and 51,000 gallons of fuel), rescued those in danger, provided consequence management and facilitated the evacuation of almost 8,000 American citizens. For weeks following this disaster, Marine aircrews flew through a radioactive environment to save lives, deliver aid and assist the afflicted.

- ***Operation UNIFIED PROTECTOR/ODYSSEY DAWN:*** Amidst a wave of civil turmoil spreading across Northern Africa, two amphibious warships with embarked Marines sped to the Mediterranean, and took up station off the coast of Libya. The 26th Marine Expeditionary Unit (MEU), an air-ground-logistics task force, provided our Nation's leaders invaluable decision time that allowed the determination of a way ahead and later integration with the Joint Force with the North Atlantic Treaty Organization to enforce a no-fly zone. *Marine Aviation assets were an important component of the Joint Force. Short Take-Off and Vertical Landing (STOVL) Harriers, operating from USS Kearsarge, conducted the first precision airstrikes and provided airborne command and control. Our KC-130Js evacuated non-combatant*

*foreign nationals repatriating them to their homeland, and our MV-22B Ospreys rescued a downed American aviator using unprecedented operational reach.*[1]

- ***Security Cooperation:*** *In 2011, we supported all six Geographic Combatant Commands with task-organized forces of Marines who conducted hundreds of security cooperation (SC) activities with the armed forces of more than 75 countries.* Aligned with Defense Strategic Guidance to "develop innovative, low-cost, and small-footprint approaches to achieve our security objectives, relying on exercises, rotational presence and advisory capabilities," our SC missions focus on internal defense and participation in coalition operations.[2]

- ***Embassy Reinforcement:*** We continue providing security for 154 U.S. Embassies and consulates in 137 countries around the world through the Marine Corps Embassy Security Group. To augment this mission, Marines from our Fleet Anti-Terrorism Security Teams rapidly deployed to reinforce embassies. *This past year they deployed to protect American lives and property in Bahrain, Egypt and Yemen as crisis events unfolded across the Middle East.*

***The New Strategic Guidance; How Your Marine Corps is Changing:*** New strategic guidance issued by the President and the Secretary of Defense provides the framework by which the Marine Corps will balance the demands of the future security environment with the realities of our current budget. The guidance calls for a future force that will "remain capable across the spectrum of missions, fully prepared to deter and defeat aggression and to defend the homeland and our allies in a complex security environment."[3]

We have built a quality force that is fully capable of executing its assigned missions. Our strategic guidance rightfully focuses our attention on the Pacific and Central Command regions. Navy-Marine Corps forward basing, response capabilities and plans are already positioned to support that strategy, yet we will remain vigilant and capable to respond on short notice in other areas of the world as the Nation requires. Marines continually stand ready to contribute decisively to a joint force, and can help provide access for that force wherever needed.

Though the fiscal choices made over the past year were difficult, we are confident that we are managing risk by balancing capacity and capabilities across our forces while maintaining the high levels of readiness for which the Nation relies on its Marines. The Corps of today and tomorrow will maintain its high standards of training, education, leadership and discipline, while contributing vital capabilities to the Joint Force across the spectrum of military operations. The emerging strategy revalidates our role as America's Expeditionary Force in Readiness. Our partnership with the Navy enables a forward-deployed and engaged force that shapes, deters, responds and projects power well into the future.

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[1] The MV-22B Osprey rescue of an American combat aviator on March 22, 2011 was conducted within 95 minutes over a distance of 300 nautical miles (from launch aboard amphibious shipping to recovery of pilot and then back to shipping).
[2] *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* January 2012 pg 3.
[3] *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* Fact Sheet January 5, 2012 pg 2.

During our force structure assessment, we cross-checked recommendations against approved DoD Operations and Contingency Plans, and incorporated lessons learned from 10 years of combat. The resulting force structure decisions to support the new strategy are:

- Reduced the end strength of the active component of the Marine Corps from 202,100 beginning this fiscal year to 182,100 by the end of FY16.
- Designed a force with capabilities optimized for forward-presence, engagement and rapid crisis response.
- Funded readiness levels required for immediate deployment and crisis response.
- Properly re-shaped organizations, capabilities and capacities to increase aggregate utility and flexibility across the range of military operations; also enhancing support provided to U.S. Special Operations and Cyber Commands.
- Properly balanced critical capabilities and enablers across our air-ground-logistics task forces, ensuring that identified low density/ high demand assets became right density/ high demand assets.
- Incorporated the lessons learned from 10 years of war—in particular, the requirements to field a force that is manned, trained and equipped to conduct distributed operations.
- Created an operational reserve component capability without any reductions in reserve force structure.
- Designed the force for more closely integrated operations with our Navy, special operations and inter-agency partners.

Throughout this period of adjustment, we will "keep faith with our Marines, Sailors and their families." Our approach to caring for them is based on our recognition and appreciation for their unwavering loyalty and unfailing service through a decade of combat operations. This strong commitment will not change.

***Maintaining a High State of Readiness:*** The Navy and Marine Corps Team is the Nation's resource for mitigating risk. *Given likely future operations set forth in the Defense Strategic Guidance ranging from defeating rogue actors to responding to natural disasters, the Nation can afford and should invest in the small premium it pays for high readiness levels within its naval amphibious forces. Because our Nation cannot afford to hold the entire Joint Force at such high rates of readiness, it has historically ensured that Marines remain ready; and has used us often to plug gaps, buy time for decision makers, ensure access or respond when and where needed.*

In order for the Marine Corps to achieve institutional readiness for crisis and contingency response, we must maintain balance in the following five pillars:

- **High Quality People (*Recruiting and retaining high quality people plays a key role in maintaining our high state of readiness):*** Recruiting quality youth ultimately translates into higher performance, reduced attrition, increased retention and improved readiness for the operating forces. By retaining the highest quality people,

the Marine Corps will continue to achieve success in today's dynamic environment and meet the challenges posed to our Nation. We will not lower our standards.

- **Unit Readiness (*Maintaining readiness of the operating forces, including appropriate operations and maintenance funding to train to core missions and maintain equipment*):** The Marine Corps deploys units at high levels of readiness for assigned missions. We source our best trained, most ready forces to meet Geographic Combatant Commander requirements. One hundred percent of deployed units report the highest levels of readiness for their assigned mission. We will be ready to deploy on a moment's notice.

- **Capacity versus Requirements (*Force-sizing to meet Geographic Combatant Commander requirements with the right mix of capacity and capability*):** The Marine Corps must maintain a force that meets our ongoing operational requirements to include our commitment to OEF, our rotational presence abroad, our many security cooperation and engagement activities, along with anticipated missions as we reorient to the Pacific.

- **Infrastructure Sustainment (*Investing in real property, maintenance and infrastructure*):** We must adequately resource the sustainment of our bases and stations to maintain our physical infrastructure and the means to train and deploy our forces. As resources become more constrained, we will become even better stewards of our installations to maintain our facilities for the next generation of Marines.

- **Equipment Modernization (*Ensuring ground and aviation equipment matches the needs of the emerging security environment*):** As we explore options to adjust to changing fiscal realities, there is a clear imperative for our Corps to reset portions of our legacy equipment used in OEF and Operation IRAQI FREEDOM while we modernize what we must to guarantee our dominance and relevance against future threats.

## *FY13 Budget Highlights*

***The Frugal Force:*** The Marine Corps is fully aware of the fiscal challenges facing our Nation and has critically examined and streamlined our force needs for the future. We continually strive to be good stewards of the public trust by maintaining the very best financial management practices. The Marine Corps has undergone an independent audit in FY10, and our FY11 audit is still ongoing. We plan to pursue an independent audit again for FY12, and fully expect an audit opinion for FY11 and FY12. To date, we are the only service to undertake such independent scrutiny. By the end of 2012, we will complete initial service wide implementation of our Enterprise Resource Planning System–Global Combat Support System–Marine Corps (GCSS-MC). GCSS-MC will significantly improve our inventory accountability and contribute to clean audit requirements. We are proud of our reputation for frugality, and remain one of the best values for the defense dollar.

We have four major accounts governing our operations: Investment, Operations & Maintenance, MILCON & Family Housing and Manpower. These are our priorities:

- **Investment**
  - Enhancing programs vital to our ground combat elements
    - Light Armored Vehicles (LAV), High Mobility Artillery Rocket System (HIMARS), Small Tactical Unmanned Aerial System (STUAS)
  - Maintaining the same investment levels in other enabling programs
    - Ground Aviation Task Oriented Radar (G/ATOR), Next Generation Enterprise Network (NGEN), Command and Control Situational Awareness (C2/SA)
  - Fully funding critical research and development efforts
    - Joint Light Tactical Vehicle (JLTV), Amphibious Combat Vehicle (ACV)
  - Sustaining other ground and tactical vehicles until their replacements can be procured
    - High Mobility Multi-Purpose Wheeled Vehicle (HMMWV) and Amphibious Assault Vehicle (AAV)
  - Procuring full programs of record critical to aviation modernization
    - F-35B, H-1 Upgrades, MV-22B, KC-130J, CH-53K

- **Operations & Maintenance**
  - Fully funding our education, training and readiness accounts
  - Resourcing civilian work force at FY10 end-of-year levels
  - Enhancing support of Marine Special Operations Command (MARSOC) and Marine Forces Cyber Command (MARFORCYBER)
  - Providing continued support to family readiness and Wounded Warrior programs
  - Supporting transition from the Navy Marine Corps Intranet to NGEN
  - Maintaining energy mandates

- **Military Construction and Family Housing**
  - Maintaining facility sustainment at 90 percent of required funding
  - Increasing facilities demolition funds
  - Preserving essential MILCON funding
    - Aviation: Joint Strike Fighter, MV-22B Osprey
    - Ground: Marine Corps Security Forces, Marine Corps University
  - Preserving environmental restoration funding, family housing operations & construction

- **Manpower**
  - Reducing end strength from 202,100 Marines to 182,100 Marines by the end of FY16 in a responsible and measured way to keep faith with all who have served
  - Realigning force structure across the entire Marine Corps
  - Maintaining our Reserve Component at 39,600 Marines

During these times of constrained resources, we remain committed to refining operations, identifying efficiencies, and reinvesting savings to conserve scarce public funds. We have met

or exceeded all DoD efficiency measures to date. *This fiscal year, we are seeking $30.8 billion ($23.9 billion baseline + $6.9 billion Overseas Contingency Operations) to fund our operations, provide quality resources for our Marines, Sailors and their families, conduct reset of equipment worn from more than 10 years at war and posture our forces for the future. Marines account for only 8.2 percent[4] of the total Department of Defense (DoD) budget. With that, our Nation gains the ability to respond to unexpected crises, from humanitarian assistance and disaster relief efforts to non combatant evacuation operations, to counter-piracy operations, to full-scale combat. When the Nation pays the "sticker price" for its Marines, it buys the ability to remain forward deployed and forward engaged, to reinforce alliances and build partner capacity.*

## *The Role of Marines in the Future Security Environment*

***The Future Security Environment:*** The rapidly evolving events of the past year alone indicate a new constant. *Competition for resources; natural disasters; social unrest; hostile cyber activity, violent extremism (criminal, terrorist, religious); regional conflict; proliferation of weapons of mass destruction and advanced weaponry in the hands of the irresponsible are becoming all too common.* Marine Corps intelligence estimates rightfully point out that "more than half of the world's population lives in fragile states, vulnerable to ruinous economic, ideological, and environmental stresses. In these unstable regions, ever-present local instability and crises will erupt, prompting U.S. responses in the form of humanitarian assistance and disaster relief operations, actions to curtail piracy, stability operations and the rescue and evacuation of U.S. citizens and diplomats."[5] These and other sources of stress are challenging industrialized nations just as they do emerging and failed ones. Further increased fragility of the global systems impacts both international markets and our Nation's economic stability. *These challenges are harbingers of potential crisis around the world, and more specifically for naval forces in the littoral regions.*

History has shown that crises usually come with little or no warning; stemming from the same conditions of uncertainty, complexity and chaos we observe across the world today. Regardless of the financial pressures placed on governments and markets *today*, crises requiring military intervention undoubtedly will continue *tomorrow*. In this environment, physical presence and readiness matter significantly. Since the 1990's, America has been reducing its foreign basing and presence, bringing forces back home. This trend is not likely to change in the face of the strategic and budget realities we currently face. There remains an enduring requirement to balance *presence* with *cost*. In the past, the Nation has chosen to depend on the Navy and Marine Corps to provide a lean and economical force of an expeditionary nature, operating forward and in close proximity to potential trouble spots. Investing in naval forces that can respond to a wide range of crisis situations, creates options and decision space for our Nation's leaders, and protects our citizens and interests is a prudent measure in today's world.

***The Navy & Marine Corps Team:*** *Partnered with the United States Navy in a state of persistent forward presence aboard amphibious warships, your United States Navy and Marine Corps Team remains the most economical, agile and ready force immediately available to deter aggression and respond to crises.* Such a flexible and multi-capable force that maintains high

[4] This percentage is based on the enacted FY-12 Defense budget authorization and is slightly larger than the 7.8 percent sum cited in the past. This percentage includes $3 billion in FY-12 funding for amphibious warship new construction as well as Navy funding for chaplains, medical personnel, amphibious warships (operations and maintenance) and Marine Corps aircraft.
[5] *Five Year Forecast: 2012-2017 Assessment of International Challenges and Opportunities That May Affect Marine Expeditionary Forces* January 2012, pg 1.

readiness levels can mitigate risk, satisfy the standing strategic need for crisis response and, when necessary, spearhead entry and access for the Joint Force. More than 60 years ago and arising out of the lessons learned from the Korean War, the 82nd Congress envisioned the need for a force that "is highly mobile, always at a high state of combat readiness...in a position to hold a full-scale aggression at bay while the American Nation mobilizes its vast defense machinery."[6] This statement continues to describe your Navy and Marine Corps Team today. It is these qualities that allow your Marine Corps to protect our Nation's interests, reassure our allies and demonstrate America's resolve.

***Reorienting to the Pacific:*** *As our security strategy looks increasingly toward the Pacific, forward deployed naval forces will become increasingly vital.* The "geographic realities" of the Pacific theater demand naval responsiveness. The genesis of the amphibious and power projection capabilities of the Navy and Marine Corps traces back more than 70 years to operations in the Pacific—where today key terrain and strategic chokepoints are separated by large expanses of ocean. The Pacific theater is where 30 percent of the world's population and the same percentage of our primary trading partners reside; where five major defense treaties are focused;[7] where 50 percent of the world's megacities are situated; and where natural disasters over the past decade have required the greatest attention from the international community.[8] The geography of the Pacific has not changed, though our tactics and operations continually evolve with the changing character and lethality of modern warfare. Approximately 24,000 Marines already in the Pacific conduct an ambitious, annual training cycle of more than 80 exercises, engagements and initiatives, in addition to the crises we respond to such as Operation TOMODACHI in Japan last year.

Forward presence involves a combination of land and sea-based naval forces. Our enduring bases and presence have served U.S. National Security interests well for decades. Our rotational presence in locations such as Japan, Korea, Australia, the Philippines, Thailand and Singapore reassures our allies and partners. *Sea-basing, the act of using amphibious warships with support from maritime prepositioned ships with various types of connectors, is uniquely suited to provide the Geographic Combatant Commander with the flexibility to deploy forces anywhere in the Pacific region without having to rely on multiple bases ashore or imposing our presence on a sovereign nation.* Sea-basing enables forward deployed presence at an affordable cost. Forward-deployed naval forces serve as a deterrent and provide a flexible, agile response capability for crises or contingencies. Maritime prepositioning offers the ability to rapidly support and sustain Marine forces in the Pacific during training, exercises, or emerging crises, and delivers the full range of logistical support those forces require.

***A Middleweight Force from the Sea:*** *As a "middleweight force," Marines do not seek to supplant any Service or "own" any domain.* Rather, Marine forces operate in a "lane" that passes through *all* domains—land, sea, air, space and cyber—operating capably and freely throughout the spectrum of threats, whether they be conventional, hybrid, irregular or the uncertain areas where they overlap. *Whereas other forces are optimized for a particular mission*

[6] Committee Report accompanying S. 677 & H.R. 666 of 30 June 1951
[7] Philippines-U.S. Mutual Defense Treaty (1951); Australia, New Zealand, U.S. (ANZUS) Treaty; U.S. Alliance with South Korea (1954); Thailand (Manila Pact of 1954); U.S. Japan Security Treaty (1960)
[8] According to the United Nations Economic and Social Commission for Asia and the Pacific, during the period 2001 to 2010 in the Asia-Pacific region over 200 million people per year were affected by natural disasters. This total amounts to 95 percent of the total people affected by natural disasters annually. Approximately 70,000 people per year were killed due to natural disasters (65 percent of the world's total that died of such causes). An average of $35 billion of economic damage occurred per year to the region due to natural disasters.

*and domain, the Marine Corps is optimized for rapid deployment, versatile employment, and self-sustainment via Marine Air-Ground Task Forces (MAGTF), which are balanced, combined-arms formations under a single commander.* All MAGTFs consist of four core elements: a Command Element, Ground Combat Element, Aviation Combat Element, and Logistics Combat Element. MAGTFs are scalable in size and capability.

Bridging a seam in our Nation's defense between heavy conventional and special operations forces (SOF), the United States Marine Corps is light enough to arrive rapidly at the scene of a crisis, but heavy enough to carry the day and sustain itself upon arrival. *The Marine Corps is not designed to be a second land army.* That said, throughout the history of our Nation, its Marines have been called to support sustained operations from time to time. We are proud of our ability to contribute to land campaigns when required by leveraging and rapidly aggregating our capabilities and capacities. Primarily though, the Corps is a critical portion of our integrated naval forces and designed to project power ashore from the sea. This capability does not currently reside in any other Service; a capability that has been called upon time and again to deter aggression and to respond quickly to threatening situations with appropriate military action.

Marine Corps and SOF roles are complementary, not redundant. Special Forces contribute to the counter-insurgency and counter-terrorism demands of the Geographic Combatant Commanders in numerous and specialized ways, but they are not a substitute for conventional forces and they do not have a broader range of capabilities and sustainability. SOF lack the organic logistic capability and capacity to execute a non-combatant operation, serve as a "fire brigade" in a crisis or conduct combined amphibious and airborne assaults against a competent enemy. Middleweight naval forces, trained in combined arms warfare and knowledgeable in the art of maneuver warfare from the sea, are ideally trained and prepared for these types of operations.

***The Littorals:*** The United States remains a maritime nation that relies heavily on the oceans and waterways of the world for the free exchange of ideas and trade. *The maritime commons are where 95 percent of the world's commerce flows, where more than 42,000 commercial ships are under way daily, where most of the world's digital information flows via undersea cables, and where half the world's oil travels through seven strategic chokepoints.* To secure our way of life and ensure uninterrupted freedom of navigation, we must retain the ability to operate simultaneously and seamlessly while at sea, ashore, from the sea, in the air and, perhaps most importantly, where these domains converge—the littorals. These littoral areas exist not only in the Pacific, but throughout the world. Operating in the littoral environment demands the close integration of air, sea and land power. By using the sea as maneuver space, flexible naval forces can quickly respond to crises in the bordering environment of the littorals.

In the context of the new strategy, the Navy and Marine Corps Team is increasingly relevant in meeting the exigent military needs of our Nation. Together, we provide the capability for massing potent forces close to a foreign shore, while maintaining a diplomatically sensitive profile. Additionally, when necessary, we are able to project this power ashore across the range of military operations at a time of our Nation's choosing. *Amphibious capabilities provide the means to conduct littoral maneuver — the ability to maneuver combat ready forces from the sea to the shore and inland in order to achieve a positional advantage over the enemy.* Working seamlessly as a single naval force, your Navy and Marine Corps Team provides the essential

elements of access and forcible entry capabilities that are necessary components of a joint campaign.

***Engagement:*** In order to keep large crises from breaking out or spilling over to destabilize an entire region, 21st century security challenges also require expansion of global engagement with partner and allied nations—facilitated through persistent forward Naval presence—to promote collective approaches to common security concerns. Our engagement contributions in support of the Geographic Combatant Commanders minimize conditions for conflict and enable host nation forces to effectively address instability on their own as it occurs. They promote regional stability and the growth of democracy while also deterring regional aggression. History has shown that it is often far cheaper to prevent a conflict than to respond to one. *This thrust will necessitate amphibious forces that are not only fighters, but who can also serve as trainers, mentors and advisers to host nation military forces.*

***Integration with the Joint Force:*** In our new defense strategy, the Marine Corps will fill a unique lane in the capability range of America's armed forces. Whether *first-on-the scene, part of, or leading* a joint force, Marines instinctively understand the logic and synergy behind joint operations. Our ability to deploy rapidly and globally allows us to set the stage and enable the transition to follow-on Joint Forces in a timely manner. Our MAGTF structure—with organic logistics, aviation, intelligence, fires and other assets—enables us to seamlessly team with others and provides options for the Joint Force Commander to:

- Provide a visible deterrent to would-be threats, without requiring a vulnerable presence ashore at fixed bases or airfields;
- Swiftly respond to small-scale crises with a range of options beyond precision strike, potentially containing crises before they erupt into major contingencies;
- Partner with the Navy and United States Special Operations Command (SOCOM) to shape the operational environment;
- Use the sea as maneuver space, avoiding enemy strengths and striking his weaknesses;
- Directly seize or obtain operational objectives from the sea, without the requirement for large force build-ups or sustained presence ashore;
- Extend the operational reach of the Joint Force hundreds of miles inland to achieve effects from the sea through organic MAGTF assets; and
- Overcome anti-access and area denial threats in a single-naval battle approach through the use of landing forces aboard amphibious warships integrated with other capabilities to include mine counter-measures and naval surface fires.

***Day-to-Day Crisis Response:*** *Engagement and crisis response are the most frequent reasons to employ our amphibious forces. The same capabilities and flexibility that allow an amphibious task force to deliver and support a landing force on a hostile shore enable it to support forward engagement and crisis response.* The Geographic Combatant Commanders have increased their demand for forward-postured amphibious forces capable of conducting security cooperation, regional deterrence and crisis response.

*Marines have conducted amphibious operations and responded to crises throughout the world more than 100 times in the past two decades.* The vast majority of our expeditionary service has

involved crisis response and limited contingency operations, usually conducted in periods when the Nation has otherwise been at peace. Some of these were relatively short-term rescue or raid expeditions, while others evolved into contingencies that were limited in force size, but not limited in duration, complexity and level of integration with the other elements of national power. We will contribute to the missions of our Nation's security strategy in the same way.[9] *On a day-to-day basis, Marines will be forward-deployed and engaged, working closely with our joint and allied partners. When crises or contingencies arise, these same Marines will respond—locally, regionally or globally if necessary—to accomplish whatever mission the Nation requires.*

***America's Expeditionary Force in Readiness:*** The new strategic guidance underscores the Marine Corps role as America's Expeditionary Force in Readiness. Reliant on a strategically relevant and appropriately resourced Navy fleet of amphibious warships and Maritime Prepositioned Force (MPF) vessels, we are forward deployed and forward engaged: shaping strategic environments; training partner nation and allied forces; deterring adversaries; and responding to all manner of crises contingencies.[10] *Alert and ready, we respond to today's crisis with today's force…today.* Marines are ready to respond whenever the Nation calls and wherever and however the President may direct.

## *We Have Worked Diligently to Prepare for the Future*

***Force Structure Review:*** In an effort to ensure the Marine Corps is organized for the challenges of the emerging security environment, we conducted a capabilities-based Force Structure Review beginning in the fall of 2010 to identify ways we could rebalance and posture for the future. The Force Structure Review incorporated the lessons learned from 10 years of combat and addressed 21st century challenges confronting our Nation and its Marine Corps. The review sought to provide the "best value" in terms of capability, cost and readiness relative to the operational requirements of our forward-engaged Geographic Combatant Commanders. The results of that effort have been shared with Congress over the past year. *While affirming this strategy-driven effort, we have aligned our force based on the realities of constrained spending levels and Strategic Guidance.*

***End Strength:*** During our comprehensive Force Structure Review, we tailored a force structure to ensure a sufficient type and quantity of force available to meet the forward presence, engagement and crisis response requirements of the Geographic Combatant Commanders. The resulting force structure is intended to meet Title 10 responsibilities, broaden capabilities, enhance speed and response options and foster the partnerships necessary to execute the range of military operations while providing the "best value" to the Nation. This force structure also accounted for the addition of enabling assets (*e.g. combat engineers, information operations specialists, civil affairs personnel, specialized intelligence Marines, cyber operators, special operators, etc.*) necessary to meet the demands of the battlefields of today and tomorrow.

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[9] The Marine Corps is capable of performing 9 of the 10 stated missions in the Defense Strategic Guidance to include: Counter Terrorism and Irregular Warfare; Deter and Defeat Aggression; Project Power Despite Anti-Access/Area Denial Challenges; Counter Weapons of Mass Destruction; Operate Effectively in Cyberspace and Space; Defend the Homeland and Provide Support to Civil Authorities; Provide a Stabilizing Presence; Conduct Stability and Counterinsurgency Operations; Conduct Humanitarian, Disaster Relief, and Other Operations.

[10] As of January 2012, approximately 30,000 Marines were forward deployed in operations supporting our Nation's defense. This number includes ~19,500 Marines in Afghanistan including those serving in external billets (transition teams, joint/interagency support, etc.), ~5,000 Marines at sea on Marine Expeditionary Units, and ~6,000 Marines engaged in various other missions, operations and exercises. The 30,000 Marine statistic does not include more than 18,000 Marines permanently assigned to garrison locations outside the continental U.S. such as in Europe, the Middle East, the Pacific, etc.

As directed, we will draw-down our force in a measured way beginning in FY13. *Our FY13 programmed end strength is 197,300 Marines.* In accordance with Defense Strategic Guidance, we are resisting the *"temptation to sacrifice readiness in order to retain force structure."*[11] Personnel costs account for about 60 cents of every Marine dollar; through our force structure efforts we balanced the requisite capabilities across a smaller force, in effect trading capacity for modernization and readiness.

The resulting 182,100 Marine active duty force, supported by our operational Reserve component, retains the capacity and capability to support steady state and crisis response operations through rotational deployments, and to rapidly surge in support of major contingency operations. Although reshaping the Marine Corps from 202,100 Marines to a force of approximately 182,100 Marines entails some risk to our ability to simultaneously respond to multiple large-scale contingencies, it is manageable. We *intend to leverage the diverse depth and range of assets within our Reserve component both to mitigate risk and maximize opportunities where available.*

*As we reduce end strength, we must manage the rate carefully so we reduce the force responsibly. We will draw-down our end strength by approximately 5,000 Marines per year. The continued resourcing of this gradual ramp-down is vital to keeping faith with those who have already served in combat and for those with families who have experienced resulting extended separations.* The pace of active component draw-down will account for completion of our mission in Afghanistan, ensuring proper resiliency in the force relative to dwell times. As our Nation continues to draw-down its Armed Forces, we must guard against the tendency to focus on pre-9/11 end strength levels that neither account for the lessons learned of 10 years at war nor address the irregular warfare needs of the modern battlefield. Our 182,100 Marine Corps represents fewer infantry battalions, artillery battalions, fixed-wing aviation squadrons, and general support combat logistics battalions than we had prior to 9/11. However, it adds cyber operations capability, Marine special operators, wartime enablers and higher unit manning levels—all lessons gleaned from 10 years of combat operations; it is a very capable force.

*My promise to Congress is that at the end of the day, I will build and maintain the best Marine Corps our Nation can afford with the resources it is willing to invest.* We are also committed to keeping faith with Marines, Sailors and their families who have sacrificed so much over the past decade at war. Personnel reductions that become precipitous are among the worst measures that can be employed to save money. *Our All-Volunteer Force is built upon a reasonable opportunity for retention and advancement; unplanned and unexpected wholesale cuts undermine the faith and confidence in service leadership and create long-term experience deficits with negative operational impacts.* Such an approach would no doubt do significant long-term damage to our ability to recruit and maintain a quality force.

***Civilian Marines:*** Our Civilian Marines support the mission and daily functions of the Marine Corps and are an integral part of our Total Force. In recognition of the need to study and clearly define our civilian work force requirements to ensure we had the right workforce in the right

[11] *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* January 2012, pg 7.

location, at a cost that aligned with our budget, I directed a full review of the Total Force in late 2010. This measure necessitated a hiring freeze but resulted in prioritized requirements within affordable levels and the alignment of resources with capabilities. It also ensured the civilian labor force was shaped to support the mission of the Corps today and that projected for the future.

During the FY12 budget cycle, there was no growth in our FY11 civilian work force levels due to necessary efficiency measures. Consequently, our civilian work force went from a planned level of 21,000 personnel in direct funded Full Time Equivalencies (FTEs) to 17,501 personnel. This number of FTE personnel will remain constant in each year of the current Future Year's Defense Plan (FYDP)–there is no growth planned. The end result is a 17 percent reduction in planned growth between FY11 and FY12 budget requests.

Our FY13 civilian personnel budget reflects efforts to restrain growth in direct funded personnel. By establishing budgetary targets consistent with current fiscal realities, we will be able to hold our civilian labor force at FY10 end-of-year levels, except for limited growth in critical areas such as the acquisition workforce, the intelligence community, the information technology community (i.e. conversion from NMCI to NGEN), in-sourcing of security personnel (i.e. Marine Corps Civilian Law Enforcement Personnel) and personnel in our cyber community. Our Civilian Marine work force remains the leanest among DoD with only one civilian for every 10 Marines.

## *Our Priorities*

***Commandant's Four Priorities:*** To best meet the demands of the future and the many types of missions Marines will be expected to perform now and beyond the post-OEF security environment, I established four enduring priorities in 2010. To that end, we will:

- ***Provide the best trained and equipped Marine units to Afghanistan. This will not change and remains our top priority;***
- ***Rebalance our Corps, posture it for the future and aggressively experiment with and implement new capabilities and organizations;***
- ***Better educate and train our Marines to succeed in distributed operations and increasingly complex environments; and***
- ***Keep faith with our Marines, our Sailors and our families.***

We are making significant progress within each of these four critical areas; however, there are pressing issues facing our Corps today that require the special attention and assistance of Congress. These include specific programs and initiatives within the command, ground, logistics and aviation portfolios of the MAGTF.

***Reset:*** The Marine Corps is conducting a comprehensive review of its equipment inventory to validate reset strategies, future acquisition plans, and depot maintenance programming and

modernization initiatives. *As already stated, after 10 years of constant combat operations, the Marine Corps must reset the force coming out of Afghanistan.* The reset of equipment retrograded to home station from Iraq (approximately 64,000 principal items) is complete. However, the equipment density list currently supporting combat operations in Afghanistan totals approximately 95,000 principal items, of which approximately 42 percent was retransferred directly from Iraq to support the surge of 2009. The bulk of this transferred equipment included high demand items such as communications equipment and vehicles to include the majority of our Mine Resistant Ambush Protected vehicles and 100 percent of our medium tactical vehicle fleet.

Sustaining current combat operations has reduced the aggregate readiness of the non-deployed force. *Non-deployed unit readiness is degraded and has been the "bill payer" for deployed unit readiness.* We sacrificed readiness levels of our home station units to ensure Marines in combat had the very best equipment. *Through the support of Congress over the past few years, we have received a good portion of the required funding for reset and have made significant progress at our depots in restoring and procuring required materiel.* But there is more to do at our home stations. Thirty-three percent of non-deployed units report the highest readiness levels for their designed mission, which leaves 67 percent of non-deployed units in a degraded state of readiness. The largest contributing factor to degraded readiness within non-deployed units is equipment supply. The non-deployed force provides the Nation depth in responsiveness and options when confronted with the unexpected. Our Marines at home must be "geared up" and ready to be called at a moment's notice. Low levels of readiness within the non-deployed force increases risk in the timely and successful execution of a military response to crises or contingencies. *Therefore, it is critical that the Marine Corps continues to receive Congressional assistance on required funding to reset our equipment from the conflicts of the past decade.*

In January 2012, I signed the *Marine Corps OEF Ground Equipment Reset Strategy*, rooted in the lessons learned from our successful redeployment and retrograde from Iraq. This strategy is helping to identify what equipment we will reset and what we will divest. It prioritizes investment and modernization decisions in accordance with the capabilities of our middleweight force construct, defining unit-level mission essential tasks and equipment requirements to support the range of military operations, and equips to core capabilities for immediate crisis response deployment and building strategic depth. We have issued disposition instructions on 8,400 principal items associated with the initial draw-down of forces that will occur this fall. In Afghanistan, 35 percent of that equipment has entered the redeployment and retrograde pipeline. Initial shipments of equipment have arrived at home stations and depots, and are being entered into the maintenance cycle. We currently expect divestment of approximately 21 percent of the total Afghanistan equipment density list as obsolete, combat loss or otherwise beyond economical repair. These are combat capability items that must be replaced.

The reset of our equipment after more than a decade of combat requires an unprecedented level of effort. Our Marine Corps depots will be asked to do more once again; they stand ready to do so. As our Nation looks to efficiencies in its Armed Forces, we must maintain a keen awareness of the role that depots play in keeping our country strong. The continued availability of our depot capacity both at Barstow, California and Albany, Georgia is essential to our ability to self-generate readiness and to respond when we must surge in response to wartime demand. Acknowledging fiscal realities, I directed, with the Secretary of the Navy's approval, the

consolidation of the two Marine Corps depots under a single command with two operating plant locations. Consolidating our depots under a single commander is the right balance between fiscal efficiency and meeting the unique requirements of the Marine Corps. This consolidation will reduce costs, standardize processes between industrial plants and increase efficiency.

***Modernization:*** In conjunction with our reset efforts, we are undertaking several initiatives to conduct only essential modernization of the Marine Corps Total Force. This will place us on a sustainable course to achieve institutional balance. We are doing so by judiciously developing and procuring the right equipment needed for success in the conflicts of tomorrow, especially in those areas that underpin our core competencies. As such, I ask for continued Congressional support to modernize equipment and maintain a high state of readiness that will place us on solid footing in a post-Afghanistan security environment. While budgetary pressures will likely constrain modernization initiatives, we will mitigate pressure by continuing to prioritize and sequence both our modernization and sustainment programs to ensure that our equipment is always ready and that we are proceeding in a fiscally responsible manner. Modernization programs that require significant additional funding above current levels will be evaluated for continued operational requirement and capability/capacity modification.

We recognize that our planned, force structure reduction following our commitment in Afghanistan will accommodate a level of decreased modernization investment due to a requirement for a smaller quantity of modernized equipment. However, any *qualitative* modernization reductions will impact our ability to respond to future adversaries and threats. The current baseline budget allows for equipment modernization on a reasonable timeline across the FYDP. Possible future reductions in the baseline budget will result in delays, modification or elimination of key modernization programs. *Modernization in the following areas is critical to maintaining operational capabilities and readiness:*

- *Ground Combat Tactical Vehicles*
- *Aviation*
- *Preparing for Future Battlefields*
- *Amphibious and Pre-positioning Ships*
- *Expeditionary Energy*
- *Intelligence, Surveillance and Reconnaissance.*

***Ground Combat Tactical Vehicle Strategy:*** The programmatic priority for our ground forces is the seamless maneuver of Marines from the sea to conduct operations ashore whether for training, humanitarian assistance or combat. Our Ground Combat Tactical Vehicle (GCTV) Strategy is focused on achieving the right mix of assets, while balancing performance, payload, survivability, fuel efficiency, transportability and cost. Vehicles comprising our GCTV strategy include our entire inventory of wheeled and tracked vehicles and planned future capabilities including the Joint Light Tactical Vehicle (JLTV), Amphibious Combat Vehicle (ACV) and the Marine Personnel Carrier (MPC). Throughout 2011 and informed by cost, we conducted a comprehensive systems engineering review of amphibious vehicle operational requirements. The review evaluated the requirements for water mobility, land mobility, lethality and force protection of the future environment. The identification of essential requirements helped to drive down both the production and the sustainment costs for the amphibious vehicles of the future.

We are conducting an Analysis of Alternatives on six ACV options, the results of which will help to inform the direction and scope of the ACV program. The MPC program is maturing as a wheeled armored personnel carrier and complements the ACV as a possible solution to the general support lift capacity requirements of Marine forces operating in the littorals.

We are firmly partnered with the U.S. Army in fielding a JLTV to replace a portion of our legacy medium lift utility vehicles. Our long-term participation in this program remains predicated on development of a cost-effective vehicle, whose payload integrates seamlessly with our expeditionary operations and likely amphibious and strategic lift profiles.[12] The Joint Requirements Oversight Council has approved the JLTV Capability Development Document, and our Combat Development Command in Quantico is leading the Army and Marine Corps effort to establish a program of record at Milestone B in the third quarter of FY12. Our approach to JLTV is as an incremental acquisition, and our objective for Increment I currently stands at more than 5,000 vehicles. Factoring all the above considerations, the current pathway for our GCTV Strategy includes the following actions:

- Develop a modern ACV.
- Develop and procure JLTV.
- Sustain High Mobility Multipurpose Wheeled Vehicles (HMMWVs) through 2030 by utilizing an Inspect and Repair Only As Necessary Depot Maintenance Program and a HMMWV Modification Line.[13]
- Initiate a legacy Amphibious Assault Vehicle upgrade as a bridge to ACV
- Continue research and development in MPC through FY14 to identify the most effective portfolio mix of vehicles.
- Limit procurement of vehicles to reduced Approved Acquisition Objective estimates as identified.

***Marine Corps Aviation:*** Marine Corps Aviation is proud to celebrate its centennial of service to our Nation this year. Our priority for aviation is support of Marines in Afghanistan and wherever Marines are deployed. *On average, more than 40 percent of our aviation force is deployed at any time, with an additional 25 percent preparing to deploy. All told, this equates to two-thirds of Marine Aviation forces currently deployed or preparing to deploy.* We are continuing a modernization effort that began more than a decade ago. Today, the Marine Corps is challenged to replace aging platforms that have reached the end of their service lives or suffered accelerated wear in harsh operating environments, thus reducing service life and resulting in the loss of critical war-fighting capabilities. Our Aviation Plan is a phased multi-year approach to modernization that encompasses aircraft transitions, readiness, aircraft inventory shortfalls, manpower challenges, safety and fiscal requirements.

*In an era of budgetary constraint and amidst calls for reductions in the collective aviation assets within DoD, it is important to understand that Marine Air is not redundant with other services' capabilities.* The U.S. Air Force is not designed to operate from the sea, nor are most of its aircraft suited for operations in the types of austere environments often associated with expeditionary missions. The Navy currently does not possess sufficient capability to operate

[12] For two axle combat vehicles, this equates to combat weights in the 18,000 to 19,000 lbs range, translating to empty vehicle weights in the range of 12,000 to 13,000 lbs.
[13] HMMWV recapitalization does not meet Marine Corps requirements for those light vehicles with the most demanding missions. They cannot deliver reliability, payload, service life, mobility, the ability to fit on MPF shipping and growth potential. The JLTV is the most cost-effective program to meet capability gaps for those light combat vehicles with the most demanding missions.

their aircraft ashore once deployed forward on carriers—and yet history has shown that our Nation often needs an expeditionary aviation capability in support of both naval and land campaigns. The following programs form the backbone of our aviation modernization effort:

- ***F-35B:*** As we modernize Marine fixed-wing aviation assets for the future, the continued development and fielding of the short take-off and vertical landing (STOVL) F-35B Joint Strike Fighter remains the centerpiece of this effort. The capability inherent in a STOVL jet allows the Marine Corps to operate in harsh conditions and from remote locations where few airfields are available for conventional aircraft. It is also specifically designed to operate from amphibious ships—a capability that no other tactical aircraft possesses. The ability to employ a fifth-generation aircraft from amphibious ships doubles the number of "carriers"—11 CVN and 11 LHD/LHAs—from which the United States can employ fixed wing aviation. Once fully fielded, the F-35B will replace three legacy aircraft—F/A-18, EA-6B and AV-8B—saving the DoD approximately $1 billion in legacy operations and maintenance costs.

  *The F-35B program has been a success story over the past year. Due to the performance of F-35B prototypes in 2011, the program was recently removed 12 months early from a fixed period of scrutiny.* The F-35B completed all planned test points, made a total of 260 vertical landings (versus 10 total in 2010) and successfully completed initial ship trials on USS *Wasp. Delivery is still on track; the first three F-35Bs arrived at Eglin Air Force Base in January of this year.* Continued funding and support from Congress for this program is of utmost importance for the Marine Corps as we continue with a plan to "sundown" three different legacy platforms.

- ***MV-22B:*** The MV-22B Osprey has performed exceedingly well for the Corps and the Joint Force. To date, this revolutionary tiltrotor aircraft has changed the way Marines operate on the battlefield, giving American and Coalition forces the maneuver advantage and operational reach unmatched by any other tactical aircraft. Since achieving Initial Operating Capability (IOC) in 2008, the MV-22B has flown more than 18,000 hours in combat and carried more than 129,000 personnel and 5.7 million pounds of cargo. The MV-22B has made multiple combat deployments to Iraq, four deployments with MEUs at sea, and it is currently on its fifth deployment to Afghanistan. Our squadron fielding plan is well under way as we continue to replace our 44 year old, Vietnam-era CH-46 helicopters. We must procure all required quantities of the MV-22B in accordance with the program of record. Continued calls for cancellation of this program are ill-informed and rooted in anachronisms when measured against the proven record of performance and safety this force multiplier brings to today's battlefields in support of Marines and the Joint Force.

- ***CH-53K:*** We are transitioning our rotary-wing assets for the future. The CH-53K is a new build heavy lift helicopter that evolves the legacy CH-53E design to improve operational capability, reliability, maintainability, survivability and cost. The CH-53K will be capable of transporting 27,000 pounds of external cargo under high altitude/hot conditions out to 110 nautical miles, nearly three times the lift capacity of

the legacy CH-53E. It is the only marinized rotorcraft[14] able to lift 100 percent of Marine Corps air-transportable equipment from amphibious shipping (MPF included). Our Force Structure Review validated the need for a CH-53K Program of Record of nine CH-53K squadrons.

- ***UH-1/AH-1:*** The H-1 program, comprised of the UH-1Y utility helicopter and the AH-1Z attack helicopter, is a single acquisition program that leverages 84 percent commonality of major components, thereby enhancing deployability and maintainability, while reducing training requirements and logistical footprints. Both aircraft are in full rate production. The H-1 procurement objective is 160 UH-1Ys and 189 AH-1Zs for a total of 349 aircraft. Currently, 131 H-1 aircraft are on contract, with 51 UH-1Ys and 21 AH-1Zs delivered to date. The UH-1Y has already deployed with the 13th MEU and has supported sustained combat operations in OEF since November 2009. The AH-1Z achieved IOC in February 2011 and saw its first deployment alongside the UH-1Y in November 2011 as part of the 11th MEU. The continued procurement and rapid transition to these two platforms from legacy UH-1N and AH-1W assets in our rotary-wing squadrons remains a priority.

- ***KC-130J:*** The new KC-130J Hercules has been fielded throughout our active component, bringing increased capability, performance and survivability with lower operating and sustainment costs to the Marine Air Ground Task Force. Using the Harvest HAWK weapon mission kit, the KC-130J is providing extended endurance Close Air Support to our Marines in harm's way. Currently, we have procured 47 KC-130Js of the stated program of record requirement totaling 79 aircraft. Continued procurement of the program of record will allow us to fully integrate our active and reserve force with this unique, multi-mission assault support platform.

***Preparing for Tomorrow's Fight:*** The irregular battlefields of today, and those of tomorrow, dictate that operations be more distributed, command and control be decentralized and forces be more dispersed. Using our Force Structure Review as a guide, we are continuing to build the right capacity and capability to enable Marines operate rapidly as befits the tempo of our role as a crisis response force. Several important areas to enable our operations are:

- ***Cyber:*** The Defense Strategic Guidance rightly informs that "modern armed forces cannot conduct high-tempo, effective operations without reliable information and communications networks and assured access to cyberspace and space."[15] Marines have been conducting cyber operations for more than a decade, and we are in a multi-year effort to expand our capacity via U.S. Marine Corps Forces Cyber Command as we increase our cyber force by approximately 700 Marines through FY16. Given the fiscally constrained environment and complexity of cyberspace, our approach is strategically focused on ensuring efficiency in operations and quality of service. The Marine Corps will aggressively operate and defend its networks in order to enable critical command and control systems for Marines forward deployed around the

[14] The term "marinized" indicates that an aircraft meets naval aviation requirements for use and storage in a maritime environment. Aviation platforms used by the Navy and Marine Corps require special outfitting unique for use on and from naval vessels.
[15] *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, January 2012, pg 5.

world. Recent cyber accreditations and readiness inspections validate our network operations command and control processes and procedures. As we transition to a Government Owned/Operated network environment, the Marine Corps will pursue efficiencies through automation, consolidation and standardization to ensure availability, reliability and security of cyber assets.

- ***SOF:*** As the Marine Corps contribution to SOCOM, Marine Special Operations Command (MARSOC) maintains a shared heritage and correspondingly strong bond with its parent Service as "soldiers from the sea." MARSOC will provide a total of 32 employable Marine Special Operations Teams in FY13 while establishing the staff of the Marine Special Operations School, maintaining a targeted dwell ratio and continuing creation of a robust language capability. Based on our Force Structure Review of last year and a programmed end strength of 182,100 Marines, I have authorized an increase of 821 Marines in MARSOC.

- ***Command & Control (C2):*** Technology and network-based forces are an essential part of modern operations. Our C2 modernization efforts for the future build upon lessons learned during combat operations in Afghanistan and Iraq. Recent operations have shown that moving data to lower levels (i.e. the digital divide) increases operational effectiveness. We are mitigating the decision to cancel the Ground Mobile Radio by building on investments already made in tactical communications modernization. We will continue efforts to ensure C2 Situational Awareness convergence and interoperability with the Joint Force.

- ***Advisers and Trainers:*** In recognition that preventing conflict may be easier than responding to it and that we can prevent it through selective engagement and employment of advisers/trainers, we have invested in a new organization called Marine Corps Security Cooperation Group that consolidates advisers skills, training and assessment expertise focused on building partnership capacity. We are investigating how we can regionally focus the expertise of this organization.

***Amphibious Warships & Maritime Prepositioning Shipping:*** *Our Service level requirement to deploy globally, respond regionally, and train locally necessitates a combination of tactical airlift, high-speed vessels, amphibious warships, maritime prepositioning shipping, organic tactical aviation, and strategic airlift.* Significant contributions to U.S. security are made by our rotational forces embarked aboard amphibious warships. These forces combine the advantages of an immediate, yet temporary presence, graduated visibility, and tailored, scalable force packages structured around the MAGTF. Rotational Amphibious Ready Groups and Marine Expeditionary Units form together to provide forward deployed naval forces in four Geographic Combatant Command areas of responsibility. Not only do they provide the capability for crisis response, but they also present a means for day-to-day engagement with partner nations and a deterrent to conflict in key trouble spots.

We maintain the requirement for an amphibious warship fleet for contingencies requiring our role in joint operational access. One Marine Expeditionary Brigade (MEB) assault echelon requires 17 operationally available amphibious warships. The Nation's forcible entry

requirement includes two simultaneously-employed MEBs supported by one or more Maritime Prepositioning Force (MPF)-MEB to fight as a Marine Expeditionary Force from a sea base.

Amphibious warships and the requisite number of ship-to-shore connectors provides the baseline needed for steady state operations and represents the minimum number of ships needed to provide the Nation with a sea-based power projection capability for full spectrum amphibious operations. As of January 2012, there were 29 ships in the Navy's amphibious fleet, with three scheduled for decommissioning and four new ships under construction in the yards. Within the coming FYDP, the inventory will decline in FY14 before rising to an average of 30 amphibious warships over the next 30 years. The lack of amphibious warship lift capacity translates to risk for the Nation, particularly as it reorients to the Pacific.

The continued procurement of scheduled amphibious warships and planning for MPF shipping is essential to ensure greater levels of risk are not incurred in coming years.

- ***San Antonio Class LPD:*** The San Antonio class LPDs continue to gain stability with overall warship performance improving. Through the generosity of Congress, the final two warships in this program are fully funded, and we expect delivery of all 11 planned warships by FY17.

- ***America Class LHA(R):*** A growing maritime threat coupled with aircraft/ground combat equipment modernization dictates the need for continued optimization of the LHA-6 hull form, which is now 60 percent complete. As stated last year, delivery of this amphibious assault warship is scheduled for FY14. The earliest reasonable deployment after allowing time for sea trials, crew training and other factors would be in FY17. Construction of LHA-7 is scheduled to commence in early FY13, but is not yet under contract. The Marine Corps is grateful for and firmly supports the Navy's plan to reintroduce a well deck in our large deck amphibious assault ships, beginning with LHA-8 in FY17 and FY18 timeframe.

- ***2 x Maritime Prepositioned Squadrons (MPSRON):*** Providing a significant contribution to global coverage, forward presence and crisis response, the Maritime Prepositioning Force (MPF) program exists to enable the rapid deployment and engagement of a MAGTF anywhere in the world in support of our National Military Strategy. This strategic capability combines the capacity and endurance of sealift with the speed of airlift. The current MPF program is comprised of 15 ships divided into three MPSRONs located in the Mediterranean Sea, Indian Ocean (Diego Garcia) and Pacific Ocean (Guam and Saipan). In FY13, the DoN plans to eliminate one of these squadrons as an efficiency measure. We are currently reviewing options to develop a balanced MPF posture and MPSRON composition that supports Geographic Combatant Commander requirements, achieves approximately $125 million in savings across the FYDP, attains a higher lift capacity of the MEB requirement per MPSRON and retains critical sea-basing enabling capabilities. The continued support of Congress for the vital capabilities inherent in our MPF program is essential to the overall warfighting readiness of the Corps.

***Expeditionary Energy:*** For Marines, the term "expeditionary" is a mindset that determines how we man, train and equip our force. We know that resource efficiency aids in combat effectiveness, and that our investments in reset and modernization will provide a force that operates lighter, faster and at reduced risk. Likewise, our force will be more energy efficient to support the type of operations expected of us in the future. To do this, we are changing the way we think about, and use energy.

Over the last 10 years of near continuous combat operations, our need for fuel and batteries on the battlefield has grown exponentially. Since 2001, we have increased the number of radios our infantry battalions use by 250 percent and the number of computers/information technology equipment by 300 percent. The number of vehicles has risen by 200 percent, with their associated weight increasing more than 75 percent as a result of force protection requirements. In the end, our force today is more lethal, but we have become critically dependent on fuel and batteries, which has increased the risk to our logistics trains. Moreover, a 2010 study found that one Marine is wounded for every 50 fuel and water convoys.

To reduce our risk and increase our combat effectiveness, in March 2011, I issued the "*Marine Corps Expeditionary Energy Strategy and Implementation Plan*" to change the way we think about and value energy. This is a "bases-to-battlefield" strategy, which means all Marines will be trained to understand the relationship between resource efficiency and combat effectiveness. We will consider energy performance in all our requirements and acquisitions decisions. We are creating the tools to provide commanders the information necessary to understand their energy consumption in real-time.

Over the FYDP, I have directed $350 million to "Expeditionary Energy" initiatives. Fifty-eight percent of this investment is directed towards procuring renewable and energy efficient equipment. Some of this gear has already demonstrated effectiveness on the battlefield in Helmand Province. Twenty-one percent of this investment is directed towards research and development of new capabilities and the remaining investment is to support operations and maintenance. We expect this investment to improve the energy efficiency of our MEBs by nine percent. As such, we will enable ourselves to sustain longer and go further, incurring less risk. The MEB of 2017 will be able to operate one month longer on the same amount of fuel that we plan to use today, and it will need 208 fewer fuel trucks, thereby saving seven million gallons of fuel per year. This translates to a lighter, more agile and more capable Marine Corps.

## *Providing Capable Bases, Stations & Support Facilities*

***FY13 Military Construction:*** The Marine Corps maintains a commitment to facilities and infrastructure supporting both operations and quality of life. Our military construction and family programs are important to sustain our force structure and maintaining readiness. *This fiscal year we are proposing a $761 million Military Construction (MILCON) program to support warfighting, family housing and infrastructure improvements.* The focus of our efforts this fiscal year is the construction of Joint Strike Fighter and MV-22B support facilities, infrastructure improvements, and training and education facility improvements. Additionally, this budget request includes replacement of inadequate and obsolete facilities at various locations.

*Through the support of Congress, between FY08-FY12 we programmed 70 Bachelor Enlisted Quarters (BEQ) projects resulting in 149 barracks buildings primarily located at Camp Lejeune, North Carolina; Camp Pendleton and Twentynine Palms, California; and Marine Corps Base, Hawaii.* These BEQ projects were typically completed in two years, with most at or below cost. These facilities, that incorporated energy efficiency measures, have significantly improved the quality of life of our single Marines, who for many years, lived in substandard, World War II era barracks. Our FY13 MILCON program includes a $49 million request for barracks, a motor pool and other facilities to support the consolidation of Marine Corps Security Force Regiment assets at Naval Weapons Station, Yorktown, Virginia. This project was not a part of our original BEQ initiative, but is necessary as the current facilities used by the Regiment at Naval Station Norfolk have been condemned.

***Infrastructure Sustainment:*** As resources and military construction funds become more constrained, the Marine Corps will continue to rely on the sound stewardship of existing facilities and infrastructure to support our needs. In FY13, the Marine Corps will again program facilities sustainment funding at 90 percent of the DoD Facilities Sustainment Model, resulting in a facilities sustainment budget of $653 million.

***Installation Energy Initiatives:*** The FY13 budget provides $164 million in Operations & Maintenance funding to continue progress in achieving mandated energy goals by 2015. This funding will target energy efficiency goals established by the *Energy Independence & Security Act of 2007* aimed at reducing energy intensity by 30 percent from a 2003 baseline. This progress will be made by replacing older heating, cooling, lighting and other energy-consuming building components with more efficient technologies. We will use this funding to achieve renewable energy goals established by the *National Defense Authorization Act of 2007*. Overall, the planned investments are intended to increase energy security on our installations while reducing the cost of purchased utilities.

## *Investing in the Education & Training of our Marines*

***Courses and Facilities:*** A broadly-capable middleweight force will meet future requirements through the integration of newly acquired and traditional operational competencies. To remain America's Expeditionary Force in Readiness, the Marine Corps requires balanced, high-quality training and education at all levels. As history has repeatedly shown, wars are won by the better-trained force, not necessarily the larger one. In the midst of ongoing combat operations, we are realigning our education and training efforts to enable our Marines and Sailors to succeed in conducting distributed operations in increasingly complex environments against any threat. Training and education, with an emphasis on experimentation and innovation, will help our Nation maintain global relevance by developing solutions that continue to outpace emerging threats. These efforts include continued emphasis on our core values of honor, courage and commitment, and on building principled warriors who understand the value of being an ethical warrior. Moreover, in the post-Afghanistan security environment of reduced defense dollars, we will need to offset reductions in end strength with better educated and more capable Marines and Marine units. The current and future fiscal environment requires a selective, strategic investment in training and education…put another way, "When you're low on money, it's a good time to think."

***Training:*** Our current training is focused on preparing Marine units for combat, counterinsurgency and stability operations in support of OEF. If anything, the past 10 years of combat have demonstrated that there is a positive correlation between quality training and education and individual/unit readiness; both directly translate to operational success. Therefore, as we draw-down from Afghanistan, our training will rebalance to support the execution of a wider range of operational capabilities. We will achieve this balance by leveraging competencies in entry-level and skills progression training and by re-emphasizing core competencies in combined arms and amphibious operations, to include MEB level core capabilities. Training will also feature significant attention to irregular warfare, humanitarian assistance, and inter-agency coordination. All our training programs will provide standardized, mission essential task based training that directly supports unit readiness in a cost-effective manner.

Specifically, future training will center on the MAGTF Training Program. Through a standardized training approach, the MAGTF Training Program will develop the essential unit capabilities necessary to conduct integrated MAGTF operations. Building on lessons learned over the past 10 years, this approach includes focused battle staff training and a service assessment exercise modeled on the current exercise, Enhanced Mojave Viper. Additionally, we will continue conducting large scale exercises that integrate training and assessment of the MAGTF as a whole. The MAGTF Training Program facilitates the Marine Corps' ability to provide multi-capable MAGTFs prepared for operations in complex, joint and multi-national environments against hybrid threats.

***Education:*** We are making steady progress in implementing the recommendations of the 2006 Officer Professional Military Education (PME) Study (*The Wilhelm Report*) to transform the Marine Corps University (MCU) into a "World Class Institution." There are two primary resource components in doing so—funding for military construction, and for faculty and staff. These two components are not mutually exclusive. New facilities coupled with increases in resident student through-put require additional faculty and staff. We will remain engaged with Congress over the coming years on the approximately $330 million in necessary funding for facilities, faculty and staff as we continue the transformation of the MCU. This is a high priority for me. This year, I committed $125 million to get this initiative moving.

*We are widening opportunities for resident professional education by doubling available school seats in courses such as the Marine Corps Command and Staff College beginning in the academic year 2014.* We are making adjustments to triple through-put at the Expeditionary Warfare School for our company grade officers. We are increasing enlisted resident PME courses as well, and are adding more distance education learning opportunities and requirements, especially at the junior enlisted and non-commissioned officer level.

As we look to "whole of government approaches" and the goal of improved integration in joint and combined operations, we are adding fellowships to allow more Marines the opportunity to benefit from non-traditional education outside DoD institutions. *In the past year, we have increased our number of Marines assigned to the Department of State and the United States Agency for International Development through fellowships and the State-Defense Exchange*

*Memorandum of Understanding. Later this year, we are adding fellowships at the Departments of Justice, Homeland Security, and Treasury, as well as at Yale University.* We are expanding the scope of training at existing institutions like the Marine Corps Center for Advanced Operational Culture Learning and the Center for Irregular Warfare Integration Division that focus on readying Marines for engagement, security cooperation and partner capacity building missions. Our goal is to develop a Corps of Marines that have the skills needed to operate and engage effectively in culturally-complex environments.

Our education and training programs benefit from our relationships with allies and partners in the international community. Each year, hundreds of international military students attend Marine Corps training and education venues ranging from Marine Corps Command & Staff College to military occupation specialty producing schools. The International Military Education and Training (IMET) program and similar security assistance opportunities promote regional stability, maintain U.S. defense partnerships, and promote civilian control of the military in student home countries. Many military leaders from around the world have benefited from the IMET program. To better support DoD's goal of providing PME to international military students, we have created a blended seminar program where foreign officers participate in Marine Corps PME through a mix of non-resident online courses and resident instruction in the United States.

***Training Enablers:*** In order to fully realize these training and education enhancements, we will keep investing in the resources, technologies and innovations that enable them. This investment includes modernizing our training ranges, training devices, and infrastructure to ensure quality resources are available to support the training of Marines, individual to MAGTF. We will also leverage advanced technologies and simulation systems to create realistic, fully-immersive training environments.

## *Keeping Faith with Marines, Sailors and their Families*

***Mission First, Marines Always:*** We expect and require extraordinary loyalty from our Marines and Sailors —loyalty to country, family and Corps. Our Nation has been at war more than a decade, placing unprecedented burdens on Marines, Sailors, families, Wounded Warriors and the families of the fallen. They have all made tremendous sacrifices, many in the face of danger; we owe our complete loyalty back to them all.

We will work to ensure the critical needs of our families are met during times of deployment and in garrison by providing the services, facilities and programs to develop the strength and skills needed to thrive while facing the challenges of operational tempo. If wounded, injured or ill (WII), we will seek out every available resource to restore Marines to health. We will enable the return to active duty for those seeking it. For those unable to do so, we will responsibly transition them to civilian life. We will support and protect the spouses and families of our wounded and those of our fallen Marines. There are several areas and programs central to our tenet of "keeping faith with Marines, Sailors and their families."

***Recruiting and Retention:*** *As first stated, the individual Marine is our greatest asset; we will continue to recruit and retain the best and brightest of America's sons and daughters.* Recruiting is the lifeblood of our Corps, and is our bedrock to "Make Marines, Win Battles, and

Return Quality Citizens;" citizens who, once transformed, will be Marines for life. *To operate and succeed in potentially volatile times, Marines must be physically fit, morally strong, intelligent, and capable of operating advanced weapon systems using the latest technology. We will not compromise on these standards.* Recruiting quality youth ultimately translates into higher performance, reduced attrition, increased retention, and improved readiness for the Operating Forces. We need your continued support in maintaining quality accessions.

Our officer accessions mission has continued to decline over the past two years in light of a planned draw-down of forces. Our FY13 accession officer mission is 1,500 active duty and 125 Reserve officers. For enlisted Marines, the accession figures include 28,500 regular (active component) and 5,700 reservists. We traditionally achieve 100-103 percent of our total accession goals, and expect to do so again in FY13. We have continued to achieve unprecedented levels of enlisted and officer retention. This effort is critical to the proper grade shaping of the Marine Corps, regardless of force size. Combined officer, enlisted and reserve retention efforts ensure the Marine Corps maintains essential operational experience and leadership. Although overall retention is excellent, shortages do exist in certain grades and skills within the officer and enlisted ranks, requiring careful management and innovative solutions. At a minimum, sustained Congressional funding to incentivize retention is necessary to maintaining quality personnel in these critical skill sets.

***Diversity:*** Diversity, in both representation and assignment of Marines, remains a strategic issue. The Marine Corps diversity effort is structured with the understanding that the objective of diversity is not merely to strive for a force that reflects a representational connectedness with the rich fabric of all the American people, but to raise total capability through leveraging the strengths and talents of all Marines. We are near completion of a new comprehensive campaign plan to focus our diversity effort in areas where improvement is most needed and anticipate release of this roadmap this year. The accession and retention of minority officers is an enduring challenge for our Corps. Mentoring and career development of all minority officers has become increasingly important in order to change officer profile projections. Since 2010, we have conducted leadership seminars, introducing diverse college undergraduates to Marine leadership traits and leadership opportunities in the Marine Corps, at various locations throughout our country, and are actively seeking out new communities within which to continue this effort. *Overall, we seek to communicate the Marine Corps diversity mission through community outreach and recruit marketing; to ensure continued opportunities for merit based development and advancement; and to optimize training and education to increase the understanding for all Marines of the value that diversity brings to the Total Force.*

***Wounded Warrior Outreach Programs:*** Through the Wounded Warrior Regiment (WWR) and our ever-expanding outreach programs, the Marine Corps keeps faith with wounded, ill, and injured (WII) Marines and their families. This enduring commitment includes full spectrum care and support for WII Marines from point of injury or illness through return to duty or reintegration to the civilian community. The WWR continues to enhance its capabilities to provide added care and support to WII Marines. Whether WII Marines are joined to the WWR or remain with their parent commands, they are provided non-medical support through the recovery phases. Congressional funding for our WII Marines allows us to provide robust, interconnected support in the following areas: Administrative Support, Recovery Care

Coordination, Transition Assistance, Warrior Athlete Reconditioning Programs, Integrated Disability Evaluation System Support, the Sergeant Merlin German Wounded Warrior 24/7 Call Center and our Hope and Care Centers.

The challenging nature of the terrain in Afghanistan requires a greater level of dismounted operations than was the case in Iraq. This fact coupled with the prevalence of improvised explosive devices has caused a growing class of Marines and Soldiers to suffer catastrophic injuries—injuries involving multiple amputations that present significant quality of life challenges. *Our Corps, the DoN, DoD, the Department of Veterans Affairs (VA) and Congress are concerned about this special group of Wounded Warriors must remain committed to supporting this special group of Wounded Warriors.* To help the catastrophically injured (those who will likely transition to veteran status) and their families successfully meet these challenges, we must continue engaging in a high level of care coordination between our WWR advocates, the VA's Federal Recovery Coordinators, VA Liaisons for Healthcare stationed at DoD Military Treatment Facilities (MTFs), Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn Case Managers and medical providers to ensure all of our wounded Marines' needs are met. This includes arranging for assistive technologies, adaptive housing, and all available health care and benefits (DoD and VA) they have earned. Additionally, WWR's Marine Corp Liaison assigned at the VA collaborates closely with VA Care Management team to resolve Marine Corp issues or care management needs.

***Combat Health & Resiliency of the Force:*** Marines, Sailors and their families have experienced significant stress from multiple deployment cycles, the rigors of combat, high operational tempos, the anxieties of separation and countless other sources from a decade at war. We remain engaged in developing ways to reduce the traditional stigmas associated with seeking mental health care, but perhaps more importantly, we continue to add resources and access to care to meet the mental health needs of Marines, Sailors and their families.

Post Traumatic Stress (PTS) will be a long-term issue for all DoD leadership, requiring close attention and early identification of those affected in every Service. PTS is diagnosed as a disorder (PTSD) once the symptoms become distressful to a Marine and his or her ability to function in the military environment is impacted.[16] Although most Marines with PTS symptoms will not develop PTSD, our leaders require the skills and training to identify and intervene earlier for those at the highest risk of developing PTSD, especially given that often there are long delays in the development of this condition. As such, we are empowering leaders to identify and intervene earlier through increased training and awareness using programs like our Marine Corps Combat Operational Stress Control Program and embedded Operational Stress Control and Readiness teams in our ground units. We are employing better screening practices in our standard health assessments, establishing deployment health clinics (*i.e. facilities not labeled as mental health clinics nor associated with a Military Treatment Facility in an overall effort to reduce stigma*) and tracking those with significant injuries often leading to PTSD via our Wounded Warrior Regiment.

[16] The current yearly rate of PTS diagnosis in active duty Marines is less than 2 percent as compared to 3.5 percent in the civilian population. The percentage of Marines who will be diagnosed over their lifetime with PTS is estimated to be 10-18 percent while the civilian population lifetime diagnosis is estimated to be 6.8 percent.

We are engaged on multiple fronts to diagnose and treat those with a traumatic brain injury (TBI) including prevention, education, early identification, treatment, rehabilitation and reintegration. We are actively implementing the requirements of DoD Directive Type Memorandum 09-033 regarding mild TBI/concussion. Moreover, the Marine Corps, with Navy support, has established a Concussion and Musculoskeletal Restoration Care Center in-theater. This center provides front-line care to patients with mild TBI/concussion and has dramatically improved identification, diagnosis, treatment, outcomes and return to duty rates. In concert with Navy Medicine, we are fielding a TBI module within the Medical Readiness Reporting System to track TBI exposures and diagnoses.

***Suicide Prevention in the Force:*** *We continue to report a positive, steady decrease in the number of suicides within the Corps from high levels seen in 2009. While we cannot yet draw a conclusion between our prevention efforts and the reduced suicide rate, we are cautiously optimistic our programs are having a positive effect. However, reported suicide attempts have continued to increase. We suspect this increase in attempts may be due to improved surveillance—fellow Marines recognizing the signs of suicide and intervening to stop attempts, and more Marines reporting past attempts when coming forward for help.*[17] Regardless, we still need to do better because one suicide completed is one too many.

Suicide is a preventable loss of life that diminishes readiness and deeply affects our Marine Corps family. We believe that suicide is preventable through engaged leadership, focused on efforts aimed at the total fitness of each Marine to include physical, social, spiritual and psychological dimensions. The Marine Corps is involved with five major studies to better understand suicide risk among service members, contributing factors and ways at prevention. This past year, we expanded our "Never Leave a Marine Behind" suicide prevention program for non-commissioned officers (NCO) and Junior Marines to the staff non-commissioned officer and commissioned officer ranks. Our DSTRESS hotline and website, implemented last year on the West Coast as a pilot program, will be expanded to serve those across the Corps. We will remain engaged on multiple fronts to combat suicide in our ranks.

***Sexual Assault Prevention & Response:*** The key to preventing sexual assault is ensuring everyone understands his or her role and responsibilities in preventing it. A consistent, vigorous training and education element are crucial. *Bystander intervention* has been identified as a best practice for engaging Marines in their role to prevent sexual assault and is being incorporated into our Sexual Assault Prevention and Response (SAPR) training. In January 2012, we launched the video-based NCO Bystander Intervention course, called "Take A Stand." This course was modeled after our successful, award-wining Suicide Prevention Program awareness campaign entitled "Never Leave A Marine Behind."

We have initiated aggressive actions to elevate and highlight the importance of our SAPR program. Our victim-centric SAPR program focuses on: preventing sexual assault, improving a victim's access to services, increasing the frequency and quality of information provided to the victim regarding all aspects of his or her case and expediting the proper handling and resolution of a sexual assault case. We are credentialing our Sexual Assault Response Coordinators and

[17] There were 33 confirmed suicides and 175 attempts in the Marine Corps during Calendar Year 2011.

Victim Advocates on victim advocacy. We have standardized training protocols for our 24/7 hotline, in use at all major bases and stations to provide information, resources and advocacy of sexual assault. We have increased SAPR training at all levels for our judge advocates (JA). This year, mobile training teams from our Trial Counsel Assistance Program will continue to instruct Navy Criminal Investigative Service agents and JAs on sexual assault investigation and best practices at bases and stations in Japan, Hawaii and on the East and West coasts.

***Veteran Marines:*** The concept of keeping faith also applies to our Veteran Marines. In 2011, the Marine Corps launched a comprehensive effort to anchor the legacy of our Montford Point Marines—20,000 African American men who underwent segregated training from 1942-1949 and ultimately integrated the Corps—into our training and education curricula. The Montford Point Marine legacy will be used to educate and inspire all men and women who enter the Marine Corps today regardless of race, religion or creed. We will teach the importance of varying perspectives, compassion, courage, perseverance and self sacrifice through the Montford Point Marine history. *We are thankful to Congress for recently conferring the Congressional Gold Medal on the Montford Point Marines, a fitting tribute to a pioneering group of Marines who fought valiantly in some of the bloodiest battles of the Pacific and later went on to serve in Korea and Vietnam.*

***Family Readiness Programs:*** As directed in my Planning Guidance issued to the Corps in October 2010, we are in the final stages of a review of all family readiness programs to identify ways we can better assist and provide services to our families. Over the past year, Marine Corps Community Services conducted dozens of focus groups at bases and stations throughout the Marine Corps with active and reserve component Marines, commanders, senior enlisted advisers and spouses. The focus groups, survey and prioritization results found that the top-rated programs conformed to the Commandant's Planning Guidance priorities or Congressional mandates. These assessments revealed opportunities to increase program success in three areas: (1) defining future capabilities and sustainability standards that correlate to the Commandant's Planning Guidance priorities but also recognized unique installation or command missions, locations or market conditions; (2) balancing available resources to support priorities and defined capabilities; and (3) developing accountability and inspection processes to support capability sustainment. Efforts are currently under way to apply these results and develop actionable program plans and supporting resource requirements to provide and maintain capabilities at the appropriate level for the right duration.

With at least 50 percent of our Corps composed of unmarried men and women, this year we mandated that every battalion and squadron have a representative from the Single Marine Program serving on its unit family readiness command team. This will provide an advocate on behalf of single Marines to ensure information, normally communicated solely from leadership to Marine spouses and families, is shared with their parents and siblings.

***Transition Assistance:*** *There are three things the Marine Corps does for our Nation: make Marines; win our Nation's battles; and return quality citizens.* We are conducting a wholesale revision of our Transition Assistance Management Program (TAMP) to better meet the needs of our transitioning Marines in support of returning quality citizens. We are integrating TAMP, as

part of the Professional and Personal Development Program, into the life-cycle of a Marine from recruitment, through separation or retirement, and through Veteran Marine status.

We have transformed our Transition Readiness Seminar from a mass training event, in need of great improvement, into an individualized and practical learning experience with specific transition readiness standards that are effective and beneficial to Marines. In January 2012, we began holding a revised and improved Transition Readiness Seminar Pilot Program at four separate installations with full implementation scheduled for March 2012; early feedback on our pilot program has been very favorable. The revised five-day Transition Readiness Seminar includes two days of mandatory standardized core curriculum with four well defined military-civilian pathways:

- University/College
- Vocational/Technical training
- Employment
- Entrepreneurial Endeavors.

In this new system, a Marine will choose the pathway that best meets his or her future goals and will have access to individual counseling services related to each pathway. The enhanced TAMP program will support improved reach-back and outreach support for those who may require more localized support in their hometowns with information, opportunities or other specific needs. We are determined to make the Marine Corps TAMP program more value added for our departing Marines.

***Compensation:*** The President's budget acknowledges the reality that military pay, allowances, and health care consume roughly one-third of the defense budget. These costs cannot be ignored in a comprehensive effort to achieve savings. In my judgment, this budget achieves the appropriate balance in compensation, force structure, and modernization. It sustains the recruitment, retention, and readiness of the talented personnel that defend our nation.

The proposed compensation reforms are sensible. Basic pay raises in fiscal years 2013 and 2014 will match increases in the private sector. We propose more modest raises in later years - but no reductions, no freezes. TRICARE enrollment fees and deductibles increase for retirees, but they are tiered based on retired pay and remain significantly below market rates. Pharmacy co-pays will trend towards market rates for retail purchases, but will be substantially lower for generic drugs and mail-order delivery.

These changes are not intended to alter care services currently provided to our active duty personnel and their families. Those who have been medically retired as a result of their service, particularly our Wounded Warriors, are also exempted. So are our Gold Star Families. It is the right thing to do for those who have given so much.

Finally, I endorse creating a commission to recommend reforms in retired pay. Any changes should grandfather benefits for those currently serving. We cannot break faith.

## *Summary*

History has shown that it is impossible to predict where, when and how America's interests will be threatened. What is known, however, is America cannot maintain a strong economy, cannot have a strong industrial base, cannot have access to overseas markets and cannot assure its allies without security...at home and abroad. Looking ahead at the fiscal challenges we face as a Nation, our country will still need to respond to crisis and project power abroad, wherever and whenever needed. The optimum and most economical means to do so is through a multi-capable force afloat that can also come ashore rapidly.

The Navy and Marine Corps Team is the Nation's risk mitigator for an unknown future and the crisis response force that will be "the most ready when the nation is least ready." There is a cost to maintaining this capability. But, with that cost, our Nation gains the ability to respond to unexpected crises, from humanitarian assistance and disaster relief efforts, to non-combatant evacuation operations, to the conduct of counter-piracy operations, raids or strikes. This same force can be reinforced quickly to contribute to assured access anywhere in the world in the event of a major contingency. It can be "dialed up or dialed down" like a rheostat to be relevant across the range of military operations. No other force possesses the flexibility to provide these capabilities, but yet can sustain itself logistically for significant periods of time, at a time and place of its choosing.

Through the fidelity and support of Congress, our Marines and Sailors in the fight have received everything necessary to ensure success over the past decade of near constant combat operations. Our combat forces' best interests and needs remain my number one focus until our National objectives in the Long War have been achieved. However, as we rightfully begin to transition to the challenges and opportunities of the post-OEF world and reorient to the Pacific under our new Defense Strategic Guidance, the Marine Corps must begin to rebalance and modernize for the future.

Through judicious choices, forward planning and wise investments—ever mindful of the economy in which we live—we have worked diligently to determine the right size our Corps needs to be and to identify the resources we will require to respond to crises around the world, regardless of clime or place. As we continue to work with Congress, the Navy and the DoD in maintaining the institutional pillars of our high state of readiness, you have my assurance that your Corps will be "ever faithful" in meeting our Nation's need for military crisis response.

## General Joseph F. Dunford, Jr.
### Assistant Commandant of the Marine Corps

General Dunford was promoted to General and assumed the duties of Assistant Commandant of the Marine Corps on 23 October 2010. A native of Boston, Massachusetts, General Dunford graduated from St. Michael's College and was commissioned in 1977.

General Dunford's assignments in the operating forces include Platoon and Company Commander, Co K, 3rd Battalion, 1st Marines; Company Commander, Co A, 1st Battalion, 9th Marines; and Company Commander, Co L, 3rd Battalion, 6th Marines. He served as the Operations, Plans, and Training Officer in 2d ANGLICO and the Regimental Executive Officer, 6th Marines. He commanded the 2nd Battalion, 6th Marines and the 5th Marine Regiment. He served as the Chief of Staff, 1st Marine Division.

Other assignments include Aide to the Commanding General, III MEF and a tour in the Officer Assignment Branch, HQMC. He has also served as the Marine Officer Instructor, College of the Holy Cross; as a member of the Commandant's Staff Group; and as the Senior Aide to the Commandant of the Marine Corps. Joint assignments include service as the Executive Assistant to the Vice Chairman, JCS; Chief, Global and Multilateral Affairs Division (J5); and Vice Director for Operations (J3).

As a general officer, he has served as the Assistant Division Commander, 1st Marine Division; the Director, Operations Division, Plans, Policies and Operations, HQMC; and the Deputy Commandant for Plans, Policies and Operations; and most recently as Commanding General, I MEF and Commander, Marine Forces Central Command.

General Dunford is a graduate of the U. S. Army Ranger School, Marine Corps Amphibious Warfare School, and the U. S. Army War College. He holds an M.A. in Government from Georgetown University and an M.A. in International Relations from the Fletcher School of Law and Diplomacy.

LITTORAL COMBAT SHIP

Mr. YOUNG. We are looking forward to your responses to our questions. One of our Members has a very close scheduling problem this afternoon, so I am going to recognize him first, and that is Mr. Bonner, who usually has to wait for a long time to get his turn.

But, Mr. Bonner, you are recognized.

Mr. BONNER. Thank you, Mr. Chairman. And out of my appreciation for giving me a chance to go at the top of the ticket, I will be brief with my questions, but I appreciate this opportunity.

General, Admiral, Mr. Secretary, thank you for your service. We all on this committee, like you, take a broader look at how our Navy and our other services work together to keep this great country of ours strong and free, and how we are able to support our allies around the world.

I would be remiss on a parochial note if I didn't say a special thanks to Secretary Mabus. I had the privilege of being with him somewhere, they didn't tell us where, off the North Pole last year on the USS Connecticut as the Libyan mission was being launched, and I had a chance to see your involvement with our Navy that was so involved in that and the respect that you command from the young men and women who serve under you. And I have had a chance to walk on the beaches of my own district when we had the worst environmental disaster in U.S. history, the Deepwater Horizon, which is coming up on its 2-year anniversary. President Obama chose the right man to help us deal with that tragedy, and I just want to personally thank you for your leadership, as well as for what you do on a daily basis in support of our great Navy.

Two quick questions, if I might, because while we have a broader look, we also have a parochial interest as well. And the chairman mentioned in his question the concern about the Navy. I remember when I was a young staffer, and Secretary Lehman was Secretary of the Navy, and we were looking at a 600-fleet Navy, and now we are below half that. You mentioned that, Mr. Secretary.

But if you could expand for just a minute on the mission of the littoral combat ship, which you have been such a great leader of, and which I believe some of our colleagues still know so little about and that they oftentimes offer a scathing criticism of something they have never seen or they do not understand.

And, Admiral, I am going to give you a chance to take a shot at this as well.

Obviously I have a parochial interest in it, but thinking larger about the challenges in the South China Sea, the challenges in Iran and other areas of the world where there is trouble, as well as the obvious mission with the pirates off the coast of Somalia, can you give us an update on where you feel the LCS is in terms of its overall role in a strong, vibrant United States Navy?

Mr. MABUS. Thank you very much, Congressman.

I think the LCS is clearly going to be one of the backbones of the Fleet as we go forward. We are committed to buying 55 of these very capable ships. They are capable for a lot of reasons. They are very fast, they have shallow draft, and they are modular.

We have got three weapon systems being developed for them now, and those weapon systems are in the stage of development

that we expect them to be at this point, antimine, antisub, antisurface. The threats of the future, a lot of them are in the littorals, are in the brown water that transition from land to blue water. These ships can do any mission in those littorals, but they also can do blue-water naval needs as well.

The CNO pointed out that we are putting littoral combat ships in Singapore to forward deploy them. We are going to man these ships differently. We are going to have three crews for every two ships. So we are going to leave the ship in place, and we are going to rotate the crews to come in to man those ships. And being modular means that as technology improves, as technology changes, we don't have to build a new ship, we don't have to build a new platform; all we have to do is put a new weapon system on it. So I think for that reason they are not only incredibly competent and capable now, but they will continue to be over the lifetime that they are in our Fleet.

The last thing I will say is we have already deployed the LCS–1 to the Caribbean 2 years early. In a little over 3 weeks, it seized more than 3 tons of cocaine. And one of the reasons that it did is when these drug runners would—in their fast boats would see a gray hull on the horizon, they would just assume they could outrun it, and they were wrong. They were wrong every single time. And I think that the T-shirt that the workers wear as they are building these, that variant of these great ships, it says "A Pirate's Worst Nightmare," is absolutely correct.

Mr. BONNER. Admiral.

Admiral GREENERT. Sir, maybe just using what is in front of us for perspective, today if I am doing countermine, I have to what they call "mow the lawn." You drive back and forth if you are clearing the field. So I can cover an area about the size of that bench maybe at one given time.

Imagine in the future with a littoral combat ship, I have its own remote vehicle. It is a multimission rural vehicle, and it is out with its own propulsion. Attached, tethered to it is a mine-hunting sonar. So it is out doing the rest of this area among us, while over there the ship itself is neutralizing mines that were already found. And that can be done with a drone that is in the air, a helicopter that is in the air. So that gives you, again, that much more area for neutralization. Or they offload a small boat out the back door or out the side door in the back, and they go neutralize it with either marine mammals or people if you need to. So while we are out here searching for mines, there is no, if you will, man in the loop, so there is a safety aspect to that, too.

So there is tremendous volume. There is a safety aspect. You can already see, I think, the flexibility of the mission to clear the field. If you need to get rid of the mines or just find where they are not, all that is available to you at a larger rate.

I just close by saying it is speed, it is volume, and it is modularity, and it is change-out of payload. And in my view, that has to very much be what I need to think about, what we need to think about in the future, lethal payload, that can be modularized and installed on vessels.

Thank you.

Mr. BONNER. Mr. Chairman, I have got other questions I would like to put in the record with your permission.

Mr. YOUNG. Without objection, sir, that will be done.

Mr. BONNER. And again, I can't thank you enough for letting me go ahead. Thank you so much.

AIRBOURNE ELECTRONIC ATTACK

Mr. YOUNG. Mr. Dicks.

Mr. DICKS. Thank you.

Admiral Greenert, I have a concern with the joint airborne electric attack mission that our combatant commanders need to support our ground forces. As I understand it, most of the EA–6Bs are going to be decommissioned. And with the F–18 line I think going down in 2014, I think you are going to have a problem. You are not going to have enough of these aircraft, which are so important for jamming and other. Can you tell us about that? I think the Marine Corps is getting rid of their EA–6Bs because they are old and expensive. How are we going to meet the requirement?

Admiral GREENERT. Well, sir, when we defined our mission and, therefore, how many of these Growlers we were going to buy, EA–18Gs, to replace our EA–6Bs, we determined what was needed for the airwing and what was needed for Navy and Joint Forces in an expeditionary role. We have the electronic attack mission. We have the lead for the Department of Defense, and we turned to our sister-brother services and said, so what is your plan so that we can make sure we buy enough, to your point. That decision was made. The Air Force has a different plan to provide their jamming need for their missions. I will defer to General Dunford to explain the Marine Corps's options, if you will.

The other piece of this is the pod, the future pod. We got a super aircraft, but we have a legacy pod that does the jamming. It provides the signals; it provides the amplitude of that. We have that program on line. It is called the Next Generation Jammer. We have got about $1.8 billion in this FYDP for that, too. Those have to go hand in hand, Congressman, to make sure that we meet that mission both afloat and ashore, and we are on track for that.

Mr. DICKS. Do you think it is a good idea to shut down the F–18 line in 2014 with this concern about the Joint Strike Fighter?

Admiral GREENERT. With the Growlers, or are you talking about the Hornet itself? We transitioned to a new question, the Hornet line, right? Shut down the Hornet line.

I think it provides a great leverage for those that are building the Joint Strike Fighter. I think that we need to keep an eye on it, be vigilant, and make sure that the Joint Strike Fighter delivers. And we have another year to look at it, but I think we need to look very closely at it.

Mr. DICKS. Thank you.

General.

General DUNFORD. Congressman, the only thing I would add is we have looked very carefully at the life of EA–6Bs, and we are doing all we can to keep them in service as long as possible until the arrival of the F–35, which, as you know, will bring its own inherent and extraordinarily capable electronic attack.

Mr. DICKS. So you are going to use the Joint Strike Fighter?

General DUNFORD. We will in the future, that is correct, Congressman.

MARINE CORPS RESET

Mr. DICKS. General Dunford, what about reset cost? The last time I saw General Amos, he was concerned about fixing up the equipment that we are bringing back, and how do you see that budget?

General DUNFORD. Thanks, Congressman. That is a very important question.

As you may know, about two-thirds of our units at home station right now are at the greatest state of readiness. And the reason for that is we have an excess amount of equipment in Afghanistan relative to the units that are on the ground because of the mission requirements.

The Commandant's number one priority is supporting our marines and sailors in harm's way, and that is exactly what we have done. We have this year in the fiscal year 2013 budget a request for $1 billion in reset costs. We have additionally identified what we call strategic reset costs, and that is the cost of equipment, that is the cost of resetting or replacing equipment once we come out of Afghanistan. And so our expectation is once we actually pull the gear out of Afghanistan in the future, we will need about 2 to 3 years to reset that equipment, in some cases repair that equipment or replace that equipment that can't be repaired, and that cost is approximately $3 billion, Congressman.

Mr. DICKS. Is that in the 5-year plan?

General DUNFORD. That is in the 5-year plan, Congressman. But again, the critical piece of our reset dollars is we really expect that we are going to need to spend that money for 2 to 3 years after our equipment is actually brought out of Afghanistan.

VIRGINIA CLASS SUBMARINE PROCUREMENT

Mr. DICKS. Admiral Greenert, on the Virginia-class submarines, there is—as I understand it, we have gone to two a year, but there is one year out there that we only have one. I thought we made a decision to do two a year. Can you explain what the reality is here or what the chances are of getting a second one? Will Congress have to step in here?

Admiral GREENERT. The reality of the situation was money. 2014 was a particularly tough year as we build our budget. If one looks, you will see a lot of the retirements that we talked to, ship retirements. They mostly occur in 2014. So in that year we build one SSN.

Now, there is a block of nine, so we have two in 2011, two in 2012, two in 2013, one in 2014, and then we have two a year through the FYDP. We have a block of nine. To get a block of 10 would require an incremental funding approach, multiyear procurement. We are in deliberations with the committees, as you well know, sir, and we would certainly appreciate your help in that.

Mr. DICKS. All right. Thank you.

Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, Mr. Dicks.

Mr. Lewis.

SUICIDE

Mr. LEWIS. Thank you very much, Mr. Chairman.

I will have questions to follow the first line to have you share with the committee the significance of modularity in terms of ships that we are looking to be of service over time. But before getting to that, dealing with the personnel matter, I am interested in having, Mr. Secretary, the Secretary of the Navy as well as the Marine Corps talk with the committee a bit about suicides within our troops.

There has been a problem that we are all aware of, it is a volunteer force, but in the meantime the real pressures of service once you are out there become an entirely different thing. Could you describe for us the experience the Navy has had, as well as the Marine Corps, with suicides in recent years?

Mr. MABUS. Yes, sir. The experience over the last year, the Marine Corps suicide numbers went down fairly significantly, but the flip side of the coin, the Navy's numbers went up. Both the Navy and the Marine Corps have put out very aggressive programs to address the causes and to prevent these tragedies that are striking too many. One is too many, but the numbers, again, while they are getting better for the Marine Corps, are not getting better for the Navy. And we want to make sure that we have the programs in place that people will seek help through hotlines. The Marines have a hotline now that if you call, you will talk to a marine in terms of getting you through whatever rough patch it is.

We are focusing on leadership, both at the committing Officer (CO) level, but, more importantly, at the Non-Commissioned Officer (NCO) level, in terms of recognizing signs and being ready to intervene in these things. I am announcing on Monday a program called 21st Century Sailor and Marine. One of the things that we have noticed as we run various programs, whether it is for suicide or sexual assault or any number of things, we are finding some common themes across them. One of them that is found in suicide, in sexual assault, in relief of COs is abuse of alcohol, and we are going to attack that in some ways to—not to ask people to quit drinking, but to ask people to make sure that they don't do something either life-ending, career-ending or career-changing because they don't use it correctly. So we are focused on this.

Instinctually you would think that people who have deployed recently would be at higher risk. So far—and we follow these numbers very carefully, I get an update every 2 weeks about what is happening in the force—so far we cannot make a strong connection between deployment and suicide or some of these other activities that we have to intervene in and that we have to do a better job of making sure that our sailors and marines don't engage in.

Mr. LEWIS. Okay. Thank you.

General DUNFORD. Congressman, as the Secretary said, this is an issue that has been of extraordinary importance across the Department for all leadership. And the Commandant has certainly been personally and decisively engaged in the issue of suicide over the last few years. In 2009, we had 52 suicides; in 2010, we had 37; and last year we had 32. We are encouraged by those trends, and we want to believe a key part of it is the training that the Sec-

retary spoke about, which is focused on our small unit leadership and their ability to recognize the signs of distress and decisively engage in the fellow marine's health.

The other thing we did is introduce what we call the "DSTRESS." It is the hotline that the Secretary alluded to. Last year was a pilot program. We used it in a limited part of the Marine Corps. We just are in the process of completing a contract that will expand that DSTRESS hotline across the whole Marine Corps.

The Secretary hit it really right on the mark when he associated many of the same things that we're focused on, whether it be sexual assault, alcohol abuse or suicides. At the end of the day, the Commandant sees all these issues as leadership issues, and it is about creating a climate within which our marines will be successful. It is about making sure that bystanders intervene in sexual assault. It is making sure you have that same attitude with fellow marines when it comes to cases of suicide, and we are very much focused on that. And again, we are cautiously optimistic that the focus that we have had over the past year, year and a half on small unit leadership is making a difference, but this is an area that we will never be complacent in and an area that we will never be comfortable at doing all that we can.

WEAPONS SYSTEM MODULARITY

Mr. LEWIS. Thank you for those responses. I must say making certain that we are doing everything that is necessary to have services available, that are acceptable, and, in a way, a level of confidentiality that allows a person to have some sense of security about that which they are discussing with advisors and counselors is very important.

In the meantime, back to another part of our world. Those ships at sea are fundamental. I am not sure that automatically the committee is fully aware of the significance of modularity in terms of our program for making sure our ships are operating at the highest possible level over time. So would you talk out loud about modularity, what that means to the Navy and the Marine Corps?

Mr. MABUS. Yes, sir. If I could take the first shot at that, and then I will turn it over to the experts here on either side of me. But modularity means that as we get improvements in technology, which almost inevitably happens, as our research and development provides new ways of doing things, that we don't have to start over and get a new ship, get a new platform to do it; that we can simply pull out whatever we have got there and replace it. The same thing with combat systems, communication systems, whatever is on the ship.

Back in the 1990s, I was an ambassador to Saudi Arabia, and I showed up in 1994, and on my desk was a Wang computer. Now, Wang had been out of business then for about 8 years, but we had invested in that particular computer system instead of the capabilities that a system would offer us. And so one of the things that we are trying to do not only with the LCS, but also with all the ships that we build, is to make them modular so that as things change, as technology improves, that we can keep up with the latest technology, but that we don't have to replace the whole platform to do that.

Admiral GREENERT. Thank you.

Open architecture, I think, is the simplistic term for this. We define the military standards, the performance standards, how much power it needs, the cooling, and you say, industry, what do you got? And have them come in. If it is a weapon, what is the lethality that you can deliver?

We have had success in our Tomahawk systems. A lot of those are drop-in. You might remember when the Congress gave us the Spruance-class destroyer, people looked at it and said, what are we going to do with that; it has got two guns and one box on the front. And then we modularized the Tomahawk missile, and we ended up with like 96 Tomahawk cells there. Similarly that is an example, sir. So it is not really a new concept, but it sure is effective.

General DUNFORD. Similarly, Congressman, what we are really talking about is ensuring that we develop a program, we factor in growth, and growth that we can do in an efficient way. For example, in command-and-control systems, to the extent that we can be software-based, we will.

Even as we developed a light vehicle, certainly far less complex than the LCS, what we try to do is anticipate what changes, what growth requirements will exist over the next 7, 10, 15 years, and ensure that we can absorb that growth in a particular program to, again, be more efficient stewards of resources over time.

Mr. LEWIS. Well, thank you.

Mr. Chairman, you have given me plenty of time. Thank you very much.

Mr. YOUNG. Thank you, sir, Mr. Lewis.

Mr. Frelinghuysen.

SIZE OF THE FLEET

Mr. FRELINGHUYSEN. Thank you, Mr. Chairman.

I sort of want to get back to where the chairman started off with the numbers of ships here. Whether it is in Asia or in the Atlantic, numbers matter. And inherent in some of our discussions is exactly how large the Fleet is. Today there are 288 ships in the Navy, 25 below the 313 minimum requirement. And under this budget the Navy will have 19 fewer ships than planned, representing about a 15 percent lower—15 percent fewer ships than the Chief of Naval Operations says the Nation requires.

How are we going to accomplish what we need to accomplish in the Asia-Pacific with so few ships? How are we going to accomplish this pivot.

Mr. MABUS. Well, again, if I can take the first.

Mr. FRELINGHUYSEN. Because I know you talked about capability. Every ship we have has new capabilities, but 5 years to get to the proper number, given the aggressiveness of China, doing things to deny our ships and our planes access to their so-called territorial waters, we don't have much time here to move ahead here.

Mr. MABUS. Well, two general points and then a couple of specific ones, if I could. One is that the CNO in the Department of the Navy is conducting a force structure assessment right now to look at the new strategy, the new requirements for the Navy, and put the force that we need to do those requirements against it. The 313

number that you mentioned came out of the 2005 Quadrennial Defense Review, and it is time for us to take another looking at the numbers needed.

Mr. FRELINGHUYSEN. To some extent we are laying out our Asia-Pacific strategy right now. We are deploying some littoral combat ships potentially in Singapore. Assuming the Marines are agreeable, we are going to send 3,000 marines to Darwin. We are going to be reducing forces in Okinawa. I mean, what is the timetable here to get the number of ships we need to project the type of power we need to have in the region?

Mr. MABUS. The second general thing I would say is to echo something the CNO said earlier. By putting littoral combat ships in Singapore, by putting DDGs in Rota, by putting patrol boats in Bahrain, the four DDGs (Guided Missile Destroyers) in Rota, for example, does the job of 16 ships if they were homeported in the U.S. So you can do exactly the same mission with only forward-deployed ships.

Mr. FRELINGHUYSEN. I am talking, sir, about having four Aegis destroyers in Rota. How many do we have in the Pacific?

Mr. MABUS. Well, if I could, I will turn that one over to Admiral Greenert, to the CNO.

Mr. FRELINGHUYSEN. Admiral, how about weighing in here?

Mr. MABUS. But I do want to talk about the total numbers of the fleet when the CNO talks about this.

Mr. FRELINGHUYSEN. It is a little unclear. I think numbers do matter here. I don't think we can wait 5 years.

Admiral GREENERT. The numbers do matter, sir, but you have got to have the right ships where they need to be, and what we are saying is they need to be forward. That is where they are effective. Because our job is if some dust-up, something occurs, we have to act now. We are the enabling force, we are the first force.

With that said, we have to have the right forces forward; therefore, four DDGs in Rota so they can be there for missile defense for whatever is needed. By doing that, I don't have to deploy forces to Europe. Now I have freed up rotational forces to go elsewhere for the same number, as you said, 285.

Mr. FRELINGHUYSEN. Okay. So the numbers are in state of flux. But what are we assigning to the Pacific here? We often talk about the tyranny of distance here. The ships we do deploy obviously have wear and tear associated with them. How are you going to put it all together with such a vast area where we continue to be challenged by, shall we say, the Chinese denying us access?

Admiral GREENERT. Today, my demand signal, based upon what the combatant commanders ask, and that goes into the Joint Staff and they say, this is what you are required to provide. I provide 50 ships, it is on the little chart there——

Mr. FRELINGHUYSEN. I saw that.

Admiral GREENERT [continuing]. To the Western Pacific. In 5 years that number will be 55. As I project out, the global force management plan that I am assigned to provide out there, we are assigned to provide out there. And then as you see in the Arabian Gulf, 30, that will go to 32.

Well, how do you do that? You do that by operating forward, by having four littoral combat ships, as I said, down in Singapore all

the time there, able to provide that presence, because, sir, that is what it is all about. It is presence forward. It is being able to be there.

A large Navy back in the States that has to rotationally move all the time, as an example, has to be that much larger if it is all about rotation, because you have to support going to, somebody coming back, somebody getting ready, as opposed to being there. And that is what makes the difference.

Mr. FRELINGHUYSEN. But if we are going to pivot to the Pacific, we are going to have—our ships are going to be and the crews are going to be—obviously, you know, there is going to be a lot of stress not only on operations and maintenance, but also on crews. And this is all being put into the——

Admiral GREENERT. The littoral combat ship as built and as designed from the get-go would have three crews supporting two ships, so they will rotate between those two ships. One is on each ship and one is in a trainer and in schools. And then one of those ships is forward. So two ships, one in CONUS, one forward. They will rotate every 16 months to a location, and then there are three crews. So as you said, it is a rotational——

Mr. FRELINGHUYSEN. And you are putting into the mix the possibility that some of these ships may have to come in for, you know, reequipping and resetting. You are putting into the mix as we pivot to Asia, factoring that in as well. You don't keep all your ships out there at all times. Some are in for reconditioning.

Admiral GREENERT. They will rotate. Exactly. For example, ships in Japan, they rotate back to the United States about every 6 years, thereabouts, for deep maintenance, they go into drydock, do major upgrades, modularity. And that will be in Singapore, for example, when they are there. They will be there about 16 months and then rotate back.

Mr. FRELINGHUYSEN. And the Singaporeans have agreed to this?

Admiral GREENERT. Yes, sir, it was at their invitation.

Mr. FRELINGHUYSEN. I know we have gone military to military with the Philippines, and there is probably not a great desire on their part to have us based there. But we are taking a look at these issues and the stress of this distance to meet these obligations.

Admiral GREENERT. Yes, sir. The concept of a littoral combat ship to Singapore in and of itself is not a brand new concept. We always designed the littoral combat ships to be forward stationed somewhere, and by virtue of the Singapore Government inviting us to pursue this concept, as I mentioned in my statement, we are going to send the Freedom there in about a year at their invitation, the Singapore Government, to deploy for 8 months to work out the concept of how this is going to—exactly how this is going to work, what kind of support will we need there at Changi.

Mr. FRELINGHUYSEN. And this is all recognizing, of course, that we have a growing situation where the Chinese are in some ways, you know, taking territorial waters way out into the Pacific here, and you are saying we can project enough power to meet those types of challenges and tests.

Admiral GREENERT. We can. And that is a good point that you make. We have to do it right.

Mr. FRELINGHUYSEN. We absolutely have to.

Admiral GREENERT. So air/sea battle and all the concepts across anywhere, from policy to a concept of operations and how we work with allies and then have a common set of protocols in the South China Sea with all of our allies, all of that is in the mix, sir, and we have to do that right.

Mr. FRELINGHUYSEN. And we are with you and we are in support. We appreciate what you do. If we are making this major shift, we need to make sure you have enough ships to do it, 5 years is a long time to get up fully to the number that you say you need.

Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, Mr. Frelinghuysen. Mr. Visclosky.

REQUIRED FLEET SIZE

Mr. VISCLOSKY. Thank you, Mr. Chairman. Gentlemen, thank you. I would like to follow up on Mr. Frelinghuysen's line of questioning.

Mr. Secretary, perhaps you would want to follow up because you indicated you wanted to respond more fully to the total size, if you would, of the Fleet, because 313 sticks in mind. I understand you have a force structure review. We are at 288.

I guess one of my questions is, is there a consensus as to when that force structure will be finished and we will have, if you would, a new number and a new composition of the total Fleet?

Mr. MABUS. I think it is fair to say that the force structure assessment will be done by the end of this fiscal year, because you not only have to put it against a strategy, you have got to put it against particular plans as well.

But I do think that history is important here, that one of the great military buildups that we have had in the United States, the Navy from 2001 to 2009 went down, went down by more than 30 ships and went down by almost 49,000 sailors. So the first thing, when I was fortunate enough to get this job, that we had to do was stabilize the Fleet to keep it from getting smaller, and we have done that. Today we have 36 ships under contract and they are all firmed fixed-price contracts.

That was the other thing we were facing was that too many of these programs, the costs had gotten out of control and we were not going to be able to afford the numbers that we have had. And I was remiss in my opening statement for not thanking this committee for the things that you have done to help us keep the number of ships. And we understand where so many of these ships and our ability to buy them have come from, and it has come from the people in this room, and I want to thank you so much for that.

But with this new Budget Control Act, with the fact that we had to cut back in terms of spending the amount that we did, the fact that on a purely financial basis we deferred building these ships that the chairman mentioned at first; but a majority of the ships that we are deferring building are joint high-speed vessels which are not combat vessels, and we will build enough joint high-speed vessels to meet every war plan requirement, and on and on. We were building oilers before need. We have slid those. We are not canceling those, but we are having to slide them later on because of the budget situation.

Mr. VISCLOSKY. If I could, because I have got limited time and I have another question. On the review, if it is completed at the end of this fiscal year, you don't anticipate anything in the review would impact on the request before the committee for 13?

Mr. MABUS. No, sir.

COMPOSITION OF THE FORCE

Mr. VISCLOSKY. The second thing is it has been reported that when that review is completed and there is a number and we look at what the composition is, that it may be some apples and oranges; that contrary to previous years, hospital ships might be included in that number to make it look better. Is that true or not?

Mr. MABUS. Well, two things are true. One is that we are looking at force structure assessment and, two, we are looking at accounting rules. But the thing I will pledge to this committee is that if we make a change, and that is certainly not a done deal, that we will be very transparent about it. We will give you the count before the new rules and after the new rules.

The current accounting rules have been in effect for a couple of decades now. Accounting rules as we have looked back have changed over time, and it is mainly based on what you use the ships for; that solely support ships you tend not to count, ships that are combat, part of your combat fleet, you do.

Mr. VISCLOSKY. We can count on transparency.

Mr. MABUS. Absolutely.

NUCLEAR POSTURE REVIEW IMPLEMENTATION

Mr. VISCLOSKY. I appreciate the chair's indulgence. Mr. Frelinghuysen chairs the Energy and Water Subcommittee. I have the privilege of serving on it as well. And for years we pushed DOD, DOE, relative to a nuclear posture review. That was completed in 2010. I personally think it is very important to determine what that strategy is so that we can have a determination on weapons and then ultimately what DOE has the responsibility for and NNSA has.

Administration officials have recently apparently indicated that there could be steps taken to strengthen our deterrence posture at lower stockpile numbers, speaking vaguely, I might add, of the nuclear posture review implementation study that is currently taking place. I am concerned that in the case of DOE, in the budget consequences that are not insignificant, that we are compelled to hit a moving target as far as what that strategy will be.

Do you have a sense that there is going to be some fundamental change in that strategy, since the Navy is a significant participant?

Mr. MABUS. Sir, as you know, that strategy, that look is being undertaken by the White House right now and I don't have any idea of where it is going to come out. But I am glad that you have mentioned the dual roles here of DOD and DOE, because in the Ohio class replacement program that the Navy is responsible for the most survivable leg of the nuclear triad, our ballistic missile submarines, the Department of Energy has responsibilities in terms of reactors for that, and the funding for them has an impact on how fast we can move in terms of the Ohio class replacements.

Mr. VISCLOSKY. There was a deferral in the budget request for 2 years.

Mr. MABUS. There was a slide of 2 years, that is correct. That is going to mitigate some risk from the Navy's standpoint because we have still put a significant amount of money into research, development, and design of that ship, and we think it will take down some risk by moving it 2 years to the right.

Mr. VISCLOSKY. Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, sir. Mr. Crenshaw.

HOMEPORTING OF AIRCRAFT CARRIERS

Mr. CRENSHAW. Thank you, Mr. Chairman, and thank you all for being here today. A special word of thanks, Mr. Secretary. I know you were in Jacksonville, Florida, in my home district this week and talking about some exciting plans, and I hope you saw the love that our community has for the Navy. And I can tell you as somebody that represents that community where we have got two naval bases and a Marine base, it is hard not to understand how important the Navy is to our national defense, and sitting on this subcommittee it is hard not to understand how important planning and funding are to our military.

So it is hard for me based on that information not to have a couple of questions about the budget that is in front of us—one about ships, one about planes.

We talked some about the whole issue of ships and shipbuilding, and I have heard you talk before and I appreciate the fact that we have got all the technology advancements that have been made, but people talk about the fact that numbers do matter. And I have watched, the Navy is asked to chase pirates in Somalia and ferry humanitarian aid to Haiti, interdict drugs in the Caribbean, protect the Strait of Hormuz, put destroyers in the Mediterranean to deal with Iranian missiles. It is tough to meet all those demands.

I guess my question that always comes to mind, and you have answered part of it, is that age-old question, How do you have one ship in two places at the same time? And that is always tough. The platforms are necessary, and that is of concern in terms of are we taking risks with this budget.

And the other example is more I guess immediate and parochial in the sense that this budget doesn't have any additional funding to do the military construction that is needed to upgrade a homeport on the east coast for a nuclear carrier. I think you all know that when we went to an all-nuclear force back in 2005, we had always had the strategic imperative to have redundancy, to have at least two homeports on the east coast and the west coast.

So when we went all nuclear, I know there was a study done, it has kind of spanned my career in Congress, they spent 2½ years to decide what to do, a decision was made. A 218-page report said that it is a strategic imperative to have two homeports for nuclear carriers on the east coast. I think Secretary Gates at the time, who was the Secretary of Defense, said that it is not acceptable to have one homeport on the west coast and it is certainly not acceptable to have only one homeport for nuclear carriers on the east coast. So that was a decision that I think was reviewed in the Quadren-

nial Defense Review in 2010. But this budget doesn't have any money to continue the upgrades that started 3 years ago.

So because of that, I have maybe one big question and one little question. The big question to you, Mr. Secretary, is, When you made all the tough decisions you had to make when you put this budget together, are there risks that you recognize that we are taking because we can't do everything necessary in terms of our national security strategy? I guess in other words, are those decisions based on the strategic imperatives of national security, or to a certain extent are they based on budget constraints, and, if so, what kind of risks do you think are involved and are they manageable?

And maybe just for the Admiral, just can you tell the committee that plans haven't changed in terms of the strategic imperative to have two homeport nuclear carrier bases, in other words, to disburse our strategic assets? And if so, is that still the plan? I guess I would ask you, is it still planned to be at NAS Mayport, or Mayport, and do you know when there will be additional budget dollars to finish those remaining projects?

If you could answer those two questions, and then I have one quick question about an airplane.

Mr. MABUS. This budget was a strategy-driven budget, it was not a budget-driven strategy. The strategy came first. It was very carefully thought through, as I said in my opening statement. We had the President of the United States, we had the Secretary of Defense, all the Joint Chiefs and all the service secretaries had full participation, and the combat commanders were also involved in that.

In making some of these decisions, some of them were very hard and some of them were strictly budget-driven. You have alluded to one. But we wanted to ensure that we could meet every requirement that this new strategy set out. And I am confident, and I know the CNO and the Commandant are confident as well, that in this budget the Navy and the Marine Corps can meet every mission that this new strategy assigns to us, and that we will have a flexible force that can meet any mission that we don't foresee right now.

So there is never enough money in the world to take out all risk, and that is a quote from Secretary Gates, I believe. But I think that looking at the new strategy, looking at the funds that were going to be available or that we had to manage, we have matched the budget to the strategy and not vice versa.

Mr. CRENSHAW. Thank you. Admiral.

Admiral GREENERT. Strategic, being able to strategically disburse nuclear carriers remains our policy on the east coast, on both coasts, and the coast that we don't have it right now is the east cost. So that remains a policy, sir.

I can't tell you when we will have enough money. I don't know what the fiscal future looks like. We didn't have enough money in this future-year defense plan, and that is why we have not pursued that.

To answer your question on risk, it is capacity is the simple answer. Where is the risk? Well, for us we had to retire force structure, how do we accommodate that and operate forward and have to forward deploy as much as feasible and pursue those opportuni-

ties that were presented to us to forward-station and forward-deploy Navy forces.

Mr. CRENSHAW. Thank you. So you haven't changed the strategic goal of having, you know—like on the west coast I think we have three nuclear carrier home ports and the goal is to someday have two on the east coast.

Admiral GREENERT. That remains our goal; yes, sir.

P–8A AIRCRAFT

Mr. CRENSHAW. Real quick, Mr. Chairman, if I might, I want to ask a quick question about aircraft. In this subcommittee a lot of times we have people come in and they say things are taking longer than they thought or costing more they should. And I don't know that we pay enough attention to the good programs, the P–8s and the Advanced E–2C Hawkeye, the Advanced Hawkeye, those programs seem to be models of the way we ought to do acquisition. So I wanted to congratulate you all, and I think the committee would, for the work that is being done there.

But I did, I guess, have a concern when I saw that in the 5-year plan that went on with the budget, that I think some of the Advanced Hawkeyes are cut out and some of the P–8s are cut out in the 5-year plan. I wondered if that is a permanent cut or if that is just you still plan to build the number that you originally set out to do, but you will just do it over a longer period of time?

Mr. MABUS. The answer is to the second part of your question, in terms of P–8s, it is one of the platforms that we need the most. P–3s are getting really long in the tooth, although they performed amazingly well. My former naval aide was a P–3 pilot. He flew the same airframe that his father flew, not the same type, but the same actual airframe. And we have, because of purely financial decisions, we have moved 10 P–8s outside the FYDP. Now, they are planes from—there is one plane that we moved and 15–20 planes that we moved in—10 planes that we moved in 2016, and we buy back one in 2017. So they are toward the end of the FYDP. We are going to keep the numbers in 2013, 2014, 2015 the same. And our plan, though, is to buy the entire number of P–8s, to do the full buy that is in the program of record now.

BROAD AREA MARITIME SURVEILLANCE PROGRAM

Mr. CRENSHAW. Thank you. And real quick, BAMS, that is an unmanned surveillance aircraft, as you know, and I think the Air Force had one similar called the Global Hawk and they have decided not to build that. Does that give you concern? Because I know they were kind of on the same platform, a lot of commonality. Is that going to make it cost more? Are you concerned about that, or are you still on track?

Because let me tell you, I was down at Pax River sitting in a room watching the Strait of Hormuz, and it is just an incredible valuable asset in terms of surveillance. So I wanted to see how the BAMS program is——

Mr. MABUS. The BAMS (Broad Area Maritime Surveillance) program is on track. It is, again, an incredibly valuable program. And what the Air Force canceled was one block, Block 30 of Global Hawk, and they even called out in that cancellation that the Navy

BAMS program would continue and would be an important part based on the same airframe.

Mr. CRENSHAW. Thank you so much. Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, Mr. Crenshaw. Mr. Calvert.

NAVAL ALLIES

Mr. CALVERT. Thank you, Mr. Chairman, I appreciate it. Just to carry on with what Mr. Frelinghuysen was talking about as far as the number of ships and requirements—and, again, thank you for your service; I certainly appreciate your being here.

Our allies—and I know there is a lot of sensitivity about Japan and that part of the world—but is there any talk about Japan—I know going beyond their Constitution, their self-defense force and the rest—to augment some of their capability to assist the United States, especially in the South China Sea and some other areas that are obviously of concern, including the Aussies and maybe even the South Koreans?

Mr. MABUS. Well, the Japanese self-defense forces are upgrading their equipment, sometimes pretty dramatically. They have a commitment to buy F–35s. There are ships, some of which they have on station, some of which they are building, are Aegis equipped so that they are operational with ours.

We have, as you know, a carrier strike group homeported in Yokosuka. We have aircraft in two airfields, Iwakuni in the south and Atsugi in the middle of the country. We have Marines in Okinawa with their air assets. We have an amphibious ready group homeported in southern Japan. The Japanese currently provide host nation support for that, I believe $4 billion this year, to keep those sailors and marines and those assets in Japan.

I think one of the things that the CNO talked about is the importance of interoperability, the importance of having ships like our Aegis that can operate and seamlessly integrate with Japanese ships or with any of our other allies in that part of the world. The Koreans have ships that are Aegis equipped as well, and that is certainly part of this strategy, that we have to maintain those partnerships, we have to maintain that interoperability around the world.

ELECTROMAGNETIC AIRCRAFT LAUNCHING SYSTEM

Mr. CALVERT. I appreciate that. One of the criticisms, and this isn't pointed at the Navy or the Marine Corps necessarily, but servicewide, is the entire procurement process that I think and I think most Members would agree needs to be reevaluated. We have had problems in the Air Force, obviously the Marines, the Navy, everywhere.

So as we look at bringing on new technology—which we want to make sure we do, but also be cost-aware—some of these new technologies, like this new electromagnetic launch system—which is very promising technology I know for the new carrier systems that we plan on bringing on—but as I read about it, there has been a lot of concern on whether or not it is going to work. And I was wondering how the testing is going, the certification; is the schedule accurate, are we going to delay the new carriers because of this launch system? Just in general, how is that coming along?

Mr. MABUS. Yes, sir. The EMAL (Electromagnetic Aircraft Launch) system, the testing is on track. It will be ready to be integrated into the new Ford aircraft carrier on schedule. The Ford will be built on schedule, including EMALS.

But if I could, talking about procurement and our acquisition strategy, I am really proud of what we have done in the Navy on that. And I absolutely share your concern about how we buy things and making sure that taxpayers get value for the money that we spend on their behalf. And in the programs that Navy has in shipbuilding, I will just take shipbuilding, the Virginia class submarine has been coming in under budget and up to a year ahead of schedule. The DDG–51s, the last three that we bid out, we saved $300 million on those three, lower than what had been budgeted.

AIRCRAFT CARRIER COST GROWTH

Mr. CALVERT. Now, in that regard, though, I understand that the Gerald Ford has a $811 million cost growth that it has to pay for in the future years defense program, and I also heard there may be another $600 million cost overrun that you haven't accounted for as yet. Is that true?

Mr. MABUS. Well, a couple other programs, and then I will be happy to talk about the Ford. LCS, 40 percent decrease in cost, firm fixed-price contracts stretching out 5 years.

On the Ford, when Navy started to look at building a new carrier, new type of carrier in the late nineties, the plan was to build three transitional carriers, to put things like EMALS, the new technology, on three different carriers so that you didn't have it on one and raise the risk.

In 2002, the decision was made at the Department of Defense to change that strategy, to put all this new technology on one carrier, on the Ford. You sent the risk through the roof by doing that.

The Ford, the contract was supposed to be signed in 2006 for that ship. Because of all the new technology, it was not signed until 2008. When the contract was signed, that ship was 30 percent designed. That is not the way to build a ship. Now, that is history. That is where we were.

What we have done to try to arrest that growth—and there has been cost growth, there has been cost growth not only from the shipyard but there has been cost growth from some of the other elements like EMALs—the result is the shipyard will make no money on this carrier. We have taken their fee away from them because of cost growth. So any money that goes to the shipyard is just going to be what they are spending in their cost.

In terms of things like EMALs, we have capped the amount that we are going to pay for EMALs and basically told the company that is building it, General Atomics, that if you are asking us to bet our ship on it, we are asking you to bet your company on it. It is going to have to come in inside of a certain budget.

The other important thing that I think we have done is we have taken the lessons learned, because this is a brand new ship, it has got a new hull, it has got a new reactor, it has got a new propulsion system, it has got a new electrical system, a new island, a new launch system, a new arresting gear, is taking all those lessons learned to make sure that the next carrier, CVN–79, the John Ken-

nedy, won't have those issues and that we will be able to bring it in at the cost that we think it should cost.

But you are absolutely correct. There has been cost growth in this carrier. It was a factor of decisions that were made a long time ago, and to quote the punch line of an old joke, "That bed was already on fire when I got in it." But I am committed and the Navy is committed to making sure that we take firm action now, and that in the future as we continue to build these new types of carriers this isn't going to happen.

Mr. CALVERT. I am very optimistic about the EMAL system. I think that is a great new technology to go to. Just sometimes with these new technologies, the tail is wagging the dog. And as far as slowing down the whole process to get something across, you are confident that is not the case.

Mr. MABUS. I am.

Mr. CALVERT. Thank you.

Mr. YOUNG. Mr. Calvert, thank you very much. Mr. Moran.

JOINT STRIKE FIGHTER—SJOVL VARIANT

Mr. MORAN. Thanks, Mr. Chairman. Nice to see you, Mr. Secretary, and welcome aboard, Admiral.

General Dunford, I don't know whether you have followed the F–35B development as closely as General Amos has. Are you prepared to get into that?

General DUNFORD. I am, Congressman.

Mr. MORAN. Okay. Well, as of November of last year, the B variant of the F–35 had only 230 pounds of margin between its current weight and its maximum weight of 32,557. That means there is only two-tenths of 1 percent weight growth possible per year during your performance measurement period. By contrast, the FA–18 had a seven-tenths of 1 percent weight growth each year during its development phase.

Given that the F–35—I know this gets pretty technical here, but it is an important issue. Given that the F–35B has structural and propulsion design fixes to implement over the coming years, are you concerned that the plane's potential to breach its maximum weight would put in jeopardy its vertical landing capability?

So the real question is: What mitigating factors would you be encouraging the program office to implement should it approach its maximum weight when it is so close to it already, and how confident are you that it won't breach that 32,557 cap?

General DUNFORD. Congressman, first you mentioned General Amos' personal involvement, and he is personally and decisively engaged in the F–35 program. He meets every 2 weeks with the program manager, the Lockheed Martin team, on a frequent basis, and the entire team in the Marine Corps and the Department of the Navy. He is involved with every single decision that affects 1 pound on the F–35. You mentioned November as a point in time, and actually the trends have been positive since November and we are actually getting better than we were back in November.

Weight is always a concern with aircraft. Weight is a particular concern with the F–35B. But based both on the trends and the decisive engagement of leadership right now—and, by the way, the engineering solutions that have been identified for those challenges

they had in 2011—we think all trends are in a positive direction and we are cautious—we are optimistic, we are fully optimistic about the F–35B.

Mr. MORAN. Well, okay. You are optimistic. I guess we want to raise that as a warning flag, though. I think you are getting very close and it should be of some concern, and I trust it is.

General DUNFORD. Congressman, I am not saying it is not a concern. I guess what I am just saying is that the trends are moving in the right direction. So you identified a point in time when there was an issue. We are actually better off than we were back in November.

Mr. DICKS. Can you tell us what you have done to do that?

General DUNFORD. I think really it is the engineering theme. We had some engineering solutions that were identified, and weight is an independent variable in every single one of the engineering solutions that has been identified. Again, with the Commandant's personal engagement as well as the design team in Lockheed Martin sitting down and realizing that weight is an independent variable, the solutions that have been identified for those engineering challenges have been such that they have not penalized the aircraft with regard to weight.

So, again, I think with regard to the scrutiny that is in the program, as well as the trends right now, that is why I say it is not just wishful thinking. I think the trends are absolutely in the right direction, and everyone that is involved in the program is sensitized to the issue of weight and how important that is, particularly in a V–STOL aircraft.

## BROAD AREA MARITIME SURVEILLANCE AIRCRAFT

Mr. MORAN. Well, we can't help but have confidence and trust that you are on top of it.

Mr. Secretary, I want to ask about the BAMS in the context of the Global Hawk again because, as you know, the BAMS system is based on the Global Hawk airframe with different sensors. You know the Navy intends to buy 68 BAMS, making it the world's largest long endurance marinized UAV flight, and the Air Force intends to mothball the 18 Global Hawk Block 30s that this Congress intended be used. In fiscal year 2012, we appropriated money for two additional Block 30 aircraft which the Air Force may now decide to reprogram to other needs.

Should the Air Force not purchase the two additional Block 30s, a production break may very well impact the cost and schedule for the BAMS. It seems to me the two have an interrelationship here.

So you tell me, is there not—are we not compromising our intent on the BAMS system if we have a significant line break on the Global Hawk production?

Mr. MABUS. Congressman, I don't believe we are, and I think I have gotten the Air Force nomenclature correct here. But what the Air Force canceled, as you pointed out correctly, was Block 30. The Air Force did not cancel all of their Global Hawks. They have Block 60 still in production, and because of that and because of our BAMS production, it is my understanding that there won't be a production break.

It was one of our concerns in terms of BAMS, but the way that—when the Air Force canceled Block 30 for purely financial reasons, it was because of the way it was being used, because of the sensors it was using. The U–2 was simply a more economic way to go.

But with the demand signal for BAMS, the demand signal for other Global Hawk airframes, and with the numbers that we are going to buy, I think that we don't foresee the per-unit cost rising as a result of that decision by the Air Force to cancel that one block.

Mr. MORAN. Well, I hope you are right. Do we have time for one more question?

Mr. YOUNG. Yes, you do, sir.

SEA BASED BALLISTIC MISSILE DEFENSE

Mr. MORAN. Thank you, Mr. Chairman. And I address this to Admiral Greenert or Secretary Mabus.

According to the GAO, once the flight to a retrofit is installed on our destroyer, the DDG–53, the Navy will certify that the upgraded Aegis system is mission-ready without validating with live ballistic and cruise missile targets, validating that it can perform integrated air and missile defense missions. So why would the Navy certify a major upgrade to the Aegis system, saying that it is combat-ready without testing the system's ability to perform both air and ballistic missile defense?

Admiral GREENERT. I will have to take that one for the record and get back to you, because how we certify I couldn't tell you right now. So I would like to lay that down for you and see how we reconcile that.

[The information follows:]

The Navy is committed to conducting operational testing of the Aegis Advanced Capability Build 12 (ACB–12) upgrades and the certification of the ACB–12 Integrated Air and Missile Defense (IAMD) capability. The test plan includes sufficient simultaneous live-fire testing to fully validate IAMD capabilities. Working with US Fleet Forces Command (USFFC), Commander Pacific Fleet (CPF), the Navy's Commander Operational Test and Evaluation Forces (COTF), and the Missile Defense Agency (MDA), the Navy has developed a certification and operational test program that allows for analysis and incorporation of required fixes as well as certification prior to deployment. This plan also supports incremental increases in the MDA funded ballistic missile defense (BMD) capabilities that are expected to be fielded within the current ACB–12 test and certification timeline. A full year of testing is planned for USS JOHN PAUL JONES (DDG 53) following the completion of the ACB–12 installation that includes multi-mission and IAMD events that align with MDA planned BMD events. An update to the Aegis Enterprise Test and Evaluation Master Plan (TEMP) is in progress that will incorporate the operational testing planned for ACB–12 and is planned for completion in FY 2013.

AIR AND MISSILE DEFENSE RADAR

Mr. MORAN. Let me follow up then. For Flight III of the DDG–53 restart, the Navy will spend at least $2.2 billion developing a new air and missile defense radar, the AMDR. According to the GAO, the development and integration of the AMDR on DDG–51 ships face significant technical challenges that may be difficult, and I am quoting, to overcome within the Navy's current schedule. Further, a Navy red team assessment found that the introduction of AMDR on DDG–51 leads to significant risks in the ship's design

and a reduced future capacity, and could result in design and construction delays and cost growth on the lead ship.

So the question is, and this will be my last question, given that the DDG–51 is the Navy's primary surface combatant, what assurances can the Navy provide to the subcommittee that the Flight III upgrade can proceed as planned?

Mr. MABUS. I will also get you a far more detailed technical answer, Congressman. But, as you know, the AMDR radar came off the DDG–1000. It is an incredibly capable radar. The Navy design acquisition team looked at whether we could put the AMDR on the Flight III DDG–51s. It was determined that we could with the current configuration and that there would be no cost growth for the planned cost of the lead ship and then the other ships in Flight III.

It was the Navy red team that, as you pointed out, came up with some concerns. Since that red team has met, I believe those concerns have been met by the design team. That was the reason the red team was put together. It was the reason that we wanted to identify if there were any risks. But in the briefings that I have received about whether the Flight III is on schedule and on track to have the budget—I believe the first Flight III ship will start in fiscal year 2016, the information that I have is that it is. But I will get you, as I said, a far more detailed engineering analysis of why we believe that.

Mr. MORAN. I think that would be helpful.

[The information follows:]

As has been done previously in the DDG–51 program, the DDG–51 Multi-year Procurement (MYP) will include nine Flight HA destroyers, with the Flight III capability introduced in FY 2016 as an Engineering Change Proposal (ECP). Introducing the Flight III design by an ECP allows for maximum flexibility and ensures the lowest risk in introducing the Air and Missile Defense Radar (AMDR). Both the DDG 51 program and the AMDR development may proceed without introducing substantial risk to either effort and allow for ADMR or Flight III capability when the design is fully matured and ready for fielding. The Navy intends to compete the nine ship DDG 51 MYP in FY 2012 for a FY 2013 award. In conjunction, the Navy will continue towards a down select of the AMDR design in FY 2013 and will begin preliminary and contract design efforts in FY 2012–FY 2015. This timeline will allow for introduction of Flight III on the FY 2016 ship, as planned.

Mr. MORAN. Just to respond to the concern raised by the GAO, you may have already fixed it, as you are saying. So just to keep us up to date on it would be fine.

Mr. YOUNG. Thank you, Mr. Moran.

The patient Mr. Cole will be next, and following that the Chairman will take his turn and then we will be getting close to the end of this hearing.

## CAPABILITIES OF OTHER NATIONS' NAVYS

Mr. COLE. Thank you, Mr. Chairman. I may be at the end of the chow line, but you always make sure I get something to eat. So I appreciate that very much.

Gentlemen, thank you very much for your service. It is appreciated. You may or may not agree, but I am not especially happy with the reductions that we are having to make, but I think you have done it in about as thorough and thoughtful a way as it could possibly be done. I really do mean that. I think clearly, in the whole defense budget and your respective component, there has

been a great deal of careful thought about what to do under a difficult budget circumstance. So I laud you for that.

Mr. Calvert anticipated some of my questions about what some of our friends are doing. I would like to ask you, you have told us where you think we are going to be in 5 and 10 years, looking forward as best you can. What do you think our sort of near peer competitors are going to be, the Chinese in the Pacific, the Russians in the Atlantic? What do you anticipate? You clearly didn't make your plans in a vacuum. You have got some idea of where they are headed.

Mr. MABUS. The Chinese are clearly investing a lot in maritime capabilities, but they start from—while it is a large fleet, the numbers of highly capable ships is fairly small. And given where we are and where they are, I am very comfortable that we will be able to meet any sort of challenge.

And I won't constrain that to the Chinese. That may come our way. That the types of ships we are building, the numbers of ships we are building, where they are going to be deployed, the persistent presence that we will have, the fact that our—I think our secret weapon is our sailors and marines are just the best trained, the most highly skilled of any military force on Earth—that given all those things, that with this new defense strategy, with the challenges we face around the world in a global manner, that we can meet any of those.

And as importantly, I think, these platforms and these people will be flexible, will be agile, because the only certainty that we face is uncertainty, and we don't know the next thing that is going to come over the horizon, and we just have to make sure that we have platforms that are flexible enough and people that are well-trained and innovative enough to meet whatever that new thing is.

MARINES IN THE WESTERN PACIFIC

Mr. COLE. If I could ask you a couple of specific questions particularly about the Western Pacific, the first one would be, give us sort of an update on the movement from Okinawa to Guam, where are we at on that? Obviously, Japan has had an intervening situation that is both political and obviously much more important in terms of a natural disaster that is going to undoubtedly impact the timetable and the discussions.

Second, I recently had the privilege with a number of members of this committee to travel in the region. I had not been there for many years. I had a couple of observations. The first was I haven't been that welcome in a long time anyplace I have gone. I mean, they really are anxious to see a strong American presence in the area, and obviously a great deal of concern about the South China Sea and the Chinese assertions of territorial waters in that area.

But one of the countries we stopped at was the Philippines. And this may not actually be a fair question for you, but if you have got an opinion I would like to get it. They had made requests in terms of, number one, they wanted—they were very interested in even easier access to their facilities and a sort of rotating presence.

Two, they were interested—I think we are giving them a Coast Guard cutter—they were interested in getting another one and building up to two or three.

Third, they were very interested, they are Army heavy and sort of Air and Navy weak, and very interested in sort of an F-16 squadron somewhere down the road. That would be a considerable investment on our part and they are not in a position to finance all of those things.

So if you have some thoughts on those things, I would very much appreciate it.

Mr. MABUS. On the movement of Marines in the Western Pacific, first, as you know, we are in discussions with the Japanese Government, and a couple of things have come out of those discussions already. One is that we are delinking the move of some Marines off of Okinawa with the building of the Futenma replacement facility. Now, as a result of that, the Marine air units will have access to Futenma until a new replacement facility is built.

Secondly, the number of Marines going to Guam will be somewhat less than 5,000. Part will be permanent change of station, part will be rotational there. As you noted in Australia, we are going to have 2,500 rotational Marines going in and out of Darwin. I think the important number there is that when all the moves are made, there will be as many, at least as many Marines west of the International Date Line as we have today. So the focus on the Western Pacific from the Marines' standpoint will be there, absolutely.

In terms of the Philippines, I can't give you a specific response to your question, only to say that I had two personal reactions. One is that as I travel through the region, the esteem with which the United States is held, in our keeping sea lanes open for everybody, our protection of the world economic system because of that, and how much that is valued by the countries in that region; and, secondly, as someone who served in the Navy when Subic Bay in the Philippines was a huge base and then watched as the Navy left, the fact that it has come back around has been an interesting development to me. And I would defer to Admiral Greenert, though, in terms of any specifics he would like to add about the Philippines.

Admiral GREENERT. Today we operate about once a month out of Clark Air Base—it used to be Clark Air Force Base—with the Philippines as a partner, and we go out flying and they call it maritime domain awareness flights. So there is activity there. They support and we operate together in the southern Philippine archipelago for counterterrorism. We have been doing this since 2002. We have—it is called a Joint Special Operations Task Force. So it is about ramping up the level.

It is a long-term commitment though, I think you understand, for us to consider going and basing again, staff force agreements, and it takes time to get the infrastructure in place, and I think that is the question: How long are we willing to make the commitment?

Mr. COLE. Thank you very much. Mr. Chairman, thank you.

SECURITY OF NAVAL ASSETS

Mr. YOUNG. Thank you, Mr. Cole.

I hope that you all noticed this afternoon that the members of this subcommittee are really interested and dedicated to their responsibility under the Constitution to the national defense. I am

very proud of this subcommittee. All of the members are very heavily involved in what our responsibilities are.

I want to take a few minutes. A few years back, I had the privilege of being invited to visit with a new President who had not taken office yet. I was invited, Jerry Lewis was invited, and several others. When it came time for my presentation as chairman of the Appropriations Committee at the time, I said to the President-elect, when you are dealing with the national defense, you should not decide about the investment based on politics, based on a number that sounds really good. You have got to make that decision based on what is the threat to the United States of America and to the forces that defend our country. And in a very respectful way, he reminded me that he was the President and that he probably knew how to handle that job.

Nevertheless, I still have that concern. In an earlier hearing today, at the MILCON subcommittee, we talked about budget-driven missions or mission-driven budgets. Frankly, I am somewhat concerned. And I realize that in today's world everybody wants to cut the budget, not necessarily the defense budget, but to cut spending. And I think that is a good mantra and I think that I am part of that. But when it comes to national defense, we have got to make the decisions that are based on the real threat, because the threat is not going to change because of some number we pick out of the air. So, as we go through the process, that is always on the back of my mind.

But now that leads me up to my real question. The world is basically in turmoil. We have Navy facilities, we have Marines, we have Army, we have Air Force that are deployed around different parts of the world where there are problems, where there are protestors, where there are riots, where there are governments killing their people, where there are people overthrowing their governments. And I am specifically thinking about Bahrain, with the headquarters of our Fleet in Bahrain, and there has been considerable unrest in Bahrain, which is a bit of a surprise because they have always been very, very stable.

How are we being affected by all of these uprisings, by all of these protests, by all of this turmoil that is taking place in the world? Are our troops safe? Do they have the ability to do whatever they need to do to carry out the mission, or are we short-cutting them for any reason at all? I am not suggesting that we are, I am asking the question.

Mr. MABUS. To answer these in a little bit of reverse order, I think that this budget that we have put in does not short-cut anybody in terms of the things they need to accomplish, the mission that the country has asked our sailors and Marines to do. And I do think that this was a strategy-driven budget, as I said I believe to Mr. Bonner, instead of a budget-driven strategy.

But in terms of your specific question about where we have assets, we have talked about some of the places, and a lot of the places we have naval and Marine assets are some of the most stable places on Earth—Japan, soon to be Singapore, Spain, Italy—that our assets there are welcome and are very secure.

In Bahrain, we watched, as you did, last year when the protests against the Government of Bahrain occurred. Never at one point in

that protest did any of the protestors raise the Fifth Fleet presence there. We never had travel restrictions, for example, on our sailors or their families in Bahrain. We kept the school open in Bahrain almost the entire time. But we obviously keep a close eye on something like that.

February 14th was the anniversary of the start of those protests, and there was some activity, but not much, in Bahrain on that day, on that anniversary, which was being watched very carefully.

I had a meeting this week with the commander of the Fifth Fleet, Admiral Mark Fox, and asked him. And he said that from his vantage point in Bahrain, that our assets there and, most importantly, our people there, he thought, were very safe, very secure, and that our ability to operate out of there was, today—which is all you can look at—guaranteed and secure.

Mr. YOUNG. Mr. Secretary, this committee is going to be as helpful as we can to help you get the most for the dollar and to provide whatever it is that we need to provide to face whatever the threat might be. So we will be in a support role. We might think you are not spending enough here, there, or somewhere else. That being the case, we will talk to you about it. But we are in this together and we are going to meet our responsibilities, as you always have, our military always has.

So we appreciate this hearing. This has been very good. The questions have been interesting. Your responses have been very interesting and very transparent, and we appreciate all of that. So, we want to thank you very much.

Before we close, Mr. Dicks has the last word.

### USS "ENTERPRISE" INACTIVATION

Mr. DICKS. Thank you, Mr. Chairman. I completely concur in your support for what the Navy and Marine Corps are doing.

Admiral Greenert, the OMB budget includes more than $900 million to decommission the Enterprise. It seems highly unusual to use a 1-year appropriation for a 5-year contract.

How common is it for the Navy to obligate 1-year funding for a multiyear contract? Is the contract to decommission the Enterprise considered severable? Can you fill us in on this? If Congress gave you the authority, would it be in your interest to do a multiyear—or incremental funding, I guess, would be the more appropriate word?

Admiral GREENERT. I think it would. I need to get you a better answer on, okay, what is the long-range plan. As you well know, this workforce will go up while we decommission the Enterprise, and then it will go back down, because she is a project, she has a beginning, she has an end, almost like a commissioning in a strange way. So let me get back to you on that.

[The information follows:]

Traditionally, Operations and Maintenance, Navy (OMN) funding contracts are 12 months. However, there are several cases, such as the ENTERPRISE inactivation, that are obligated in one year while executed over several years. In the case of ENTERPRISE, since the nuclear work associated with the inactivation is planned over several years as a deliverable, or non-severable effort, the effort must be fully funded upon award of the contract based on the current "bona fide need" rule (31 USC 1502(a)) and also with guidance contained in the DoD Financial Management Regulation (FMR). The "bona fide need" rule requires that we establish and articulate

a need when using a particular year of funding and that when entering into that need, the effort be properly financed to complete the effort, regardless of the length of the contract.

Funding the inactivation of the ENTERPRISE over several years, incrementally, would require congressional action similar to that which allows the incremental funding of aircraft carrier Refueling Complex Overhauls.

It is not in the Navy's interest to incrementally fund the inactivation of USS ENTERPRISE. Incremental funding authority provided in law develops an "out year" requirement. If accompanied by a subsequent out year funding reduction, this would mandate a bill for the Navy in the out years. Additionally, the contractor may charge a premium for increased administrative costs and associated risks of an incrementally funded contract.

Mr. DICKS. The Enterprise, I have had a long time working, going back to Admiral Rickover. He made a call to me one day. He said, "Norm you go down to that shipyard in Bremerton and you tell those people down there I am mad as hell and I need that Enterprise out of there."

And the Enterprise has eight reactors. It is the only one of our carriers that has eight reactors. They are going to be taken out in Norfolk and then it is going to be taken around to Puget Sound Shipyard to be taken apart. We have also taken apart all of the submarines over the years.

But take a look at this. Is there some way in Congress we could work with the authorizers if doing this incrementally would help your budget? I don't see any reason why we shouldn't try to at least take a look at that.

Admiral GREENERT. As usual, you are thinking ahead for us. Thank you very much for that opportunity.

Mr. YOUNG. Okay, Mr. Dicks. Thank you for your comment about Admiral Rickover, because when he used to come see me, he was always mad at me.

Mr. Lewis.

Mr. LEWIS. Mr. Chairman, he wasn't mad at you, as a matter of fact. But Mr. Chairman, thank you for having this hearing. It is very valuable for all of us.

One of the items I just wanted to mention to these great leaders that seemed to me to be an underlying theme asked by a number of members, Mr. Frelinghuysen, Mr. Calvert, Mr. Crenshaw, the Chairman himself, a 600-ship Navy down to—the goal is 313. Those ships are better used—your answer to the decreasing numbers—they are much better used and effective if they are out there where we may have to use them.

Mr. LEWIS. In the meantime, several questions from Members said, what about those alternative demands that seem to be ever present; pirates, drugs, et cetera? I have no idea how you readjust those priorities, but these ships with shrinking numbers have got to be where America needs to protect itself and its interests, and you need to share with us your concerns that lie there. I didn't hear very much of that today, Mr. Chairman, but a very good hearing, and I appreciate it.

Mr. YOUNG. Mr. Frelinghuysen, do you have a last word?

Mr. FRELINGHUYSEN. No.

Mr. YOUNG. Mr. Visclosky, do you have a last word?

Mr. VISCLOSKY. Thank you, Mr. Chairman.

Just a couple of things, gentlemen. One, on the leasing of foreign-built ships, I would want to thank you. In 2007, 51 percent of your

sealift capacity was foreign built; today it is 43 percent. I will simply state for the record that since we are the United States Navy, I would hope that we could work our way to have domestically built ships exclusively used for sealift.

Secondly, I have an interest as you answer for the record of the justification for that 2-year slippage on the submarine program. We had touched on it earlier.

And finally, in following up on Mr. Dicks, for the record, why does it take 5 years to take a ship apart? We won World War II in 4 years. It takes 5 years to take a ship apart. For the record.

Thank you, Mr. Chairman.

[The information follows:]

In the close examination of all programs and the budget pressures on the Department, the Navy judged that the OHIO-Class Replacement ballistice missile submarine could be delayed two years and still meet its operational requirements with some increased operational risk. Long term, the Navy will need twelve OHIO-Class Replacement SSBNs to meet existing class maintenance and at-sea presence requirements. Ten SSBNs will be adequate until the OHIO-Class Replacement SSBNs begin their first docking availability. This year's budget continues the ramp-up for OHIO-Class Replacement engineering manning, albeit at a slower rate, to support FY 2021 lead ship construction.

Mr. DICKS. It is a 5-year contract.

Mr. Chairman, can I just say one final word?

Mr. YOUNG. That is your second last word.

Mr. DICKS. Very quick, though.

I am glad you remembered that we added the money for the mobile landing platform a couple years ago. Mr. Lewis was very concerned about that. And I saw your plans for that. That looks very exciting, and it saves you a lot of money, according to the experts.

Mr. MABUS. Mr. Chairman, if I may have one last word to thank the committee. As I said, we know where—the ability to build these ships and aircraft and to provide for the sailors and marines that serve with us, and we deeply, deeply appreciate it. Thank you.

Mr. YOUNG. Thank you very much.

Mr. Cole, do you have a last word?

Mr. COLE. No, sir.

Mr. YOUNG. No more last words?

The committee is adjourned.

[CLERK'S NOTE.—Questions submitted by Mr. Kingston and the answers thereto follow:]

OHIO-CLASS REPLACEMENT

*Question.* What is your degree of confidence that we will not have a gap in submarine launched ballistic missile capability, given that we are looking at slipping the Ohio-class replacement by 2 years, and existing SSBNs are approaching the end of their service life with very little flexibility for extension?

Answer. The two-year delay reduces the available SSBN force to 10 ships during a portion of the transition from the OHIO Class to the OHIO-Class Replacement. During this period SSBN overhauls will be complete. The absence of SSBN class overhauls (currently, average of two in long-term maintenance) during this transition period helps mitigate this reduced available force level and will support current at-sea presence requirements with moderate operational risk. Unforeseen issues with construction of the OHIO-Class Replacement or emergent material problems with the aging OHIO Class will present challenges. Therefore, we must be very vigilant.

If available SSBN force requirements remain at ten, as the OHIO-Class Replacement SSBNs begin their first extended midlife overhauls, 12 SSBNs may be required to offset ships in planned maintenance.

*Question.* What risks do we assume in continuing to operate our existing ballistic missile submarine fleet beyond what we initially planned? This scenario seems to leave little room for any additional schedule slip in the development and procurement phases.

Answer. The Navy extended the current OHIO Class SSBN, from its original service life of 30 years to 42 years, based on detailed engineering analysis, including evaluation of the current material condition of the Class, remaining nuclear fuel levels, and expected future operational demands of the OHIO SSBNs. With the two-year delay to the OHIO-Class Replacement SSBN, there is no additional margin. Additional delay in OHIO Class Replacement could prevent meeting current sea-based strategic deterrent requirements. The Navy will be closely managing risk during the transition period.

IRAN

*Question.* Are you confident in our ability to ensure continuous and safe freedom of movement through the Straits of Hormuz?

Answer. Yes. We take the threat of attack very seriously and maintain intelligence, surveillance, and reconnaissance (ISR) assets at a high state of readiness in order to discern Iranian intentions as quickly as possible and respond appropriately.

*Question.* The Operation Millennium Challenge exercise (2002) was fairly widely known to have revealed some concerns with our capabilities in this specific area; so, in light of the cuts that we are considering making, has anything changed, either with our capabilities or with any potential adversary capabilities?

Answer. Recent budget cuts will not impact our ability to prevent Iran from being able to close the Strait of Hormuz in the near term. Consistent with the Defense Strategic Guidance released in January and the 2007 Maritime Strategy, the Navy postures continuous, credible combat power in the Western Pacific and the Arabian Gulf/Indian Ocean to protect our vital interests, assure friends and allies, and deter potential adversaries. Navy will continue to prioritize the Western Pacific and the Arabian Gulf/Indian Ocean while providing resources to "rest of the world" missions as available.

*Question.* In light of considering even further cuts to the DoD, are we risking our ability to ensure that the Straits of Hormuz remain open?

Answer. Navy's PB13 budget submission includes investments for capability improvements in mine warfare, defense against small boat attacks, and intelligence, surveillance, and reconnaissance (ISR), further bolstering the U.S. Navy's ability to prevent Iran from closing the Strait. Additional budget cuts beyond those informing the PB13 Future Years Defense Program (FYDP) will require further prioritization of limited assets and could eventually impact Navy's ability to counter Iranian aggression.

ALTERNATIVE FUELS INITIATIVES

*Question.* In the past two years, the biofuels industry has sought legislative support for the DoD to secure authority to execute long-term (20+ years) contracts for the purchase of biofuels. A long-term contract commitment would go a long way toward facilitating private sector financing of things like refinery infrastructure. However, as introduced, long-term contracting legislation has attracted negative attention due to high "first year" costs of such a contract.

Are there ways that we can provide the biofuels industry with better certainty with respect to purchasing the supply of these fuels?

Answer. It is the long-term contracting authority in question here that could provide the biofuels industry with the certainty needed to enable investment in production facilities. In our discussions with industry, they have expressed that a 10 to 15 year long-term contracting authority would be sufficient to catalyze investment from the commercial sector. This contracting authority needs to be on a "pay-as-you-go" basis, where a long-term fuels purchasing contract is viewed as an operating lease, that is, the yearly contract cost is paid for in that year's budget (termination liability must also be set aside in the first year). This approach differs from a capital lease, where the entire contract lifetime cost must be reserved in the first year of the contract's budget. Long-term purchasing authority with capital lease constraints would be of little value to government in encouraging the industry as they are likely to be untenable from a budgeting perspective.

In addition the biofuels industry needs to be assured that the Renewable Fuels Standard 2 (RFS2) and corresponding Renewable Identification Numbers (RINs) will remain intact for the project life of their projects. This would allow for more certainty in economic planning and also serves to incentivize biofuel production.

*Question.* Won't this help us in the long run with respect to reducing costs?

Answer. The ability to engage in long-term contracts as detailed above would aid greatly in driving down the costs of biofuels to the government. If industry can phase the recovery of their capital expenditures over a longer period of time, the amount recovered per gallon delivered will go down accordingly. As long-term authority catalyzes commercial market investment, efficiencies will be realized as additional production facilities are designed and built. Efficiencies can also be realized as feedstock demand reaches commercially mature scales.

*Question.* Has the Navy considered a long-term contracting proposal in the fiscal year 2013 budget request?

Answer. The Department of Navy is coordinating with the Office of the Assistant Secretary of Defense for Operational Energy Plans and Programs to address scoring as well as long-term contracting proposals.

## USMC DOWNSIZING

*Question.* With the Marine Corps projecting cuts of 20,000, will these be specific targeted military skill sets or across the board cuts?

Answer. Marine Corps endstrength reductions result from right-sizing the Marine Corps to meet the anticipated security environment and needs of the Nation after the drawdown in Afghanistan as well as the impacts of the Budget Control Act on the Department of Defense budget. The force funded in the 2013 budget is fully capable of executing all assigned missions in the new strategic guidance and is optimized for forward-presence, engagement, and rapid crisis response. It balances capacity and capabilities across our forces while maintaining the high level of readiness on which the Nation relies.

In developing the force of the future, the Marine Corps incorporated the lessons learned from ten years of war and reshaped organizations, capabilities and capacities to increase our utility and flexibility across the range of military operations. Our 182,100 Marine Corps represents fewer infantry battalions, artillery battalions, fixed-wing aviation squadrons, and general support combat logistics battalions than we had prior to 9/11; however, it adds cyber operations capability, Marine special operators, wartime enablers and higher unit manning levels.

This enduring strength level and force structure ensures that the Marine Corps retains the necessary level of non commissioned officer and field grade officer experience and war-fighting enablers to support the future security environment. The Marine Corps drawdown plan ensures the Marine Corps remains the Nation's expeditionary force in readiness while simultaneously keeping faith with our Marines and their families who have excelled during the last ten years of combat operations.

*Question.* How will these personnel cuts impact deployment/dwell time ratio for those remaining?

Answer. As the Marine Corps reduces endstrength by approximately 5,000 Marines per year and as we drawdown in Afghanistan, the Marine Corps will return to a more sustainable deployment to dwell time ratio. The Marine Corps will continue to support operational requirements and our commitment as the nation's expeditionary force in readiness. The Marine Corps will always be forward-deployed in our partnership with the Navy aboard amphibious ships. The Marine Corps' mid-term deployment to dwell goal is 1:2 for active duty units and 1:4 for reserve units with a long term goal of 1:3 for active duty units and 1:5 for reserve units.

## F–35B STOVL

*Question.* We were pleased with the SECDEF's recent decision to lift probation on the F–35B STOVL variant earlier this year. Can you outline the Marine Corps variant's performance over the last 14 months and to describe the reasons that led to this decision?

Answer. There has been sufficient progress in F–35B development, test and production over the last year such that no unique issues require more scrutiny than that given to the other two variants of the F–35. The F–35 is progressing well in flight test metrics, resolving technical issues, and meeting performance requirements.

In October 2011, the F–35B satisfactorily executed a limited demonstration of ship suitability when two aircraft completed the initial sea trials on the USS Wasp. Testing included flight envelope expansion, airborne and deck handling qualities, and aircraft effects on the shipboard environment. The sea trials were very successful, and flight deck heating and exhaust jet blast velocity demonstrated satisfactorily results.

The following are some examples of progress the F–35B has made:

- F–35B weight remains essentially stable since January 2011.

• Engine performance data collected has allowed credit for better lift performance, and the Vertical Landing Bring Back (VLBB) key performance parameter (KPP) has maintained consistent positive margin.
• In 2011, the F–35B performed on or ahead of the test plan. Total flights planned versus actual were 293/333 and total test points planned versus actual were 2,272/2,636.
• The FS 496 bulkhead has been redesigned for production, with fixes identified for retrofit as needed.
• The F–35B fatigue test (also known as durability test) resumed again on January 19, 2012 after having been halted for new bulkhead fabrication and instrumentation and test article reconstruction in November 2010.
• The redesigned upper auxiliary air inlet door hardware began flight test in December 2011. Analyses of the results from early test flights are promising and will continue pending weather and the pace of flights. Modification kits for aircraft retrofit ordering began in parallel with this testing in order to gain clearance for fleet STOVL mode operation as soon as possible.
• Airworthiness concerns with the lift fan clutch heating issue have been mitigated by the incorporation of a temperature sensor that alerts the pilot to take corrective action if the clutch exceeds acceptable temperatures. A detailed root cause investigation to determine a permanent fur is underway.
• The vertical lift propulsion system driveshafts are being custom fitted with spacers to ensure the shaft can accommodate the airframe thermal expansion and contraction. This temporarily eliminates the airworthiness concerns with the current driveshaft design. A new driveshaft that can meet the actual aircraft environmental requirements is in the early phases of the design process.
• The airworthiness risk assosciated with roll post actuator heating has temporarily been mitigated by insulating the actuator with a thermal blanket. The critical design review for a new actuator design was conducted January 19–20, 2012.

Based upon their assessment of requirements and recent system performance, the Commandant of the Marine Corps and other Department of Navy leadership recommended the removal of F–35B from probationary status. The Secretary of Defense determined F–35B had made sufficient progress in development, test and production and on January 20, 2012 announced that F–35B was no longer in probationary status.

*Question.* We fully understand that our allies are critical to the success of the F–35 Joint strike fighter program. Some forget that the JSF program is not only one of our largest defense programs, but that of many of our allies as well. What is the current assessment of the impact that international partners and allies have on the program form your unique perspective as Assistant Commandant of the Marine Corps?

Answer. The F–35 Lightning II Program is a joint, multi-national program among the U.S. Air Force (USAF), U.S. Navy (USN), U.S. Marine Corps (USMC), and eight cooperative international partners: the United Kingdom (UK), Italy (IT), the Netherlands (NL), Turkey (TU), Canada (CA), Australia (AS), Denmark (DK), and Norway (NO).

Our U.S. Service and international partners are keenly interested and engaged in seeing the JSF enter into service as soon as practicable and affordable. The U.S. is leading test, development, production, and sustainment efforts, and as such has assumed the highest risk in regards to the concurrency strategy of these efforts. A reduction in U.S. procurement rates or significant changes in initial operational capability (IOC) dates could easily be misinterpreted as lack of confidence and uncertainty by our international partners.

The Marine Corps is continually engaged with our international partners, particularly those procuring the STOVL and carrier variants (CV), in seeking out and planning for opportunities to collaborate in development, training, and long term sustainment of the Joint Strike Fighter. Stability in procurement rates, infrastructure build-out, and meeting our development and test schedules demonstrate our commitment to the program and our international partners.

F–35

*Question.* We fully understand that our allies are critical to the success of the F–35 Joint Strike Fighter program. Some forget that the JSF program is not only one of our largest defense programs, but that of many of our allies as well. What is the current assessment of the impact that international partners and allies have on the program from your unique perspective as Chief of Naval Operations?

Answer. As a Joint Cooperative initiative, the Joint Strike Fighter (JSF) program and the Navy have seen economic, industrial base and capability benefits by

leveraging our international partners in our effort to field a family of fifth generation strike fighters to meet warfighter needs of the USN, USMC, USAF and eight International Partners. In addition to the $5.2B that our international partners have already contributed to the Systems Development and Demonstration of the JSF, we have also been able to reduce Navy's anticipated procurement costs through the more than 700 aircraft that these partners are projected to procure. These relationships have also yielded access to our partners' industrial base allowing our team to leverage their know-how and technologies to improve the JSF's capability and interoperability with partner militaries once the aircraft is fielded.

*Question.* With affordability as an underlying premise of the F–35 program, what can be done in the near term to help drive down costs and ensure an efficient "ramp rate" to make certain the F–35 program will be affordable in the long term for the DoN?

Answer. Based upon F–35 aircraft pricing changes that have evolved from the Nunn-McCurdy breach through the FY11/FY12 re-baseline; the results from the F–35 Milestone-B Service Cost Position developed by the Program Executive Officer for the Joint Strike Fighter and the Independent Cost Estimate developed by the Office of the Secretary of Defense for Cost Assessment and Program Evaluation; and current/projected budget authority, the DON reduced the overall F–35B/C procurement by 69 aircraft through the FYDP to ensure that the program is adequately resourced and affordable in the long term.

CYBER PROTECTION

*Question.* With all of the recent examples in the news of foreign entities hacking into our networks (defense, contractor, FBI, and law enforcement as well as our military unmanned aerial vehicle systems), it is clear that we can't prevent all of these incidents. Are you confident that our military operations networks are secure?

Answer. The nature of the cyber threat is severe and of great complexity. It is persistent, adaptive, simultaneous, irrespective of distance, unpredictable, strategic or tactical, and a source of uncertainty that often amplifies caution and introduces delay into decision making processes. It is feasible that a cyber actor could impact many facets of the Navy, to include research and development, logistics, combat systems, engineering systems, personnel and medical records, critical infrastructure, maintenance, command and control, etc. Additionally, through network exploitation, our adversaries are able to accelerate their weapons development thereby eroding our technologic advantage while they are potentially "preparing the battlespace" in the event of future conflict.

Most Navy architectures were not originally designed to be resilient against attack and control but instead to be resilient to failure. This perspective introduces systemic vulnerabilities that potentially propagate risk across systems, platforms, and enterprises. To improve our networks' security posture, we have programmed investments to centrally manage network services and to evolve legacy ashore and afloat networks to a common, enterprise environment.

The Navy is continuously updating and testing the security of its networks with the assistance of USCYBERCOM. There is a deliberate effort to exercise command and control over classified networks which significantly increases the level of trust and confidence in the data. However, combat effectiveness of a capability could be theoretically impacted by an ancillary network interface (e.g., a secure communication facility is degraded due to a network-controlled cooling system or a ship is disabled through the use of a remotely-managed maintenance interface to the engine room). Resiliency is more than redundancy, it is the ability to operate through cyber conflict and recover to a trusted environment. It involves people, processes, and technology. It is through this lens that Navy has begun to mitigate this threat.

*Question.* What is the status of the Navy/Marine Corps transition to a new enterprise network?

Answer. Next Generation Enterprise Network (NGEN) is the same physical network as Navy Marine Corps Intranet (NMCI). NGEN Increment 1 is a non-developmental acquisition of IT services in support of the transition to Government owned and managed services. NGEN will provide the acquisition framework to secure net-centric data and IT services to the USN and USMC similar to the program/system it is replacing, NMCI Contract.

. . . across the full Range Of Military Operations (ROMO). Divestiture of the third MPSRON impacts global coverage, forward presence and crisis response in EUCOM, AFRICOM, SOUTHCOM and NORTHCOM. However, these COCOMs have no registered demand for a MPSRON in OSD Policy approved war plans. The deployment of the force in support of a large scale operation will require additional equipment and sustainment to close across strategic distances via USTRANSCOM

and will be subject to prioritization of limited assets to meet competing demands. The Marine Corps views this risk as acceptable given the continued funding for two MPSRONs comprised of sufficient lift capacity, forward deployed along with the procurement and fielding of two MLPs and T–AKEs in addition to exercise funding.

*Question.* Can you please provide the specific plans for the ships in reserve status?

Answer. Pending DoN concurrence, a revised PB13 MPF Posture and MPSRON composition will balance operational risk with programmatic necessity. PB13 eliminates MPSRON 1 and increases the number of ships forward deployed in MPSRON(s) 2 and 3; including 1 MLP in a Full Operational Status (FOS) and one MLP in a Reduced Operational Status (ROS) status. Other ships leaving prepositioning duty will be maintained in 5-day ROS along with our other strategic sealift vessels. The sole exception is the T–5 tanker ship which will be sent to the Maritime Administration's National Defense Reserve Fleet.

*Question.* Does the FY13 budget or the budget for follow on years in the FYDP support funding for the maintenance and upkeep of the ships maintained in reserve status?

Answer. Yes. The ships are budgeted with our other strategic sealift vessels by the National Defense Sealift Fund (NDSF).

*Question.* Can you please provide the specific intentions for the equipment installed on the ships placed in reserve status?

Answer. None of the ships placed in ROS, whether the MLP for prepositioning or the other ships for sealift, will have embarked equipment or supplies.

## SEA-BASED X-BAND RADAR

*Question.* Can you expand on the proposal to place the Sea-Based X-Band Radar in a "limited test support" status? Where will it be stored? How will its function/mission change?

Answer. The Secretary of Defense in consultation with the Director of the Missile Defense Agency, who has technical responsibility for the Ballistic Missile Defense System, and the Commander of U. S. Strategic Command, have determined that Sea-Based X-Band Radar should be placed in a "limited test support status." As part of that decision, the Director of the Missile Defense Agency is responsible for the determination of where it will be placed while in this status. In addition, the Director of the Missile Defense Agency is the best authority to comment on how its functions and missions will change as a result.

*Question.* Are there any unique capabilities that we give up when we take this action? What risks will we assume by relegating SBX to a "limited test support" role?

Answer. I would defer to the Director of the Missile Defense Agency and the Commander of the U. S. Strategic Command on what risks, if any, would be assumed by placing SBX in a "limited test support role."

*Question.* How long would it take to get SBX back to a "full up" operational mode if we realize we needed it? How does this action affect the balance between ground and space-based tracking capability?

Answer. I would defer to the Director of the Missile Defense Agency with the technical responsibility and oversight of Sea Based X-Band Radar to respond on the time it would take to bring SBX to a "full up" operational mode if needed, and its affect on ground and space-based tracking capabilities.

*Question.* The justification for this action states that the US will rely on existing systems like THAAD and AN/TPY–2, but DoD is projected to cut back on purchases of both of those systems. Do we have enough systems currently fielded so that we aren't sacrificing our ability to detect ballistic missiles?

Answer. I would defer to the Director of the Missile Defense Agency with technical responsibility for the Ballistic Missile Defense System and the Commander of the U.S. Strategic Command in reference to the specific capability of the BMDS to detect ballistic missiles and sufficiency of systems currently fielded.

## SATELLITE SYSTEMS

*Question.* Regarding termination of the AF Defense Weather Satellite Systems (DWSS), the AF says they can meet mission requirements and save money by launching 2 existing Defense Meteorological Satellite Program (DMSP) satellites, currently in storage. Does this impact Navy and/or Marine Corps operations?

Answer. Navy/Marine Corps operations will not be impacted by the termination of DWSS as long as the two remaining DMSP satellites are launched and operate per design.

*Question.* Can your weather satellite mission requirements be met with the older DMSP satellites?

Answer. Most environmental satellite mission requirements can be met with older DMSP satellites. The most significant requirements that cannot be met by DMSP are for radar altimetry and sea surface temperature (SST). Navy is seeking to address radar altimetry gaps to support our antisubmarine warfare mission through partnership with the National Oceanic and Atmospheric Administration's (NOAA) Jason-3 program. While DMSP does not meet Navy's needs for SST, the Navy obtains adequate SST data from NOAA and European space agency partners to meet our requirements.

## UHF Satellite Communications

*Question.* With the Navy's recent launch of the first MUOS satellite, what capabilities is it providing? Are all the associated systems in place for the program to operate as designed?

Answer. MUOS 1 was launched on 24 February 2012 and will reach on-orbit capability in May 2012. After testing is complete, it will begin providing legacy UHF SATCOM services equivalent to one of the current UHF Follow On (UFO) satellites.

Initial ground infrastructure in Wahiawa, HI, and Pt. Mugu, CA, is installed, supported the launch of MUOS 1, and is currently supporting legacy payload operations and initial MUOS testing. Final ground infrastructure build is scheduled to be complete at all ground sites, including Northwest, VA, Niscemi, Italy, and Geraldton, Australia, by the launch of MUOS 2, tentatively scheduled for July 2013.

Like any new system, fielding of the new Wideband Code Division Multiple Access (WCDMA) capability requires the completion of Developmental Testing (DT) and Operational Testing (OT). Per the MUOS Test and Evaluation Master Plan (TEMP), approved in November 2010, DT/OT on the full MUOS capability requires that a user signal be relayed by one satellite to a ground station and then relayed again from a ground station through a second satellite to the receiver. This ability to connect two users regardless of their location on the globe is one of the new capabilities of the MUOS system, which is a significant improvement over legacy SATCOM systems in which users can only talk to each other when they are in the same satellite footprint. MUOS 2 is scheduled for on-orbit capability in October 2013, 90 days after launch, at which time DT/OT of the new WCDMA capability will begin. After completion of DT/OT, the two launched MUOS satellites will be capable of providing full WCDMA capability, with 10 times the capacity of current systems, in their respective footprints.

*Question.* Is there a shortage of UHF capacity for our warfighters?

Answer. Chairman, Joint Chief of Staff (CJCS) sets requirements for Narrowband MILSATCOM for all DoD users based on warfighter needs, and the Navy fills those as the DoD Acquisition Agent for Narrowband SATCOM. CJCS legacy UHF SATCOM requirements are met, and are projected to be met or exceeded through 2018. The follow on MUOS CJCS requirements are captured in the MUOS Capabilities Production Document dated 15 January 2008, and the MUOS program is on track to meet all key performance parameters given in that document. Increased capacity requirements, combined with inherent limitations of the military UHF SATCOM spectrum, drive the need to move beyond legacy UHF waveforms found in current military and commercial UHF SATCOM systems to the new WCDMA capability found in MUOS.

*Question.* What is the DoN's view on both existing UHF communications capacity and the current MUOS and associated ground system development schedules?

Answer. Statistical reliability analysis conducted by the Navy has shown that, with the launch schedule the Navy anticipates for MUOS satellites (actual dates are set by the Air Force Current Launch Schedule Review Board), the legacy UHF SATCOM requirements set by the Joint Requirements Oversight Council (JROC) will be met or exceeded through 2018. The new MUOS Wideband Code Division Multiple Access (WCDMA) capability will be operationalized with the launch and completion of on-orbit testing of the MUOS–2 satellite, projected in late CY2013. The MUOS WCDMA capability will reach Full Operational Capability with the launch and checkout of the fifth satellite projected for the end of 2016, at which time the JROC mandated requirement for legacy UHF SATCOM is retired. Legacy capability will continue to be maintained beyond 2018, although at lower levels, to allow time for remaining users to transition to the new WCDMA capability.

*Question.* When will these terminals be available for global deployment?

Answer. The Joint Tactical Radio System Network Enterprise Domain (JTRS NED) program office is projecting Formal Qualification Testing (FQT) of the MUOS Waveform v3.1 (a.k.a. Red/Black Waveform) in August 2012, which would enable it

to be ported to the JTRS HMS Manpack radio by February 2013. This would mean that an operationally representative user terminal would be available in time for the MUOS Developmental Testing (DT)/Operational Testing (OT) period in early FY14.

*Question.* How long will the U.S. DoD be reliant on legacy UHF satellite services?

Answer. As noted above the Navy anticipates the legacy capability will meet and exceed the current requirement levels through 2018. Legacy capacity is expected to decline after 2018 due to the expiration of the UFO satellites, but the legacy payload on MUOS satellites, each of which provide legacy capacity equivalent to one UFO satellite, will continue to maintain legacy capability throughout the lifetime of the MUOS program.

The level of DoD reliance on legacy UHF satellite services depends on the fielding of MUOS capable terminals. The Navy currently intends to buy 202 JTRS HMS Manpack radios across the FYDP, including 50 radios in FY13 to support MUOS testing, as part of an inventory objective of approximately 450. The Navy does not have the details of the current MUOS terminal fielding plan for the other services.

*Question.* Will coalition forces also be adopting the advanced waveform?

Answer. The National Security Agency (NSA) currently restricts the MUOS Wideband Code Division Multiple Access waveform from being released outside of the United States.

*Question.* Both MUOS and JTRS programs have experienced major cost overruns. Have some of the services pushed their JTRS terminal procurements beyond the FYDP? Does this increase the risk that the satellite could orbit in space underused for many years at a time when we can't afford this kind of thing?

Answer. Each MUOS spacecraft has a legacy UHF SATCOM payload equivalent to one of the current UFO satellites. That legacy UHF payload is required to maintain warfighter legacy UHF SATCOM requirements set by the Joint Requirements Oversight Council (JROC) until MUOS full operational capability is reached in 2016, at which time the requirement is retired.

Per the MUOS Test and Evaluation Master Plan, approved in November 2010, the first requirement for a MUOS WCDMA capable radio will be for Developmental Testing (DT) and Operational Testing (OT) conducted after MUOS 2 is launched and reaches on orbit capability, which is projected to occur in October 2013. The Joint Tactical Radio System Network Enterprise Domain (JTRS NED) program office is projecting Formal Qualification Testing of the MUOS Waveform v3.1 (a.k.a. Red/Black Waveform) in August 2012, which would enable it to be ported to the JTRS HMS Manpack radio by February 2013. This would mean that an operationally representative user terminal would be available in time for the DT/OT period.

As noted above, the Navy currently intends to buy 202 JTRS HMS Manpack radios across the FYDP, including 50 radios in FY13 to support MUOS testing, as part of an inventory objective of approximately 450. The Navy does not have the details of the current MUOS terminal fielding plan for the other services.

*Question.* What is the Department's view on JTRS as a program of record?

Answer. The Department of the Navy is dependent on the JTRS program to deliver an NSA compliant software encrypted MUOS waveform and MUOS capable radio for MUOS DT/OT and initial fleet operational capability. As mentioned previously, JTRS NED has stated they will conduct final qualification testing of the MUOS waveform in August of 2012, and the JTRS HMS Manpack program has indicated that they will have that waveform ported to their radio by February 2013. This timeline will support the MUOS Satellite WCDMA DT/OT in early FY14 and the Navy's HMS Manpack fielding timeline.

*Question.* There are commercial companies that can provide much of the same capability. If these companies are funding 100 percent of the entire cost of building satellites and are paying for the launch of the satellites, and are offering up the satellite time to the military so we can purchase capability, as we need it, via the GSA schedule, is this something that we should evaluate? What is your view of this approach?

Answer. UHF SATCOM payloads currently available on commercial satellites provide less than 3% of the capacity of a MUOS WCDMA payload due to the inherent limitations of their design and the UHF SATCOM spectrum. The Navy has evaluated the use of hosted UHF payloads on commercial satellites, is currently leasing capacity on two commercial satellites, and has access to additional commercial capacity through partnerships with foreign governments. The current military and leased commercial legacy UHF SATCOM capacity provides the warfighter with approximately 111 more channels worldwide than required by the CJCS capacity requirement, which is equivalent to three UFOs and provides a buffer against unplanned losses in the future. Because DoD requirements are met for the foreseeable future, the U.S. Navy is not pursuing any additional commercial UHF SATCOM ca-

pacity at this time. The Navy will continue to monitor the health of the current UHF SATCOM constellation for any signs that it is degrading more rapidly than currently projected. If it appears the level of legacy UHF SATCOM service will fall below CJCS requirements, the Navy will revisit all options, including commercial leases and hosted payloads, to maintain the current level of legacy service to the warfighter until the transition to the MUOS WCDMA capability is complete.

Additional details are available in the Report to the Senate Armed Services Committee on "Ultra High Frequency (UHF) Satellite Communications (SATCOM) Requirements and Options for Additional Capacity" signed on 19 March 2012 by the Assistant Secretary of the Navy for Research, Development and Acquisition in response to the Fiscal Year 2012 Senate Armed Service Committee Report 112–26.

*Question.* The U.S. made the decision in 2010 to partner with the Australians on a commercially-provided, UHF hosted payload in the Indian Ocean Region. With the private sector intending to launch an identical payload into the Atlantic Ocean Region, are there any U.S. and/or Allied plans to use this capability?

Answer. The U.S. DoD partnered with the Australian Minister of Defense (not the commercial provider) for access to 250 kHz of UHF Narrowband SATCOM on a commercial satellite payload that Australia is leasing over the Indian Ocean region from 2012 to 2027. In exchange, the U.S. will provide the Australians access to 200 kHz of spectrum over the Pacific and 50 kHz of spectrum globally from 2018–2033.

Since all DoD requirements for UHF SATCOM capacity are projected to be met over the Atlantic Ocean region through 2018, the U.S. DoD is not planning to take advantage of this commercially-provided UHF hosted payload in the Atlantic Ocean region.

Through a combination of the implemented gap mitigation actions, commercial leases, international partnerships, and the MUOS legacy payloads, the DoD UHF SATCOM leadership is maximizing technical and fiduciary efficiencies to ensure the warfighter has access to legacy UHF SATCOM capacity that meets the CJCS requirements and provides a buffer against unplanned losses. Despite projected losses in the UFO constellation, current predictions indicate that the UFO constellation augmented by the MUOS legacy payloads will likely provide the required legacy UHF capacity in all AORs through at least 2018. MUOS WCDMA terminals are projected to be available in 2013, and the Navy will start fielding them in 2014. Extended availability of legacy capacity will allow the MUOS WCDMA-capable constellation to reach Full Operational Capability and the corresponding terminal programs to synchronize fielding timelines.

As discussed in the previous question, because DoD requirements are met for the foreseeable future, the U.S. Navy is not pursuing any additional commercial UHF SATCOM capacity at this time. The Navy will continue to monitor the health of the current UHF SATCOM constellation for any signs that it is degrading more rapidly than currently projected. If it appears the level of legacy UHF SATCOM service will fall below CJCS requirements, the Navy will revisit all options, including commercial leases and hosted payloads, to maintain the current level of legacy service to the warfighter until transition to the MUOS WCDMA capability is complete.

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[CLERK'S NOTE.—End of questions submitted by Mr. Kingston. Questions submitted by Ms. Granger and the answers thereto follow:]

FUEL PROCUREMENT

*Question.* In your testimony, you indicate that "treating energy as a strategic national security issue" as one of your chief priorities for the Navy. I agree with you that we must take into consideration fuel supply as a strategic concern, yet I do not understand how procuring 450,000 gallons for approximately $12 million last year is in the best interest of our sailors and the overall mission of the Navy.

Would you please explain to the Committee your rationale for this contract?

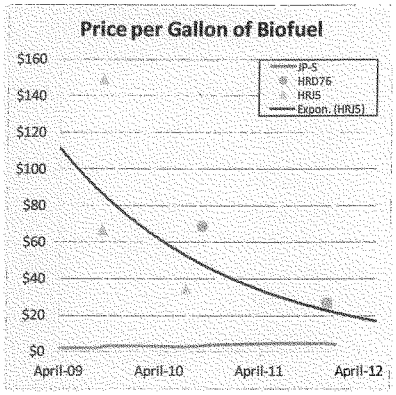
Answer. This was a demonstration purchase—not unlike corporations conduct in their due diligence of a new product or drug. Our first priority is to protect this great nation and ensure the men and women of our Services remain the world's greatest warfighters. In keeping with this priority it is imperative that we know a large scale use of biofuel is possible, seamless, and has no negative impact on our mission. This purchase will prove that very point when it is used in an operational

environment, by operational forces, in the Rim of the Pacific Exercise in July 2012. This purchase was an important step towards the future, but not indicative of future price point sought for operational quantities of fuel. In FY–12, this purchase of $12M is only 0.3% of our total fuel budget of $4B. Over the past three years, the total amount we have put towards biofuels is only 0.17% of our total fuel budget for those years.

Going forward, our intent is to reduce the effects of petroleum volatility by expanding the diversity of sources for liquid fuel available to Navy for consumption in our operational assets. Higher oil prices and greater price volatility complicates fuel budgeting and can greatly impact Navy's readiness. By reducing this budgetary uncertainty related to the fuel bill, Navy can more effectively protect the nation by directing the maximum resources necessary to train and equip our sailors and Marines.

*Question.* Do you have documents for review illustrating the cost-benefit analysis for this buy?

Answer. Navy budget displays show a $1.2B increase in current year fuel costs. This small investment provides validation of operational suitability of this fuel and adds an energy option that could dampen the current volatility of petroleum. A secure, dependable energy source such as domestically produced advanced alternative fuels helps ensure the safety and integrity of our nation and the men and women in uniform—a monetary value worth much more than $12 million.


Price per Gallon of Biofuel
$160
$140
$120
$100
$80
$60
$40
$20
$0
April-09
April-10
April-11
April-12
JP-5
HRD76
HRJ5
Expon. (HRJ5)

As you can see from the chart, biofuel prices have decreased significantly from when Navy first started its test and certification process; Navy anticipates that as demand increases and the supply base expands further reductions in biofuel prices will occur. Correspondingly, the cost-benefit analysis will likely improve in the upcoming years.

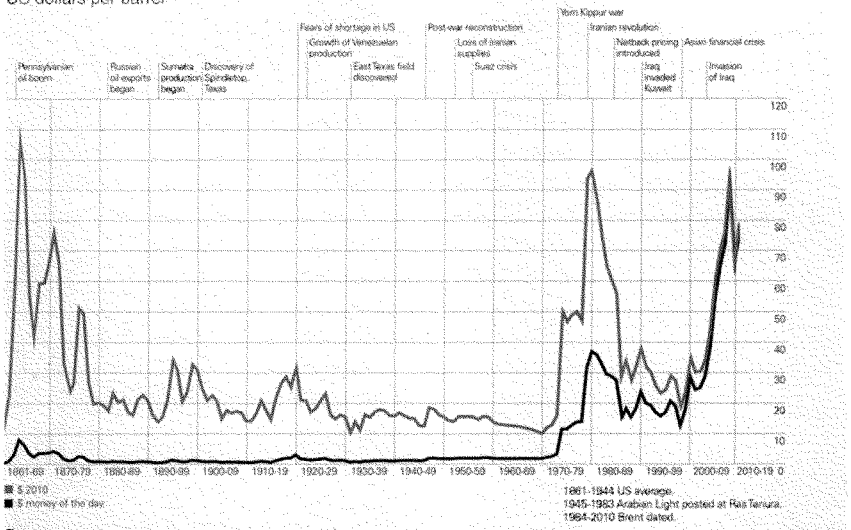
There are a number of studies that state the case that biofuels will be cost competitive in the 2018–2025 timeframe without government investment. These studies are from LMI and Bloomberg New Energy Finance. The LMI report also states that tools like the Defense Production Act could speed up the process.

Additionally, the Office of the Deputy Assistant Secretary of the Navy for Energy has met with over 80 alternative fuel companies, trade organizations, and venture capital and investment firms over the past two years. When directly asked about the potential for their product to be cost competitive with fossil fuels, the resounding reaction from numerous alternative fuel companies is that the costs for alternative fuel will be cost competitive in the future. A large majority of the firms did state that with the infusion of capital (from DPA Title III or other investment sources) would assist in speeding up the timeline.

For historical context, when the United States first started pumping oil in the mid 19th century, oil prices were extremely high, but as the market matured and demand forced an expansion of supplies, the prices dropped to price levels for widespread use.

**Crude oil prices 1861-2010**

US dollars per barrel




Source: *The Editor, BP Statistical Review of World Energy 2010, BP Statistical Review of World Energy, June 2010, BP p.l.c., London, UK,*

### ALTERNATIVE FUEL PRICING

*Question.* When does the Navy expect the prices for alternative fuels to be competitive with traditional fossil fuels?

Answer. There are a number of studies that state the case that biofuels will be cost competitive in the 2018–2025 timeframe without government investment. These studies are from LMI and Bloomberg New Energy Finance. The LMI report also states that tools like the Defense Production Act could speed up the process.

Additionally, the Office of the Deputy Assistant Secretary of the Navy for Energy has met with over 80 alternative fuel companies, trade organizations, and venture capital and investment firms over the past two years. When directly asked about the potential for their product to be cost competitive with fossil fuels, the resounding reaction from numerous alternative fuel companies is that the costs for alternative fuel will be cost competitive in the future. A large majority of the firms did state that the infusion of capital (from DPA Title III or other investment sources) would assist in speeding up the timeline.

*Question.* Have you had conversations with leaders at Department of Energy about this?

Answer. Yes, the Department of the Navy has been working closely with the Department of Energy on these issues. DOE is a partner in the Defense Production Act (DPA) advanced biofuel commercialization initiative and both agencies are fully supportive of the effort.

### BIOFUELS

*Question.* From your enthusiastic statements regarding biofuels, I understand you strongly support continued research and development. Why do you think the other Services are not investing to the extent of the Navy?

Answer. The Navy led the transition from sail to coal, coal to petroleum, and petroleum to nuclear power. The Navy will lead the transition to advanced alternative fuels too because Naval forces critically need the energy security that can be provided by alternative fuels.

Although the Army has a far smaller operational fuel demand than the Navy, they have been collaborating with the Navy on alternative fuels. Also, the Air Force has in fact invested heavily in developing and testing advanced alternative fuels, and continues to do so. The Navy and Air Force collaborate on certifying advanced alternative fuel specifications for use in our platforms, with both services being able to reduce test expenditures, and reduce the duration of the tests to certify alternative fuel specifications for use in tactical platforms. Perhaps the most meaningful difference between the Air Force and Navy is that they both use JP–8 for aviation fuel, but the Navy also uses a substantial amount of JP–5 in ship-based aircraft (JP–5 has a higher flashpoint than JP–8 and is less common in the commercial markets) and F–76 marine diesel to power Navy ships. Since the Navy must have multiple types of fuels, to use in marine and aviation environments, its test efforts are intrinsically more involved.

### ENERGY/FUEL USAGE

*Question.* In your testimony, you indicate, and I quote "that we must use energy efficiently". How is spending $15/gallon (nearly four times that of traditional fuel), qualify as efficient use?

Answer. The alternative fuel initiative is an important investment for the Navy, because it addresses a core concern for the future; specifically, our national strategic and military operational need for energy security and energy independence. Investing in future technologies, which the alternative fuel effort represents, is crucial to Navy's ability to remain the world's premier Navy and avoid detrimental operational effects of rising energy costs. This purchasing decision cannot be made on cost alone; for example, if cost was the only deciding factor the Navy would not purchase nuclear submarines because of their significant unit price compared to conventionally powered subs. However, nuclear subs have significant strategic and operational advantages that that make their value to national security worth the cost.

Navy's purchase of the fuel for the Great Green Fleet demonstration (at $15/gallon) was only 0.3% of the Navy's total fuel budget in FY–12. The need to find cost competitive alternative fuels has never been greater. Just in FY11 alone, the price of petroleum went up by $38/bbls, an increase of 30%. This extreme price volatility and upward trend of fuel prices significantly impacts readiness in execution years and represents the real future opportunity cost of failing to position the Navy to use promising cost effective energy sources.

Although the Navy must pay a premium price to obtain biofuel for research and development, as well as test and certification purposes, the Navy cannot and will not purchase alternative fuels for operational purposes unless the price is competitive with conventional fossil fuels.

*Question.* If available, would you support domestically-sourced fuel like oil shale or coal-to-liquids that would insulate our sailors from the consequences of fuel shortage?

Answer. The Energy Independence and Security Act (EISA) of 2007 (Section 526) specifies that all fuel purchased and used by federal agencies must have a life cycle emissions impact equal to or less than that of fossil fuels. Currently, oil shale and coal-to-liquid technologies do not meet this regulation. If technology got to a point where this environmental regulation was met and fuel could be produced economically, the Department of the Navy would certainly look at supporting these efforts.

[CLERK'S NOTE.—End of questions submitted by Ms. Granger. Questions submitted by Mr. Crenshaw and the answers thereto follow:]

USMC PRE-POSITIONING SHIPS

*Question.* As part of the fiscal year 2013 budget, we are reducing the number of Maritime Pre-Positioning Squadrons from three to two. What was the rationale behind this change?

Answer. Given fiscal challenges and current DoD priorities, DON has realigned assets necessary to optimize our maritime prepositioning capabilities within fiscal boundaries. The Global Prepositioned Materiel Capabilities Study (GPMCS) informed the POM–12 summer review and determined a DoD requirement for two, more robust Maritime Prepositioning Squadrons (MPSRONs). The DoD-directed Efficiencies Review (PB12) subsequently recommended that one of the three MPSRON(s) being assigned to a Reduced Operating Status (ROS). As the impacts were being examined, the POM13 review required additional efficiencies be considered. The Department of the Navy's POM–13 efficiency included divestment of the 3rd MPSRON; this action generated risk and required a thorough review and assessment of the remaining two squadrons in order to preserve Combatant Command (COCOM) required Maritime Prepositioning Force (MPF) capabilities (capacity). Through an ongoing extensive effort, the Department achieved a balanced MPF posture consisting of two fully operational MPSRONs with Seabasing Enabled capabilities. Divestiture of the third MPSRON impacts global coverage, forward presence and crisis response in EUCOM, AFRICOM, SOUTHCOM and NORTHCOM. However, these COCOMs have no registered demand for a MPSRON in OSD Policy approved war plans. The deployment of forces in support of a large scale operation will require additional equipment and sustainment to close across strategic distances via USTRANSCOM and will be subject to prioritization of limited assets to meet competing demands. The Marine Corps views this risk as acceptable given the continued funding for two MPSRONs comprised of sufficient lift capacity, forward deployed along with the procurement and fielding of two Mobile Landing Platforms (MLPs) and T–AKEs in addition to exercise funding (−$60Mil across the FYDP).

*Question.* I understand an additional Large, Medium Speed Roll-On/Roll-Off ship (LMSR) will be added to each of the two remaining squadrons. Can you please provide the strategy that shows the Marine Corps will still be able to meet the requirements of Component Commanders while providing a "quick reaction force" to our Commander-In-Chief with the remaining squadrons?

Answer. Within the FYDP, MPF will transition to an initial Seabasing Enabled (SE) capability with the completed integration of Large Medium Speed Roll On/Roll Off (LMSR) vessels and the introduction of the MLP and the Dry Cargo/Ammunition (T–AKE) ships. Introduction of TAKE into the MPF Program in FY13 will transition MPF from a Major Combat Operation (MCO) focused capability to a more scalable option that supports a limited employment capability, through the selective offload of tailorable sustainment packages necessary to support conventional and Special Operations Forces operating from a sea base. MPF (SE) provides a limited employment option in low spectrum operations while retaining high end deployment capability allowing MPF (SE) to be scalable across the full Range Of Military Operations (ROMO). Divestiture of the third MPSRON impacts global coverage, forward presence and crisis response in EUCOM, AFRICOM, SOUTHCOM and NORTHCOM. However, these COCOMs have no registered demand for a MPSRON in OSD Policy approved war plans. The deployment of the force in support of a large scale operation will require additional equipment and sustainment to close across strategic distances via USTRANSCOM and will be subject to prioritization of limited assets

to meet competing demands. The Marine Corps views this risk as acceptable given the continued funding for two MPSRONs comprised of sufficient lift capacity, forward deployed along with the procurement and fielding of two MLPs and T–AKEs in addition to exercise funding.

*Question.* Can you please provide the specific plans for the ships in reserve status?

Answer. Pending DoN concurrence, a revised PB13 MPF Posture and MPSRON composition will balance operational risk with programmatic necessity. PB13 eliminates MPSRON 1 and increases the number of ships forward deployed in MPSRON(s) 2 and 3; including 1 MLP in a Full Operational Status (FOS) and one MLP in a Reduced Operational Status (ROS) status. Other ships leaving prepositioning duty will be maintained in 5-day ROS along with our other strategic sealift vessels. The sole exception is the T–5 tanker ship which will be sent to the Maritime Administration's National Defense Reserve Fleet.

*Question.* Does the FY13 budget or the budget for follow on years in the FYDP support funding for the maintenance and upkeep of the ships maintained in reserve status?

Answer. Yes. The ships are budgeted with our other strategic sealift vessels by the National Defense Sealift Fund (NDSF).

*Question.* Can you please provide the specific intentions for the equipment installed on the ships placed in reserve status?

Answer. None of the ships placed in ROS, whether the MLP for prepositioning or the other ships for sealift, will have embarked equipment or supplies.

## SHIPBUILDING PLANS

*Question.* The President's "Defense Strategic Guidance" shifts our focus from the two-front strategy to a primary focus on the Pacific theatre. The Navy's budget calls for the cutback of the fleet from 313 ships to 285. With the threats and the commitments in the AFRICOM and SOUTHCOM theatres increasing, the emphasis on building partnerships and maintaining a strong US presence seems more necessary than ever.

Based on your shrinking fleet size and the growing number of threats in the AFRICOM and SOUTHCOM AoRs, do you still possess the necessary assets to address existing concerns such as partner building, maintaining a U.S. presence, and combating counter drug and pirate threats, in addition to meeting future COCOM requests?

Answer. The Fleet is not in fact shrinking. Despite the constraints of the congressionally passed Budget Control Act, the Fleet will be at the same level at the end of FYDP as it is today, and will continue to grow outside the FYDP as the shipbuilding plan delivers three to four littoral combat ships, two to three destroyers and two to three submarines per year. It should be pointed out; however, it did shrink in the eight years before I took office. The Fleet stood at 316 on September 11, 2001, but had dropped to 283 by 2008. To determine the ideal size and composition of the fleet beyond the FYDP timeframe, the Navy is currently conducting a Force Structure Assessment that will address both peacetime and wartime requirements.

*Question.* Do you foresee less of a presence in these AoRs or having to tier multiple commitments based on available fleet resources?

Answer. Building partnership capacity—including those in Africa and Latin America—remains important for sharing the costs and responsibilities of global leadership. As always, the mismatch between supply and demand will require Navy to carefully prioritize its commitments in the various AORs. Consistent with the Defense Strategic Guidance, *we will develop innovative, low-cost, and small-footprint approaches to achieve our security objectives,* relying on exercises, rotational presence, transit opportunities and advisory capabilities to maximize our influence.

## MAINTENANCE

*Question.* Prior defense budgets have mitigated an aging naval fleet with a plan focused on replacing out of date ships with technologically advanced ships. However, this budget proposes a production shift to the right for key ships that are reaching the upper limits of their intended usability (for example, the reduced production of SSNs from 2 a year to 1, the 2-year freeze on the SSBN–X, the retirement of FFGs and homeport shift of DDGs to Rota). To meet current and future commitments, regardless of Defense Strategic Strategies, it appears you will need to increase operational tempo of the remaining fleet.

By increasing the OPTEMPO of the current fleet, how does this affect the ships from entering their scheduled maintenance cycles?

Answer. Our PB13 budgeted OPTEMPO is sustainable and supported by our Fleet Readiness and Training Plan (FRTP). This plan includes one deployment and one maintenance period during each 32-month operational cycle for surface combatants, 27 months for amphibious ships, and 24 months for attack submarines. Our PB13 budgeted OPTEMPO is sufficient to support the FY13 Global Force Management Allocation Plan (GFMAP) approved by the Secretary of Defense. The approved FY13 GFMAP has a lower presence requirement than in previous years, which allows the fleet to establish a sustainable deployment schedule. Meeting the baseline requirements of the GFMAP will require about 6 of our ships to conduct slightly longer (8–9 month) deployments, but each ship will be able to conduct its planned maintenance during the year.

Combatant Commander Requests for Forces (RFF), however, are in additive to the GFMAP baseline. These requests, made in response to world events, may require longer or more frequent deployments. This can cause rescheduling of maintenance, which could make maintenance more expensive because it is done more quickly or less efficiently. We will seek Overseas Contingency Operations funding to resource additional or emergent maintenance resulting from approved RFFs. We consider this to be part of the "reset" of forces that do additional deployments to allow those forces to get back on their normal operational cycle.

Our PB13 budget submission includes changes in OPTEMPO resulting from four DDG–51 class ships being forward deployed to Rota, Spain, in FY14 and FY15. The FFG–7 class decommissioning plan, adjustments to SSN production rates, and changes to SSBN(X) development plans do not impact our planned FY13 OPTEMPO. The only change to the scheduled maintenance cycle will be for the four Rota-based DDG–51 Class ships, which will be placed on the Forward Deployed Naval Forces (FDNF) operational cycle to compensate for their increased OPTEMPO. This 17-month cycle includes one maintenance period per cycle.

*Question.* How will you alleviate the additional wear the ships will incur due to increased OPTEMPO and less time in the shipyards?

Answer. For CONUS ships experiencing a high OPTEMPO due to answering RFFs, we will seek additional OCO funding to complete the required maintenance. We consider this to be part of the "reset" following contingency operations that allows those forces to get back on their normal operational cycle. The additional wear experienced by FDNF ships, as a result of their higher OPTEMPO, is addressed by the FDNF operational cycle. Ships in an FDNF cycle receive more continuous maintenance, spend more time in maintenance availabilities, and receive more depot maintenance man-days, as compared to CONUS-based ships on a Fleet Response Plan (FRP) operational cycle. These additions compensate for the relative reduced access that FDNF ships have to intermediate level maintenance provided to CONUS-based ships through Regional Maintenance Centers.

*Question.* Have increased maintenance costs been factored into the FY13 budget or throughout the FYDP?

Answer. Our PB13 budget submission funds required maintenance for ships and aircraft based on the approved FY13 GFMAP. Additional or longer deployments will be addressed by requests for OCO funding to "reset" these forces back to their regular operational cycles. The increased maintenance costs associated with FDNF deployment of the four DDGs to Rota, Spain are included in the PB13 budget request.

*Question.* Have recent studies been conducted concerning lengthened deployments and the effects on personnel?

Answer. Navy commissioned two studies, conducted by the Center for Naval Analysis in 2004 and 2008, on the relationship between deployment length and retention. These studies did not find any negative retention effects of 8-month or longer deployments over the past 20 years, noting only a small negative effect among 6-year obligation re-enlistments.

A 2011 Navy-wide quick poll survey suggests that long deployment lengths are a key contributor for Navy personnel to leave the service. Also sea-duty and deployments are associated with higher levels of operational stress. Medically oriented studies that focus on combat deployments (particularly to combat zones in Iraq and Afghanistan) find that longer deployments are associated with higher rates of PTSD, depression and substance abuse.

We will be working closely with the Secretary of Defense and the Joint Staff to ensure RFFs in excess of the GFMAP are carefully considered due to these potential impacts of longer or more frequent deployments.

FORWARD DEPLOYED FLEET MAINTENANCE

*Question.* Based on the desire to forward station key multi-mission ships to address maritime threats and concerns, can you please explain the maintenance cycle for these units?

Answer. Per Title 10 USC subsection 7310, Restrictions on Repair of Vessels in Foreign Shipyards, ships homeported in CONUS may only have emergent voyage repairs performed in foreign locations. However, ships homeported overseas are exempt from Title 10 restrictions and may have routine scheduled maintenance performed in the local economy. LCS in Singapore will remain homeported in CONUS, and provide deployed presence, while DDGs in Rota will be homeported as Forward Deployed Naval Forces.

Answer (LCS). Navy intends to operate LCS Class ships via a multi-crewing Concept of Operations (CONOPS). This CONOPS enables LCS Class ships to be forward stationed for approximately 50% of their 32-month operational cycle, operating from a host nation facility. LCS's operational cycle will include one CONUS-based maintenance availability per 32-month cycle, alternating between a 3-month Docking Selected Restricted Availability in one cycle and a 7-week Selected Restricted Availability during the subsequent operational cycle.

Answer (DDG). Navy intends to operate DDG Class ships assigned to Rota, Spain as Forward Deployed Naval Forces (FDNF) similar to FDNF DDGs homeported in Japan. The Rota DDG's operational cycle will include one OCONUS maintenance availability per 17-month cycle. Since these ships are homeported abroad, the Title 10 restriction on voyage repairs does not apply.

*Question.* Are the maintenance cycles similar to the requirements for units stationed in overseas stations like Japan?

Answer (LCS). No, LCS Class ship maintenance cycles will be similar to those of other CONUS-based surface ships, which receive one depot-level maintenance availability in CONUS per 32-month operational cycle.

Answer (DDG). Yes, the maintenance cycle for DDGs assigned to Rota is similar to those units assigned to Yokosuka, Japan, which receive one major OCONUS maintenance availability every 17 months. DDGs homeported in Rota, Spain will remain in country for all required maintenance with the exception of mid-life maintenance and modernization availabilities.

*Question.* Is funding for these maintenance periods covered in the FY13 budget? Is this funding covered in the FYDP?

Answer (LCS/DDG). LCS and DDG Class ship depot maintenance availabilities are fully funded in FY13 in the PB13 budget request and recognized across the FYDP.

*Question.* Will "fly-away" teams conduct the scheduled intermediate maintenance cycle at the forward deployed station?

Answer (LCS). Yes. Fly-away teams will execute planned maintenance of forward-stationed LCS Class ships, including the Preventive Maintenance and Corrective Maintenance that the crew does not perform, as well as the emergent voyage repair work that is outside of the technical capability of local host nation personnel. In accordance with Title 10, host nation personnel will only conduct emergent voyage repairs.

Answer (DDG). No. Since the DDGs will be homeported in Rota, Spain, they are exempt from the Title 10 restrictions regarding maintenance in foreign shipyards. Navy intends to contract required maintenance to the qualified local ship repair industrial base as appropriate. The maintenance will be monitored by a detachment of the Norfolk Ship Support Activity (NSSA). As needed, U.S. shipyards will be contracted to conduct DDG maintenance.

*Question.* If the "fly-away" teams are used to conduct the maintenance, will they be government personnel or private ship repair contractors?

Answer (LCS). The composition of fly-away teams will vary based on the type and scope of planned maintenance and required skills to conduct the maintenance, but typically are a combination of government and private ship repair contractor.

Answer (DDG). It is not envisioned (at this time) that DDGs in Rota will require flyaway teams to support regularly schedule maintenance. However, government civilians and private contractors may be sourced from CONUS on a case-by-case basis, if subject matter expertise is required.

*Questions.* Does the infrastructure exist to conduct intermediate maintenance periods in foreign ports? Is funding covered in the FY13 budget for infrastructure deficiencies?

Answer (LCS). The maintenance infrastructure at several forward/foreign ports (e.g., Singapore Naval Base) can support the LCS Class ship maintenance plan. The FY13 budget request does not include resources for foreign port infrastructure spe-

cifically related to LCS Class maintenance. This will be addressed in subsequent budgets.

Answer (DDG). The private sector ship repair industrial base in Rota, Spain is capable of performing the majority of maintenance required for the DDGs to meet current operational commitments and reach expected service life. Maintenance on systems requiring security clearances will be supported by ship's company, NSSA detachment personnel, and CONUS personnel on a case-by-case basis. Funding for the refurbishment of facilities to accommodate the NSSA detachment and other support personnel in Rota is included in the FY13 budget request.

*Question.* Will the ships homeported overseas be rotated back to the US for depot maintenance and upgrade periods?

Answer (LCS). Forward-stationed LCS Class ships will alternate between operating forward for half (16 months) of their 32-month operational cycle followed by operating from CONUS for the other half (16 months). LCS Class ships will conduct their depot maintenance availabilities and upgrade periods at CONUS facilities while they are in the 16-month CONUS half of their operating cycle.

Answer (DDG). DDGs homeported in Rota, Spain will remain in country for all required maintenance with the exception of mid-life maintenance and modernization availabilities. For the mid-life availabilities, the ships will return to CONUS with a replacement ship sent to Rota.

FORWARD DEPLOYED PERSONNEL MANNING

*Question.* Concerning different ship manning formulas, I understand the manning rotation for LCS ships deployed in the PACOM theatre will not align to the conventional one ship, one crew formula. For example, SSBNs cycle two crews for one ballistic missile submarine and there will be 3 crews for every 2 LCS ships deployed to the PACOM theatre.

Please explain the crew rotation of ships stationed overseas. For example, will the ships stationed at Rota, Spain mirror one of these manning formulas?

Answer. DDGs stationed in Rota, Spain are forward deployed naval forces (FDNF) and will be manned with single crews, not rotational crews. Navy recently initiated a study on the benefits and costs of expanding the use of rotational crewing, and results will inform future decisions. LCS will be forward stationed and manned under the 3:2:1 construct which is three crews for every two ships, with one deployed at any given time.

*Question.* Do you intend to use a similar LCS manning formula for the LCS ships stationed in the East Coast, West Coast, and overseas?

Answer. Yes. The entire Littoral Combat Ship class, regardless of homeport or primary area of operations, will be manned under the 3:2:1 construct

*Question.* In August 2011, the Administration announced a $510 million Memorandum of Understanding (MOU) between the Secretaries of Energy, Navy, and Agriculture to assist the deployment of advanced drop-in hydrocarbon biofuels that can meet Department of Defense specifications and power both military and commercial transportation sectors.

Why are advanced, drop-in biofuels well-suited to meet military requirements?

Answer. Drop-in, advanced alternative fuels are well-suited to meet military demands because they can be handled and used in the exact same manner as the conventional petroleum-derived fuels that they replace. No modifications or additions to infrastructure or tactical platforms are needed and no changes in operational procedures or platform performance occur. Therefore, the operator is free to conduct the mission with no concern of special characteristics or considerations that must be given to the fuel used, and the Navy does not have to spend additional efforts and funds on new or different infrastructure to handle these fuels. Developing domestic alternative fuel sources increases the security of our supply and reduces our vulnerability to price shocks. For every dollar rise in the price of a barrel of oil the Navy's fuel bill rises by $30 million. Last year when the situation in Libya started the price of oil increased by $38 a barrel or a one billion dollar increase to the Navy.

*Question.* Last year, the Department put out a Request for Information (RFD around this initiative, seeking detail from industry about its ability to deliver safe, effective, and cost-competitive advanced biofuels for military use. I understand the Department received over 100 responses to this RFI.

What has the Department learned from these responses? Do the responses indicate that the initiative is likely to be a success in deploying advanced biofuels plants and refineries?

Answer. The DON did indeed receive over 100 responses to the RFI. What was learned was the extent of the options available in terms of regional feedstocks and various pathways (i.e., thermochemical, biochemical, hybrid) that are ready to be

placed into commercial-scale production in many different locations across all US territories and protectorates. There are certainly more viable, commercial-scale approaches than the effort will have funding to see to fruition. The DON expects that if it can implement the DPA Title III effort, there will be multiple integrated biorefineries that will produce fuels for the DON at commercial scale at prices competitive with petroleum.

However, the ability to enter into longer-term contracts than the current limitation of five years with the ability to pay for the fuels delivered from the year's budget corresponding to the year in which the fuels were delivered, would greatly enhance the ability to grow the industry. Such provisions would be a boon for the industry, as it would enable financing to be secured on commercial-scale would be a boon for the industry, as it would enable financing to be secured on commercial-scale alternative fuel projects, and a benefit for the DOD, as driving down the capital that must be recouped in a given contract year will decrease the prices paid for fuels produced from these efforts.

*Question.* In FY12, Congress added $150 million above the budget request for Defense Production Act Title III initiatives. When and how will the Department determine how this funding will be allocated?

Answer. Discussions are still being held by Department of Navy and Department of Defense on the exact funding levels and the timeline for the allocation of those funds.

*Question.* The FY13 budget request includes $70 million DPA funding for advanced drop-in biofuels production. Does the Department believe this request, in addition to funding that may be available in FY12, will fully meet the DoD's portion of funding under the MOU or will additional funding be requested in subsequent years?

Answer. If the $100 million that was intended to go to the FY12 DPA Title III efforts were to be combined with the intended $70 million in the FY13 budgets, this would comprise the full DON commitment of $170 million to the DPA Title III program.

*Question.* Does the Department intend to release a Broad Agency Announcement or a Request for a Proposal for this initiative in FY12, and if so, when can we anticipate that will occur?

Answer. An industry forum is tentatively planned for May 18, 2012. Feedback from this forum will help craft the eventual BAA which should be released summer 2012.

## ENLISTED RETENTION BOARDS

*Question.* As a means to reduce overmanned ratings, rebalance the enlisted force, and improve advancement across all ratings, the Navy conducted an Enlisted Retention board (ERB). The results of the board were released at the end of 2011 and nearly 3,000 sailors were told they had to separate from the Navy by September 1, 2012.

How did you decide on the number of 16,000 sailors for the initial review and how did you decide on the number 3,000 sailors for separation?

Answer. Record high retention and low attrition over the past few years resulted in an uneven distribution of manning across Navy skills and specialties. The Navy recognized a need for additional force management tools to assist in rebalancing the force. The Enlisted Retention Board (ERB), established by the Secretary of the Navy, was designed to rebalance the force in terms of seniority, experience and skills in a performance-based process. We focused on ratings overmanned at greater than 103 percent, and targeted the board for Sailors with more than 7, and less than 15 years of service. These criteria yielded a review of 16,000 Sailors. Based on our analysis that was conducted at the year group level, we determined that approximately 13,000 Sailors in these ratings and years of service needed to be retained for future community health.

*Question.* Will the ERB be used again? Did you reach your goal?

Answer. The ERB achieved the desired balance in our overmanned ratings. The Navy currently anticipates only six of the original 31 ratings evaluated by the ERB will be overmanned at the end of FY12. Based on what we know now, we will not need to hold another ERB in Fiscal Year 2013 or 2014. Navy will continue to update and review our force management actions with a focus on obtaining the right balance of seniority, skills and experience to meet our mission, now and into the future.

*Question.* Did you intend to provide specifics as to why sailors were separated to Commanding Officers as a means to educate Commands and prevent the loss of valuable sailors in the future?

Answer. Deliberative information from selection boards is not releasable.

*Question.* If ERB is used in the future, will you apply feedback attained from this ERB to minimize the backlash of negative responses you have received as a result of this process?

Answer. There has been a wide range of feedback received, some negative but also some positive. Like any new process in the Navy, the feedback will be used to improve execution in the future.

[CLERK'S NOTE.—End of questions submitted by Mr. Crenshaw. Questions submitted by Mr. Calvert and the answers thereto follow:]

USMC FORCE REDUCTIONS

*Question.* The fiscal year 13 budget proposes to immediately cut 4,800 Marines and shift all of the manpower costs for 15,200 other Marines into the Overseas Contingency Operations (OCO) fund for the fiscal year. Please explain how you will identify and cut that many Marines without hurting the Corps.

Answer. Marine Corps endstrength reductions have resulted from right-sizing the Marine Corps to meet the anticipated security environment after the drawdown in Afghanistan and to address the impacts of the Budget Control Act on Department of Defense budgets. The force funded in the 2013 budget is fully capable of executing all assigned missions in the new strategic guidance and is optimized for forward-presence, engagement, and rapid crisis response. It balances capacity and capabilities while maintaining the high level of readiness on which the Nation relies.

In order to ensure a measured drawdown and simultaneously keep faith with our Marines, the Marine Corps will make maximum use of voluntary measures such as natural attrition and early separation/retirement authorities. Additionally, the Commandant of the Marine Corps (CMC) approved the use of several force shaping tools to reduce Marine Corps end strength by approximately 5,000 Marines per year beginning in FY 2013. These include:

—Early discharge authority

—Voluntary separation pay

—Involuntary separations through Selective Early Retirement Boards (SERBs) for senior officers (05 & 06) and Enlisted Career Force Controls

The Marine Corps does not plan on using a reduction-in-force and will minimize the use of involuntary separations such as SERBs.

This enduring strength level and force structure ensures that the Marine Corps retains the necessary level of non commissioned officer and field grade officer experience and war-fighting enablers to support the future security environment. The Marine Corps drawdown plan ensures the Marine Corps remains the Nation's expeditionary force in readiness while simultaneously keeping faith with our Marines and their families who have excelled during the last ten years of combat operations.

*Question.* Also, in the past, OCO funds were only used to pay the increased incremental costs per Marine, caused by deployments. Why has the Marine Corps changed its accounting and moved the entire cost into OCO?

Answer. The reduction in Marine Corps active end strength in the FY 2013 budget request is directly tied to the Department's new strategic guidance released in January 2012 and the fiscal realities represented by the Budget Control Act of 2011. The new strategic guidance emphasizes a smaller and leaner force that will no longer be sized to support long-term stability operations that have dominated the past decade. The enduring active duty end strength required for the Marine Corps to support the new strategy is 182,100.

The Marine Corps grew by approximately 27,000 Marines in order to meet the demands of Operations Enduring Freedom and Iraqi Freedom (OEF/OIF) and is now in the process of reducing end strength to reach an optimal number of Marines that will be required to execute the USMC's mission as outlined in the strategic guidance. Under the OCO funding criteria established by the Office of Management and Budget (OMB), the Department must fund all permanent end strength in the base budget; with the move to the new strategy and the Marine Corps' commensurate reduction to 182,100 Marines, end strength above 182,100 is now considered to be temporary end strength and as such, has been requested in the OCO budget.

This overstrength must be maintained through the end of FY16 to allow the Marine Corps to simultaneously support its forward presence mission, combat operations in support of OEF, Combatant Commander requirements, and ensure that it keeps faith with its Marines.

STRIKE FIGHTER SHORTFALL

*Question.* Last year, the Navy testified that it had a 65 aircraft shortfall. What is the shortfall this year and how was that number calculated?

Answer. The PB–13 Strike Fighter Shortfall is predicted to peak at 56 aircraft in 2025 and remain below 65 through 2028. The Navy will continue to mitigate Strike Fighter sustainment issue through the implementation of management and supply initiatives including the accelerated transition of Legacy Hornet squadrons into Super Hornets and the service life extension of 150 Legacy Hornets. The change in our Strike Fighter inventory projections from FY 2012 to FY 2013 is attributable to a substantial decrease in Hornet historical 5-year utilization rates and the proposed reduction in USMC TACAIR force structure to 20 squadrons (18 act/2 res) instead of 24. The Strike Fighter Shortfall is calculated using the NAVAIR Inventory Forecasting Tool (IFT). The IFT was updated to version 20 and primarily incorporated significant changes in F/A–18A-D utilization rates and USMC transition plans. The IFT uses a historic 5 year average of utilization rates—flight hours, landings, CATS/TRAPS, FLE, etc.—and assumes that average rate across future years: The 5 year historic utilization rates dropped significantly from IFT v19 to the latest IFT v20.

*Question.* How much risk is associated with the fiscal year 13 shortfall?

Answer. The FY13 Strike Fighter shortfall represents an acceptable level of risk with anticipated global demand for forces and planned investments in procurement and sustainment.

NEXT GENERATION ENTERPRISE NETWORK (NGEN)

*Question.* The DON has launched its NGEN program to replace the Navy-Marine Corps Intranet (NMCI) program. This is basically the intranet for the Navy and Marine Corps. Has the Department decided whether the NGEN will simply build upon the existing NMCI with a wider operation area or is the NGEN supposed to be an entirely new system?

Answer. NGEN is not a new system, but rather the follow-on to the Navy Marine Corps Intranet (NMCI), and will provide secure, comprehensive, end-to-end information services through a common computing and communication environment to USN and USMC military, civilian, and contractor users. It is a non-developmental program that shifts the operating model from a Contractor Owner/Contractor Operated (CO/CO) to a Government Owner/Contractor Operated (GO/CO) for the USN and to a Government Owner/Government Operated (GO/GO) for the USMC. NGEN Increment 1 includes the existing NMCI network and services, along with additional requirements for increased Government Command and Control (C2), enhanced Information Assurance (IA) and Government ownership of the network infrastructure.

*Question.* If the latter, has the Department adequately defined what future capabilities it is seeking in the NGEN?

Answer. NGEN is not a new system; however, the NGEN Request for Proposal (RFP) was structured to provide flexibility and incentivize evolution, innovation and cost reduction.

*Question.* Is the Department planning to select the NGEN contractor with the lowest-price, technically acceptable (LPTA) bid?

Answer. The current strategy is to competitively select either one or two vendors for the two main segments of the network (Transport and Enterprise Services) using a Lowest Price Technically Acceptable (LPTA) source selection; a best value determination in accordance with Federal Acquisition Regulation (FAR) Part 15.101–2. This approach for NGEN has been endorsed as appropriate at the OSD level via a robust oversight process that included multiple Overarching Integrated Product Team (OIPT), OSD Peer and Milestone Decision Authority (MDA) reviews.

*Question.* If so, please explain why the Department believes this is a better contracting vehicle than best value.

Answer. Lowest Price Technically Acceptable (LPTA) is a best value source selection method in accordance with Federal Acquisition Regulation (FAR) Part 15.101–2.

LPTA is considered appropriate when the requirement is well defined, price control is paramount, and the risk of non-performance is low. The performance requirement for NGEN is NMCI as it performed on September 30, 2010. It is well understood. The technologies integral to NGEN are widely used Commercial-off-the-Shelf (COTS) technologies. As the network operates today, there is no development under NGEN. The major change requirements are for increased Government Command and Control (C2), enhanced Information Assurance (IA) and Government ownership of the network infrastructure; there are no significant changes in the technology required or how the Contractor executes the contract. Finally, the DON has deter-

mined that there are no clear discriminators for which the Government would be willing to pay more, and, given that there are several companies that are capable of delivering this service in accordance with the DON's requirements, price was determined to be the overriding factor.

[CLERK'S NOTE.—End of questions submitted by Mr. Calvert. Questions submitted by Mr. Bonner and the answers thereto follow.]

LITTORAL COMBAT SHIP MISSION MODULES

*Question.* It is my understanding that the issues relating to the mission modules, currently controlled by the mission module integrator, have delayed sea trial for the LCS. These delays impact total program ownership and are out of the control of the single party who has the most to lose, the shipbuilder.

Has the Navy considered any options to mitigate the impact of these delays on the shipbuilders?

Answer. Littoral Combat Ship (LCS) Mission Package schedules have no direct link to the builder's sea trials. Builder's trials test the vessel's propulsion, communications, navigation and core mission systems, as well as all related support systems prior to Navy acceptance trials. LCS is not tested with a mission package during sea trials, as sea trials are ship-focused and do not depend on embarking a mission package for scheduling or completion. The development concept for LCS mission modules is to integrate existing military systems, either fielded or in the acquisition process, into a System of Systems (SOS). Operational utility is not fully evaluated until the individual components are tested as a SOS in LCS. PEO LCS has aligned Developmental Testing (DT) and Initial Operational Testing and Evaluation (IOT&E) for various systems to occur simultaneously with mission package DT and IOT&E to better streamline and synchronize the mission package testing on LCS.

In July 2011, NAVSEA consolidated all aspects of the LCS program under PEO LCS, focused entirely on delivering the complete LCS program. PEO LCS provides a single program executive responsible for acquiring and maintaining the littoral mission capabilities of the LCS Class from end to end, beginning with procurement, and ending with fleet employment and sustainment. These include programs in support of Mine Warfare, Littoral Combat Ship Mission Modules, Unmanned Maritime Systems, and Fleet Introduction, Test & Evaluation, In-Service Support.

*Question.* Given the fact that the LCS 1 deploys in October of this year, when are you planning to get the mission package out there and which one do you anticipate it will be?

Answer. There are no plans to deploy LCS 1 in October of this year. When LCS does deploy, it will do so with the mission package needed to support the Combatant Commander's mission, Currently, two Surface Warfare (SUW) and two Mine Countermeasures (MCM) mission modules are in Navy inventory. The first ASW mission module delivered to the Navy will not count toward final ASW mission module inventory in lieu of upgraded capabilities that will be included in an Increment 2 ASW mission module currently under development. The LCS mission packages will be operationally deployable when they reach Initial Operating Capability (IOC) on LCS. The completion of IOT&E marks the point at which the mission package has demonstrated IOC—that it meets specified capability requirements and could be effectively employed to provide its primary warfare capabilities. To achieve IOC, one LCS seaframe with a mission package operated by adequately trained personnel and supported by the necessary infrastructure and logistics is required.

The planned IOCs of the SUW, MCM, and ASW mission packages are FY13, FY14, and FY16 respectively. If LCS is deployed earlier than the planned IOC of the required mission package, that deploying mission package would most likely be tested through a quick reaction assessment (QRA) to support rapid deployment and early operational capability of the ship for overseas operations.

LITTORAL COMBAT SHIP SURVIVABILITY

*Question.* Recently I've read press reports regarding concerns over the survivability of the LCS platform in area denial environments such as the Persian Gulf. Clearly, the LCS has a reputation problem right now and the periodic battering by the press continues to raise concern for all parties involved.

Can you comment on the LCS mission and how these vessels would interact with other vessels in the fleet as they work to accomplish their mission, specifically in environments like the Strait of Hormuz and the South China Sea?

Answer. LCS is designed to meet Joint Requirement Oversight Council (JROC) approved operational requirements in the littorals, and the likely challenges to be encountered in this environment to include: shallow water, congested sea and air space, and difficult acoustic and atmospheric conditions. LCS' role is to prepare the operational environment for the joint force and assure access to critical littoral regions by independently conducting mine countermeasures, antisubmarine warfare, and surface warfare operations.

The LCS employment concept calls for each ship to have operational and self-defense capabilities, with the ability to quickly adapt to specialized warfare missions by embarking a mission package to support focused operations. LCS is employed to address the global demand signals of the combatant commanders to ensure timely joint force access to critical littoral regions in the mission areas of Mine Countermeasures (MCM), Surface Warfare (SUW) or Anti-Submarine Warfare (ASW). LCS will be configured as required by the operational commander and is able to conduct missions such as Freedom of Navigation (FON) operations, Theater Security Cooperation (TSC) operations, Maritime law enforcement operations (LEO), Maritime counter piracy operations and Search and rescue operations.

LCS is designed and built to operate in environments near the coastline. The LCS fills critical gaps in mine warfare and provides advanced capabilities to ensure our Fleet can safely access the littorals. LCS also provides a wide array of capabilities for Surface Warfare including defending against small boat threats, performing Maritime Domain Awareness (MDA) patrols, and as a platform for Maritime Security Operations (MSO). Lastly, the ASW mission package will provide improved capability against diesel submarine threats. The LCS will be a cornerstone of our fleet over the coming decades with its rapid ability to reconfigure, wide range of capability, speed and agility that assure access to littorals for the Carrier Strike Group and Expeditionary Strike Group (ESG).

JOINT HIGH SPEED VESSEL PROCUREMENT REDUCTION

*Question.* With an expansive cargo bay of some 20,000 square feet, JHSV can move 600 tons of cargo at over 35 knots, carrying over 300 combat-ready troops. When compared to conventional sealift and airlift, JHSV is more efficient and more affordable. As we draw down our forces in the Middle East and Afghanistan, we strengthen our focus on the Asia-Pacific region; a large area of the globe characterized by huge expanses of ocean and small, disconnected islands. At this same time, the Navy is reducing the number of JHSVs in the FYDP by eight.

What is the Navy's plan to fill the vital gap in lift capability that would otherwise be provided by JHSVs?

Answer. The Combatant Commander (COCOM) requirements for Joint high speed intratheater lift, maneuver and sustainment in support of major combat operations and contingencies and for peacetime intra-theater movement and other seabasing support will be supported by the JHSV. Our CONOPS modification in our FY12 budget submission to operate 50% more of the year using a Military Sealift Command crew reduced the number of JHSVs required from 21 to 16. The recent strategic review concluded 9 JHSVs would meet the minimum requirement. Further analysis of requirements validated that 10 JHSVs will more than meet needs.

*Question.* With our renewed focus on tightening our budget, including limiting our energy usage, how can we justify continued use of expensive, inefficient airlifters for everyday operations?

Answer. Airlifters and ships, such as JHSV, typically serve different mission requirements. Airlifters are used for more time-sensitive missions. Although ships are effective in transporting large quantities of cargo, they cannot always meet the mission timelines required for some of these more time-sensitive missions. A proper mix of capabilities is needed to best balance war-fighting risk across the full range of potential military operations.

*Question.* I also understand the crew size of the HSV to be less than 30 persons, a significant reduction over current crew sizes for similarly sized platforms. At approximately $160M per ship, the Navy could buy 10 JHSVs for the price of one DDG. When compared with other platforms, HSV has an excellent acquisition price, has a lower projected life cycle cost and it provides increased flexibility for the military when executing missions.

Can you explain the logic behind delaying acquisition of an affordable and capable vessel that meets deployment mission requirements and helps achieve our desired fleet numbers?

Answer. To accomplish the broad range of missions assigned to the Navy within the challenging fiscal constraints set by the Budget Control Act of 2011, the Navy's plan for ship procurement is designed to achieve the capabilities and capacities

needed to best balance war-fighting risk across the full range of potential military operations. The proper mix of capabilities is a more important factor than ship-count alone in order to achieve naval supremacy across a wide range of possible contingencies and deployment missions—intra-theater lift and theater security cooperation are just two requirements out of many. Therefore, comparing cost and quantity of a relatively cheaper ship with a smaller crew and an extremely limited set of missions against the cost of a multi-mission, front-line combatant in isolation is not relevant in the context of the total force. The Navy buys multi-mission combatants for very specific missions—we procure JHSV for a very specific mission set as well. These mission sets are fundamentally different and cannot be traded across ship types.

LITTORAL COMBAT SHIP MANNING

*Question.* The LCS is planned to be minimally manned by small, experienced crews. Berthing is limited, and many of the perks that exist on a larger ship do not exist on the LCS. It was this Committee's understanding that all crewmembers would have experienced at least one deployment prior to joining the LCS crew and that no junior officers or first term enlisted sailors would be eligible to join the LCS crew. Opportunities to train sailors are not available on the LCS and, because of its minimal manning requirements, the entire crew must be capable of performing a variety of tasks.

I understand that the LCS was offered as an option for six Naval Academy midshipmen during the ship selection process for the class of 2012 scheduled to graduate this May. Has the Navy changed its manning policy for the LCS?

Answer. LCS will continue to be manned by experienced Officers and Sailors. The 12 Ensigns (six USNA, six ROTC) selected this year are part of a pilot program on four LCS crews (three Ensigns per crew) to assess the benefits, costs and challenges associated with integrating junior Officers into the crews should the decision to do so be made in the future. The Ensigns assigned as part of this pilot program are not replacing more senior Officers assigned to LCS crews.

*Question.* Will the newly commissioned junior officers and first term enlisted personnel be permitted to serve on the crews of the LCS?

Answer. The pilot program incorporates 12 Ensigns into four LCS crews (three Ensigns per crew) to assess potential benefits, costs and challenges associated with integrating junior Officers into the crews. The program does not include enlisted personnel.

*Question.* Are there concerns regarding the lack of training opportunities and experience level for these sailors aboard these ships?

Answer. These Ensigns will be in addition to planned LCS manning as a pilot project to broaden the pool of Officers with LCS experience. The LCS training construct relies heavily on shore-based training for qualification and, to a lesser degree, certification of all crew members. The off-ship training opportunities are intended to provide all crewmembers, including junior Officers, with sufficient training to be fully qualified and able contributors when on-ship.

*Question.* Part of the rationale for manning the ship with more experienced Sailors was that they would be better equipped to handle the long hours and multiple responsibilities without having to devote as much time to initial training and qualification as would be required on a more traditional surface combatant. Please explain what drove the decision to change this policy.

Answer. There have been no changes to LCS manning policy. The 12 Ensigns selected this year are part of a pilot program on four LCS crews (three Ensigns per crew) to assess the potential of integrating junior Officers into the crews. The Ensigns assigned as part of this pilot program are not replacing more senior Officers assigned to LCS crews.

*Question.* Are there going to be other changes regarding manning of the LCS appearing in the near future?

Answer. As with all programs, Navy will continue to evaluate all aspects of the LCS program and make revisions as necessary to ensure operational "success.

[CLERK'S NOTE.—End of questions submitted by Mr. Bonner. Questions submitted by Mr. Moran and the answers thereto follow:]

DDG–51 FLIGHT IIA AND FLIGHT III

*Question.* Flight IIA of the recently restarted DDG–51 production line will have a significantly upgraded Aegis Combat System capability that for the first time will

provide limited integrated air and missile defense capabilities. However, software delays have delayed testing, and may impact the Navy's schedule. According to the GAO's report entitled, "Additional Analysis and Oversight Required to Support the Navy's Future Surface Combatant Plans," once the Flight IIA retrofit is installed on DDG 53, the Navy will certify that the upgraded Aegis system is mission ready without validating with live ballistic and cruise missile targets that it can perform the Integrated Air and Missile Defense mission.

Why would the Navy certify a major upgrade to the Aegis system is "combat ready" without testing the system's ability to perform both air and ballistic missile defense?

Answer. The AEGIS Combat System Advanced Capability Build (ACB) 12 or AEGIS Baseline 9 software development is proceeding as scheduled. The Navy and the Missile Defense Agency (MDA) are working closely together to validate Integrated Air Missile Defense (IAMD) capabilities with combined live ballistic and cruise missile tests. All IAMD tests will be performed prior to combat system certification (3rd Qtr FY2015) and deployment of the first AEGIS Baseline 9 Destroyer. The current IAMD test plan includes two tracking events and two live fire events to be completed by 1st Qtr FY2015. In addition to conducting live IAMD testing in conjunction with MDA, the Navy has developed a rigorous Developmental Test (DT) program that stresses the performance of AEGIS Baseline 9 IAMD capability. Prior to installing AEGIS Baseline 9 onboard ships, several thousand hours of testing will be performed at government and contractor land based test sites (LBTS) to gain an early look at AEGIS Baseline 9 functionality and performance. Throughout the at sea DT period, the Navy will conduct thirteen live fire cruise missile events and more than seven hundred simulated missile exercise events. Modeling and Simulation (M&S) will also be utilized to define the entire battle space.

Note: NAVSEA is working with the U.S. Fleet Forces Command to enable the use of DDG 53 as the Developmental Test (DT) and Operational Test (OT) ship and it will be able to remain in an uncertified, but deployment ready, status throughout system certification. The scope delta between the IAMD DDG with a SPY–1D radar and new construction IAMD DDG with a SPY–1D(V) radar baselines is very small.

*Question.* For Flight III of the DDG–51 restart, the Navy will spend at least $2.2 billion developing a new Air and Missile Defense Radar (AMDR). According to the GAO, the development and integration of the AMDR on DDG–51 ships "faces significant technical challenges that may be difficult to overcome within the Navy's schedule. . .[further] a Navy red team assessment found that the introduction of AMDR on DDG–51 leads to significant risks in the ship's design and a reduced future capacity and could result in design and construction delays and cost growth on the lead ship."

Given that the DDG–51 is the Navy's primary surface combatant, what assurances can the Navy provide to this Subcommittee that the Flight III upgrade will proceed as planned?

Answer. As has been done previously in the DDG 51 program, the DDG 51 Multiyear Procurement (MYP) will include nine Flight HA destroyers, with the Flight III capability introduced in FY 2016 as an Engineering Change Proposal (ECP). Introducing the Flight HI design by an ECP allows for maximum flexibility and ensures the lowest risk in introducing the Air and Missile Defense Radar (AMDR). Both the DDG 51 program and the AMDR development may proceed without introducing substantial risk to either effort and allow for ADMR or Flight III capability when the design is fully matured and ready for fielding. The Navy intends to compete the nine ship DDG 51 MYP in FY 2012 for a FY 2013 award. In conjunction, the Navy will continue development of AMDR by awarding an AMDR Engineering and Manufacturing Development (EMD) contract in FY 2013 and will subsequently begin conducting preliminary and contract design for the Flight III in FY 2012–2015. This timeline allows the Navy to perform required engineering activities assuring ship design and service life allowances are adequately assessed. Further, the timeline allows for introduction of Flight III on the FY 2016 ship, as planned.

### VIRGINIA CLASS SUBMARINE MULTIYEAR PROCUREMENT

*Question.* Today the Navy buys two VA class submarines per year in order to reap efficiencies from the two remaining submarine shipyards. The result has been hundreds of millions of dollars in cost avoidance. In its Fiscal Year 2012 shipbuilding plan, the Navy planned to build 2 of these submarines in FY14. That has apparently been modified, so that one of the FY14 submarines will now be procured in FY18. While I understand the total number of submarines to be procured in the Block 4 Multiyear Procurement will not change, I am nonetheless concerned about the industrial base impacts of this deferral.

Has the navy reviewed the possible impacts resulting from the deferral on the 2 construction yards?

Answer. Yes. While maintaining procurement at 2 submarines per year is the most cost effective way to ensure stability within the submarine vendor base, the FY13 budget request represents the best balance of resources and requirements within budget constraints. The deferral of the second FY14 ship will create some industrial base instability and loss of efficiency.

*Question.* Has the Navy determined its decision will increase the overall cost of the program?

Answer. Yes. The decision to defer the second FY14 submarine will increase overall program cost, largely due to inflation and loss of efficiency.

*Question.* To restore funding for the 2nd FY14 VA class submarine, how much funding would be required in FY13?

Answer. To restore the second FY14 ship and sustain VIRGINIA-class submarine procurement at 2 per year would require an additional $778 million of Advance Procurement in FY13.

## NGEN Acquisition Strategy

*Question.* The Navy has designated the NGEN program as the successor to its NMCI desktop to warfighter Information Technology Network. Under the current acquisition strategy, the Navy is expected to release a Request for Proposal (RFP) using a low bid technical pass/fail contracting method for NGEN. There is concern that using this strategy on a program as complex as NGEN will result in serious consideration being given only to bids with the lowest price, eliminating important flexibility for evaluating risk and DoN total cost of operation and ownership.

The Navy's own procurement guidelines on LPTA state that it should only be used for procurement of "non complex, low risk, clearly defined or routine requirements" and never used for acquisition of design or development efforts, software integration or professional services. Why isn't the use of LPTA for NGEN in conflict with these guidelines?

Answer. Lowest Price Technically Acceptable (LPTA) contracting is considered appropriate when the requirement is well defined, price control is paramount, and the risk of non-performance is low. The requirement for NGEN is a continuation of the Navy Marine Corps Intranet (NMCI) contract originally awarded in Oct 2000 and extended under the Continuity of Services Contract (CoSC). Thus, the network has been operational for nearly 12 years. The technologies integral to NGEN are well-defined Commercial-off-the-Shelf (COTS) technologies. There is no development under NGEN, so the risk of non-performance is low. Overall, the operational performance requirements for NGEN are very similar to those for NMCI. The only contractual requirement changes from NMCI 2010 to NGEN were for the increased government command and control (C2), enhanced Information Assurance (IA) and Government ownership of the network infrastructure; there are no significant changes in the technology required or how the contractor provides the services under the contract. The current strategy is to competitively select either one or two contractors for the two main segments of the network (Transport and Enterprise Services) using a LPTA source selection, a best value determination in accordance with Federal Acquisition Regulation (FAR) Part 15.101–2. This approach for NGEN has been endorsed as appropriate by the Office of the Secretary of Defense (OSD) via a robust oversight process that included multiple Overarching Integrated Product Team (01PT), OSD Peer and Milestone Decision Authority (MDA) reviews.

*Question.* Was LPTA one of the acquisition strategies evaluated in the Navy's Analysis of Alternatives (AoA) for NGEN?

Answer. No. The purpose of the AoA was to perform an analytical comparison of the operational effectiveness, suitability and life-cycle costs of acquisition alternatives to satisfy the DON's requirements for its enterprise network. LPTA is not an acquisition alternative but a source selection method that will be used to evaluate offerors' proposals.

*Question.* Please explain how the Navy determined using a low bid/technically acceptable acquisition strategy for NGEN was the best course. What were the overriding factors in this evaluation?

Answer. LPTA is considered appropriate when the requirement is well defined, price control is paramount, and the risk of non-performance is low. The performance requirement for NGEN is NMCI as it performed on September 30, 2010. It is well understood. As the network operates today, there is no development under NGEN. Finally, the technologies integral to NGEN are widely used COTS technologies.

*Question.* Has the Navy evaluated the impact of this acquisition strategy on forecasted network life-cycle costs?

Answer. Yes. The DON has completed and approved a Cost Analysis Requirements Description (CARD), Program Life Cycle Cost Estimate (PLCCE) and a Service Cost Position (SCP) for NGEN. An Economic Analysis (EA) has been drafted and is in the process of being reviewed for approval.

*Question.* What is the status of the Navy's most recent cost estimate for this program and how was this cost estimate validated?

Answer. SCP was completed by the Naval Center for Cost Analysis and approved by a DON Cost Review Board in October 2011. Both the SCP and the EA will be updated prior to acquisition Milestone C, which is anticipated in early Q1 FY 2013.

*Question.* What are the factors preventing the Navy from conducting a full tradeoff (best value) acquisition strategy for this program?

Answer. In FAR Part 15 there are two types of best value source selections; the tradeoff process and the LPTA approach. The tradeoff is appropriate when there are technical or programmatic discriminators for which the Government would be willing to pay a premium, or, in other words, pay more for more. The DON has determined that there are no clear discriminators for which the government would be willing to pay more, and, given that there are several companies that are capable of delivering this service in accordance with the DON's requirements, price was determined to be the overriding factor.

*Question.* Has the Navy conducted a risk analysis of the impact a segmented computer network may have on operational forces for both the Navy and Marine Corps?

Answer. It is not the computer network that is being segmented, it is the acquisition support to the network environment that is being segmented to increase competition, a lesson learned from NMCI. The DON has been clear that it will infuse government ownership and control to its network environment and will be the lead integrator for contractor actions in the environment. The strategy was subjected to a rigorous System Engineering Technical Review process prior to RFP development that analyzed technical risk. The Program Office developed extensive mitigation strategies, including Service Level Requirements (SLR) that define performance requirements. The Performance Work Statement clearly defines performance requirements for all services to be provided in NGEN. A comprehensive transition strategy has been developed that defines the required actions on the part of the government and the contractor and discretely sequences those actions with contract awards. The REP requires all offerors to submit a detailed transition approach with the proposal as well. The Program Office and DON's Network Operations authorities have developed a comprehensive Concept of Operations and are conducting a rigorous government operational readiness assessment that will identify any gaps in readiness and develop required mitigation strategies. Finally, the NGEN RFP contains award and incentive fees that incentivize the contractor to ensure performance is uninterrupted during transition and steady-state operations.

*Question.* Has the Navy considered that skilled personnel and industry innovation may be lacking from proposed bids if the acquisition strategy is based on the low bid and minimal technical ability? Isn't that being penny wise and pound foolish?

Answer. The DON considered various options in developing the RFP and considered LPTA as the best value for the Government. The NGEN strategy selected was designed to ensure uninterrupted operation of the network, sustainment of a strong security posture, increased Government operational control and robust competition. The RIP has been the product of a lengthy process involving substantial input from DON and DoD subject matter experts and incorporating over 10 years of experience with NMCI. The DON has also conducted significant market research to gain feedback from industry; this information exchange enabled the DON to establish appropriate benchmarks for determination of "technically acceptable" system performance by balancing industry's lessons learned and perspective against NGEN's goals and objectives. The NGEN requirements are well defined. The NGEN RFP is structured such that to be technically acceptable offerors must propose an approach that meets these requirements. Evaluation criteria for the proposed staffing plan and key personnel are specifically included to ensure adequately skilled personnel are proposed. Finally, the NGEN RIP includes multiple mechanisms to encourage industry innovation including a performance-based contracting approach, Award Fee provisions, and a shared savings clause.

[CLERK'S NOTE.—End of questions submitted by Mr. Moran. Questions submitted by Mr. Rothman and the answers thereto follow:]

SHIPBUILDING STRATEGY

*Question.* Since 1998, the Navy has requested approximately seven new construction ships per year. The fiscal year 2013 budget request averages about 8 ships per year through 2017. At the end of the day, constructing seven or eight ships per year will eventually result in a fleet of 210 to 240 ships. With the cost of construction on an upward trend, how can you realistically believe that the Navy's fleet will reach anywhere near 300 ships?

Answer. The overall size of the battle force begins a steady climb, reaching 300 ships by FY2019 with delivery of ships contracted over the last few budget cycles.

The Navy's shipbuilding strategy has three central objectives: (1) maintain required battle force capability to meet the national defense strategy, (2) balance needs against expected resources, and (3) maintain an adequate shipbuilding industrial base. The FY2013 President's Budget and the Future Years Defense Plan through FY2017 fully fund the construction of naval vessels within the FYDP. The Navy is continuing to employ acquisition reform and competitive pressure to our programs to deliver ships and ship systems at cost and on schedule. In the near-term planning period (FY2013–FY2022), the Department of the Navy continues to program ships within budget constraints to support missions outlined in the new defense strategy.

*Question.* In addition, these unpredictable shipbuilding plans are driving costs and inefficiencies into construction of Navy ships. Can you give the Subcommittee your thoughts on the impact of the FY13 shipbuilding budget on our shipbuilding industrial base?

Answer. The Navy's FY2013 shipbuilding plan supports an adequate shipbuilding industrial base. The Navy recognizes that level loading of ship procurement to help sustain minimum employment levels and skill retention promotes a healthy U.S. shipbuilding industrial base. Consequently the ship construction plan has been adjusted to reduce year-to-year budget fluctuations as much as possible while maintaining the best feasible procurement sequence to help stabilize shipyard loading.

An example is the procurement of the lead replacement Fleet Oiler (T–A0(X)) in FY2016. While this procurement schedule is slightly early for the need, it does support transition to a force of MARPOL compliant double-hull oilers at the earliest affordable opportunity and further increases sustainability and stability in the auxiliary sector of the shipbuilding industrial base.

In addition, through the use of fixed-price and Multi-Year Procurement (MYP) contracts the Navy allows for continuous, stable construction of ships and related combat system components in the FYDP. Cost stability, and greater shipyard, vendor, and Navy Field Activity efficiencies result from: level workloads, retention of skilled workforces, improved overhead planning, and capitalization of facilities. The MYP also permits economic order quantity procurement and the efficient production and delivery of materiel and services, which reduce the cost of material and labor.

MYP contracts are currently used to procure attack submarines, littoral combat ships, and joint high speed vessels and the Navy intends to use this strategy to procure 9 DDG 51 destroyers across the FYDP.

Taking all of this into account, I believe the Navy is doing all it can to control costs and introduce stability in shipbuilding. However, this effort requires a balanced industry-Navy approach. If we are going to maintain a stable demand signal, industry must also control their costs or we will be in an unwinnable tail-chase with costs spiraling higher and ship quantities being adjusted downward in response to those cost increases.

*Question.* Are you satisfied that the shipbuilding industrial base will be viable and capable of providing the types of ships necessary for the Navy's recapitalization over the next 10 years?

Answer. Yes. The shipbuilding plan effectively accounts for and supports both the anticipated Combatant Commander demands and those of the national shipbuilding design and industrial base to build and sustain tomorrow's Navy. In the near-term the Navy has a good understanding of requirements, costs and capabilities and the construction plan is based on actual contract costs or, at the least, well founded cost estimates based on this understanding. The Navy's construction plan assesses those costs to the greatest extent possible to ensure the industrial base remains evenly loaded and the workforce levels can be sustained at profitable levels within the individual shipyards. New construction will be funded consistent with balanced investment profiles and expected future budgets.

Beyond the near-term, the need to fund SSBN recapitalization will result in significant risk to the Navy's overall shipbuilding plan. If funding is not made available to support the procurement plan, a significantly constrained ship procurement profile will be necessary during the years in which the OHIO Replacement is pro-

grammed. This will cause a reduction in procurement of other ship types resulting in force level and industrial base impacts. If future funding becomes more constrained, the Navy will have to assess the impact of yard constriction or closure on the existing industrial base and the effect these changes would have on competition.

*Question.* Are there certain areas or types of ships that are more at risk than others?

Answer. Yes. During the years in which the OHIO Replacement Program is being procured, if funding is not made available to support the procurement plan, maintaining required levels of guided missile destroyers, attack submarines, and amphibious ships would be a challenge.

[CLERK'S NOTE.—End of questions submitted by Mr. Rothman.]

TUESDAY, MARCH 6, 2012.

# FISCAL YEAR 2013 AIR FORCE BUDGET OVERVIEW

**WITNESSES**

**HON. MICHAEL B. DONLEY, SECRETARY OF THE AIR FORCE**

**GENERAL NORTON A. SCHWARTZ, CHIEF OF STAFF, UNITED STATES AIR FORCE**

## OPENING STATEMENT OF CHAIRMAN YOUNG

Mr. YOUNG. The committee will come to order.

Mr. Secretary, General, good morning. Welcome to today's hearing on the fiscal year 2013 budget request for the United States Air Force. Pleased to welcome you back, Secretary Donley, General Schwartz. Neither of you are strangers to this committee. You know us, and we know you, and it is a good working relationship.

The Air Force's total fiscal year 2013 budget request for programs under this subcommittee's jurisdiction is $138.9 billion, a decrease of $3.9 billion from fiscal year 2012. The most notable aspect of this decrease is a $3 billion cut in procurement.

The main lesson of this year's budget request is that in the eyes of the Department of Defense, yesterday's vital requirement quickly became today's unaffordable luxury. The one-two punch of fiscal misery and lowered strategic expectations is clearly reflected in the Air Force's plan this year, and I would add that I think that many of us are somewhat concerned about this, and I suspect that both of you are, too, to whatever degree you can speak to that today.

The proposal before us envisions significant cuts in the tactical fighter and airlift fleets. It includes the termination of once-prized programs, such as the Global Hawk Block 30 and the C–27 Joint Cargo Aircraft. It leaves other programs and missions with an uncertain future.

Finally, this budget is full of implications for future base realignments and closures, and this committee is especially concerned by the impact all of the above will have on the Air National Guard, and I am sure you will have some interesting questions on that subject today.

And I am pleased to see that the Air Force is sticking by certain programs such as the new bomber and an improved combat rescue helicopter, but I do worry that even those programs could be delayed or terminated, with future decisions driven by short-term budget considerations.

I understand the dilemma the Air Force has. We are at the point where it is very difficult to achieve significant savings and maintain readiness without sacrificing some force structure, but we have to be extremely careful how we do this. At the same time, Congress has the final say through the power of the purse, and we

hope that the Air Force will work with us to consider any alternatives.

General Schwartz, Secretary Donley, thank you again for being with us today. Your written statements will be entered into the record, and you will summarize your statement any way that you like.

Now, before we turn to your remarks, let me turn to the famous Mr. Chairman Dicks, who surprised all of us this weekend by announcing that he would not run for reelection, and I would tell you that comes as a tremendous disappointment to this Member and this chairman, with whom Norm and I have worked 35 years together on very, very important issues.

So former chairman of this committee, Mr. Dicks, you are recognized.

OPENING REMARKS OF MR. DICKS

Mr. DICKS. Thank you, Mr. Chairman. I appreciate your kind remarks. I join Chairman Young in welcoming both Secretary Donley and General Schwartz before the committee. We extend our sincere thanks to both of you for many years of service and dedication to our Nation. We look forward to your testimony on the state of the Air Force and the fiscal year 2013 budget request.

You are testifying before the committee at a difficult time that places many often competing demands on the Air Force. The Budget Control Act requires Department-wide savings of $487 billion over the coming decade, including $60 billion in efficiencies above the levels incorporated in the budget under former Defense Secretary Gates.

Now, we recognize the Department will begin to implement significant changes in the strategy to address both the global security realities and the obvious financial challenges. We also recognize that the Air Force, like all the military services, will continue to conduct combat operations in Afghanistan for the next several years. We are interested in your approach to meet these many demands.

We understand that some recommendations in this budget will not be popular. Force structure recommendations, such as the retirement of seven tactical aviation squadrons and rebalancing the mix of Active Guard and Reserve components, have drawn strong reactions. I expect you are aware of the States' reaction to proposed reductions to the Guard and Reserve. We are most interested in your testimony on these matters.

We are looking forward to hearing your views on major acquisition programs. We are aware that some programs have been stretched out over time. For example, the Joint Strike Fighter program has been restructured; 13 aircraft once planned for fiscal year 2013 have been deferred as well as 179 aircraft over the FYDP. We understand that deferring these aircraft will generate over $15 billion in savings across the 5-year defense program.

We also want to hear about the program's technical progress and how you are managing the issue of concurrency. We understand some programs have been cancelled; the Global Hawk Block 30, joint common airlifter, C–130 Avionics Modernization Program are

primary examples. We want to hear your views on the analysis that led to these decisions.

Now, I must tell you, putting the Global Hawk in a hangar is not acceptable to this Member. I think we have got to find somewhere—either it is NATO, SOCOM, the Navy, or somewhere—to use these Global Hawks. The idea that we would spend all this money to buy them and then put them in a hangar is just not acceptable. It does not mean we do not support your decision, but it says we have got to find a way to use these aircraft, and intelligence, reconnaissance and surveillance is a high national priority. So if the Air Force is not going to use them, we have got to find a home for them.

We also want to hear your views on investments in the fiscal year 2013 request, and over the FYDP we also—that will allow the United States to maintain our technological edge over our rivals and adversaries, for the programs represent key future capabilities. We want to hear your assessment of progress and risks concerning technical, schedule, and cost matters.

And, you know, one of the big issues that we are facing is cybersecurity, and we want to know what part of the budget of $18 billion over the FYDP for cybersecurity is the Air Force playing a role in. And we are obviously supporting you on the tanker, the new bomber, and space program.

So we look forward to hearing your testimony, and I want to thank you all for your years of service and for working with us in a very responsible way.

Thank you, Mr. Chairman.

Mr. YOUNG. Okay, Mr. Dicks, thank you very much, sir.

And I would like to at this point present for the record—I will not read the letters, but letters from—signed by 50 Governors and another letter signed by 50 TAGs, and I am going to present this to the record. They are somewhat critical of the cuts required by this budget for the Air National Guard.

[The information follows:]

NATIONAL GOVERNORS ASSOCIATION

Dave Heineman
Governor of Nebraska
Chair

Jack Markell
Governor of Delaware
Vice Chair

Dan Crippen
Executive Director

February 26, 2012

The Honorable Leon Panetta
Secretary
U.S. Department of Defense
The Pentagon
Washington, D.C. 20301

Dear Secretary Panetta:

We, the nation's governors, strongly oppose the disproportionate cuts facing the Air National Guard as part of the U.S. Air Force's fiscal 2013 budget request.

Over the past decade our National Guard has evolved into a cost-effective operational force that is critical to our national security and our ability to respond to domestic emergencies. The Air Guard provides 35 percent of the U.S. Air Force's capability for six percent of the budget. It performs a variety of domestic missions, including transporting vital personnel, equipment and supplies during emergencies and assisting in daily drug interdiction operations.

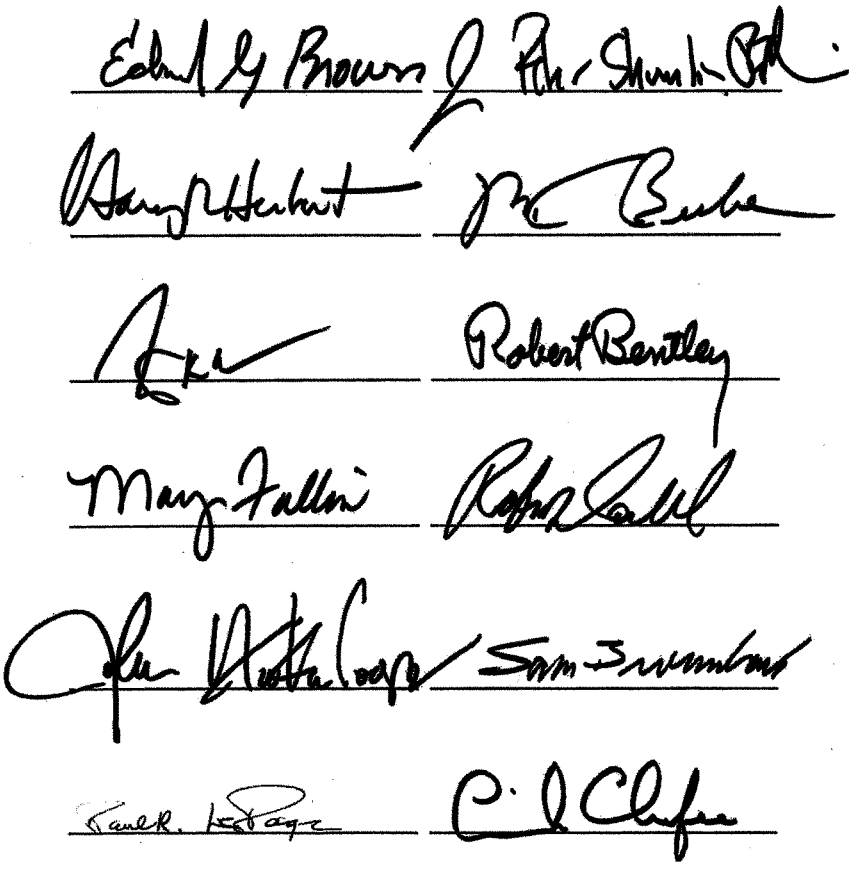
As Commanders-in-Chief, we appreciate the need to reorganize, restructure and modernize the military to meet new threats and economic realities. We also understand the need for cost-effective means to achieve these goals. Given these realities, we must oppose the proposal that the Air National Guard absorb 59 percent of the total aircraft budget reductions and approximately six times the per capita personnel reductions.

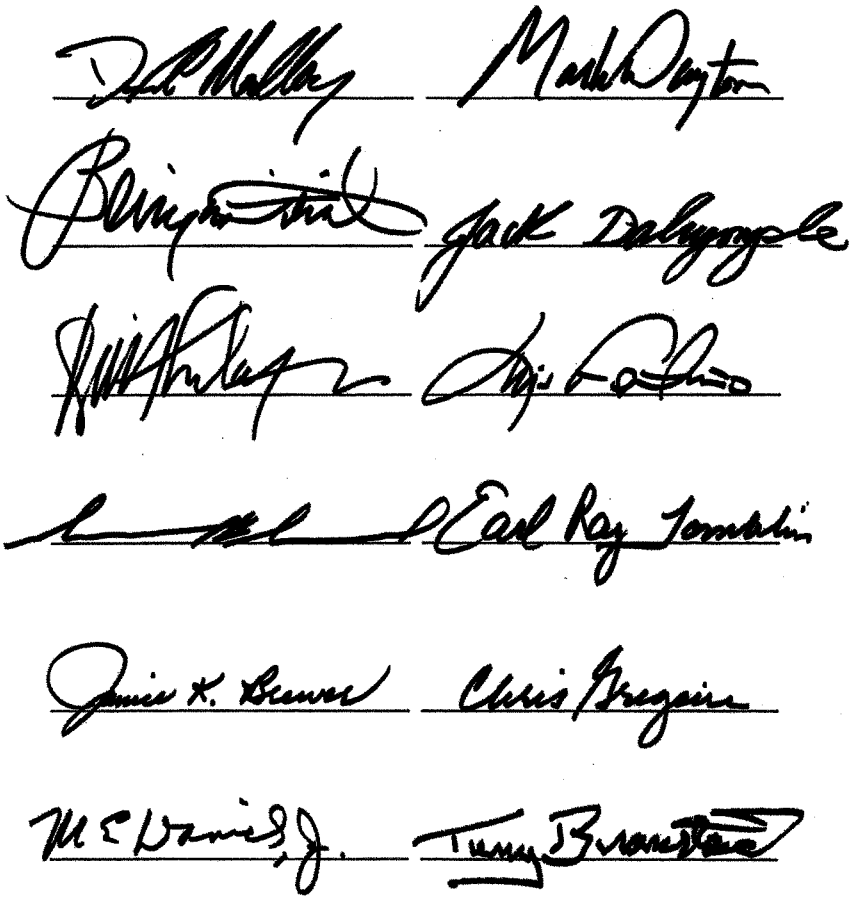
Governors are extremely proud of the role that the National Guard plays in protecting this nation and its citizens. The National Guard is a highly experienced and capable force and an essential state partner in responding to domestic disasters and emergencies. We respectfully request that the Department of Defense reconsider any proposed Air Guard force or equipment reductions and that you work with governors to fashion solutions that best serve the interests of this nation.

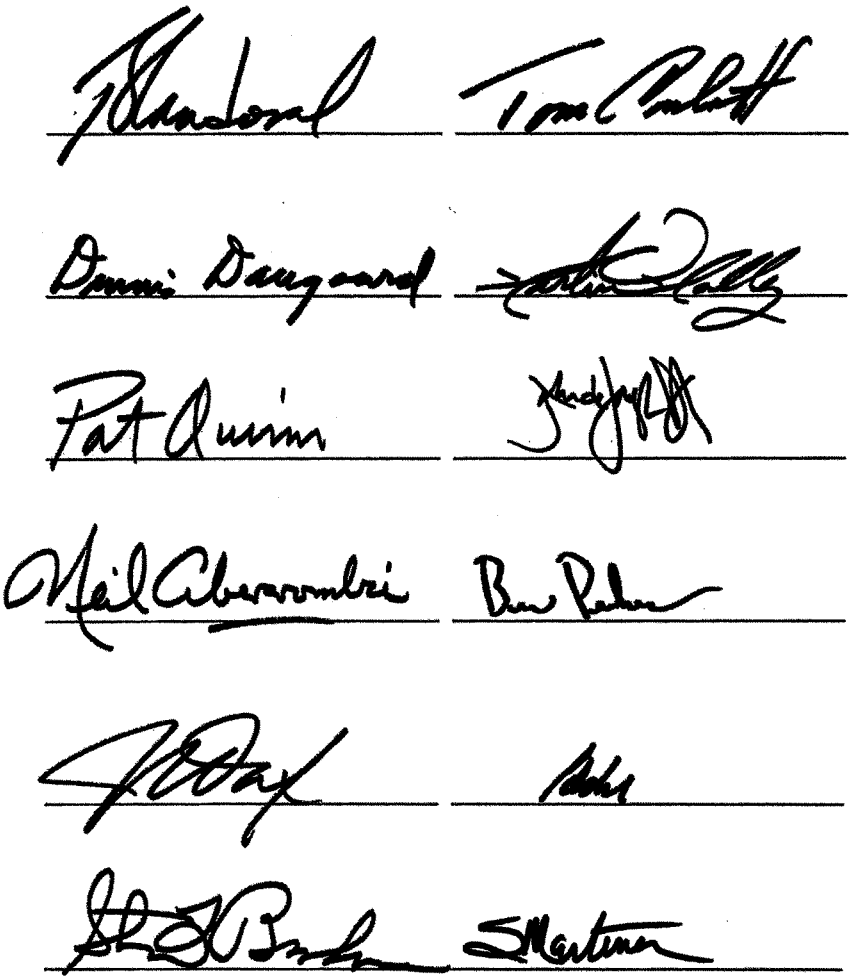
Sincerely,

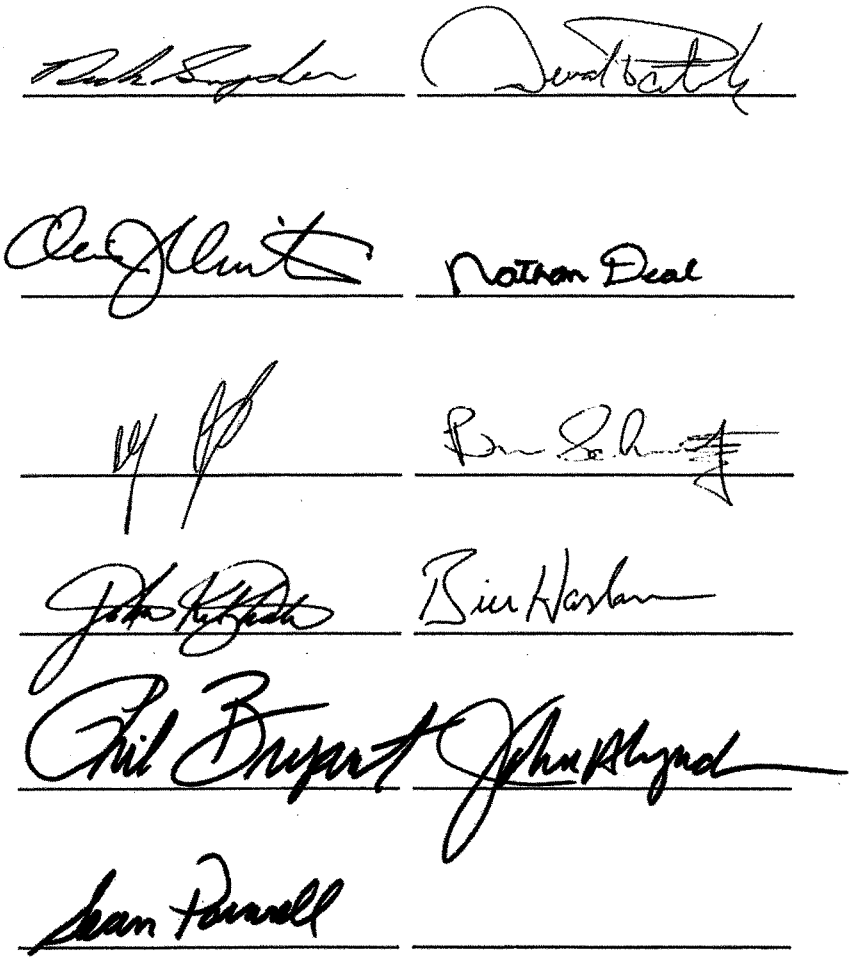
Dave Heineman  Jack Markell

Hall of the States ★ 444 North Capitol Street ★ Suite 267 ★ Washington, D.C. 20001-1512
Telephone (202) 624-5300 ★ www.nga.org


Robert Bentley







February 27, 2012

The Honorable Hal Rogers
Chairman
House Committee on Appropriations
Rayburn House, 2406
Washington, DC 20510

The Honorable Norm Dicks
Ranking Member
House Committee on Appropriations
RHOB, 2467
Washington, DC 20510

Dear Chairman Rogers and Ranking Member Dicks:

We, the undersigned Adjutants General, applaud and strongly support the National Defense Strategy recently announced by President Obama and Secretary of Defense Panetta. Our support for the Strategy is one of many reasons we write to express deep concerns with the Air Force's fiscal 2013 budget request.

Although we have been excluded from the Air Force budget process, Air Force Secretary Michael Donley and Air Force Chief of Staff Norton Schwartz asked eight (8) Adjutants General to meet with them yesterday morning (Sunday, February 26, 2012). The dialogue was respectful, comprehensive and candid. At the end of the meeting, our colleagues reaffirmed our concerns with the flawed processes, assumptions and criteria that produced the Air Force budget request. The undersigned therefore request your support for an immediate comprehensive and inclusive review of the Air Force submission. Implementation of the Air Force 2013 budget request should be frozen pending the results of an open and transparent review process.

It is counterintuitive that the Air National Guard, which comprises 21% of the uniformed members of the Total Air Force, would bear 59% of the total aircraft cuts and approximately six times the per capita personnel cuts, especially in light of our country's current and foreseeable fiscal posture. The Air National Guard has the highest experience levels in the total force, the lowest base operating expenses and by far the lowest life cycle costs (including lower retirement and medical costs). The Guard is the only military component that can serve the President and our Governors and the only component underwritten by shared state-federal cost arrangements.

America's air power is ultimately derived not from a stealth fighter but from the Airmen who serve. To program 93% of Air National Guard personnel cuts in the first year of the budget is a breach of faith with our members and fails to preserve the significant investment in combat experience that will be

discarded. Secretary Donley and General Schwartz acknowledged our concerns, but didn't reveal any concrete programs that would ameliorate the impact on our airmen.

We recognize that our nation is at a critical juncture. Although national security threats at home and abroad have not diminished, fiscal constraints are forcing decreases in Defense spending. The Department of Defense has been tasked with cutting at least $487 billion in defense spending over the next 10 years and the Air Force has been called upon to reduce its individual service expenditures. We understand tough choices about military force structure must be made to secure our nation's future.

We ask you in your constitutional role to prevent Air National Guard cuts until the assumptions and analysis alluded to by Air Force officials are reviewed and confirmed. The analysis should include the results of Congressionally-directed studies currently underway that specifically focus on the proper force structure mix. We have asked the Air Force for more than three years to provide us a comprehensive long range plan for the Total Air Force and have not yet received a response. Our colleagues repeated the request in yesterday's meeting. Absent such a plan, it is reasonable to assume we will be in a continuous cycle of budget cuts that eliminate aircraft and personnel assigned to the Air National Guard by the Air Force.

We fully understand our country's financial challenges and pledge to work with you to find affordable and sustainable solutions that protect our national security. With all due respect, the Air Force budget submission fails to meet this test. We urge you to delay implementation of the AF Fiscal 13 Budget proposal until proper review by the Congress. A disciplined, objective, analysis-based process is needed as we make irrevocable choices about how to assure America's security at home and abroad.

Sincerely,

The Adjutants General

Perry Smith
Alabama

Thomas H. Katkus
Alaska

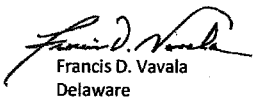
Hugo E. Salazar
Arizona

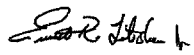
William D. Wofford
Arkansas

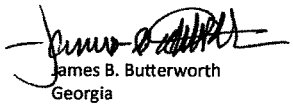
David S.Baldwin
California

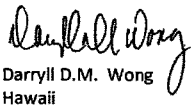
H. Michael Edwards
Colorado

Thaddeus J. Martin
Connecticut

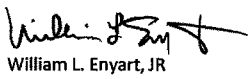

Francis D. Vavala
Delaware

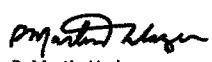

Emmett R. Titshaw Jr.
Florida

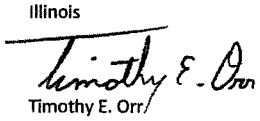

James B. Butterworth
Georgia

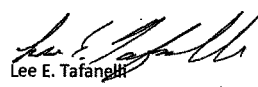

Darryll D.M. Wong
Hawaii

Gary L. Sayler
Idaho

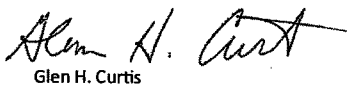

William L. Enyart, JR
Illinois

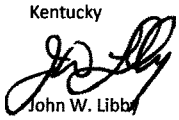

R. Martin Umbarger
Indiana


Timothy E. Orr
Iowa


Lee E. Tafanelli
Kansas

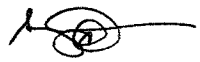
Edward W. Tonini
Kentucky


Glen H. Curtis
Louisiana

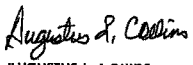

John W. Libby
Maine

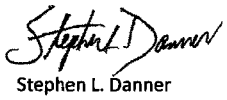
James A. Adkins
Maryland

Joseph C. Carter
Massachusetts

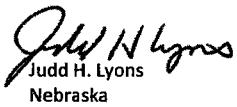

Gregory Vadnais
Michigan

Richard C. Nash
Minnesota

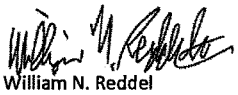

Augustus L. Collins
Mississippi



Stephen L. Danner
Missouri

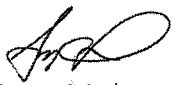


Judd H. Lyons
Nebraska



William N. Reddel
New Hampshire

Kenny C. Montoya
New Mexico



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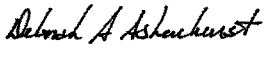
North Carolina



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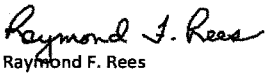

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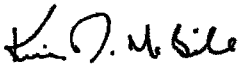
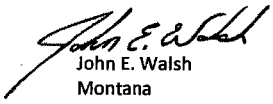
Oregon

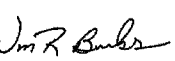


Kevin R. McBride
Rhode Island

Timothy A. Reisch
South Dakota

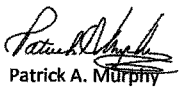


John E. Walsh
Montana



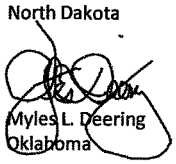
William R. Burks
Nevada

Michael L. Cunniff
New Jersey

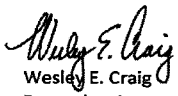


Patrick A. Murphy
New York

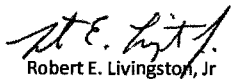
David A. Sprynczynatyk
North Dakota



Myles L. Deering
Oklahoma

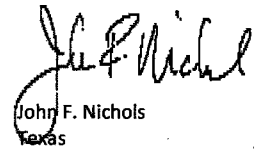


Wesley E. Craig
Pennsylvania



Robert E. Livingston, Jr
South Carolina

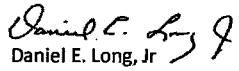
Terry M. Haston
Tennessee



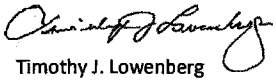
John F. Nichols
Texas

Brian L. Tarbet
Utah

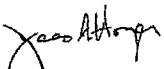
Michael D. Dubie
Vermont



Daniel E. Long, Jr
Virginia



Timothy J. Lowenberg
Washington

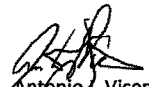


James A. Hoyer
West Virginia

Donald P. Dunbar
Wisconsin

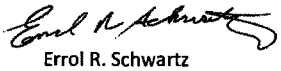
K. Luke Reiner
Wyoming

Benny M. Paulino
Guam



Antonio J. Vicens-Gonzalez
Puerto Rico

Renaldo Rivera
Virgin Islands



Errol R. Schwartz
District of Columbia

Mr. YOUNG. Also I have a letter that will be presented to the committee from Sanford Bishop, Congressman Sanford Bishop, who is here today, although he gave up his membership on this subcommittee to become the ranking member on the Military Construction Subcommittee, and he does have to attend that meeting this morning. But I wanted to note his presence and state that we also have a letter that I will place in the record expressing the same, basically the same, views that the Governors and the TAGs have presented to the Congress and to the Secretary of Defense.

So, Mr. Bishop, thank you very much for being here, and you can be sure we will be discussing this issue this morning.

[The information follows:]

**SANFORD D. BISHOP, JR.**
SECOND DISTRICT, GEORGIA

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MILITARY CONSTRUCTION/VA
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# Congress of the United States
## House of Representatives
### Washington, DC 20515

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March 5, 2012

The Honorable C.W. Bill Young
Chairman
House Committee on Appropriations - Subcommittee on Defense
H405, Capitol
Washington, D.C 20515-6018

Dear Chairman Young:

I am writing to express my strong concerns regarding the proposed reductions included in the President's Fiscal Year (FY) 2013 budget for the Air National Guard.

As you know, the Air National Guard has been integral to our war fighting capabilities and plays a vital role as the first line of defense in response to domestic emergencies. The Department of Defense's FY2013 budget proposal, however, would require that the Air National Guard absorb approximately 59 percent of the total reductions proposed for the entire Air Force for aircraft. Given the contributions and importance of the Air National Guard to our national defense, both at home and abroad, these cuts would have an adverse impact on its ability to carry out its mission.

While we can all appreciate the fiscal challenges facing the Department of Defense during these austere times, I wanted to personally reach out to you, as a former member of the Subcommittee, to express my concerns. I would greatly appreciate your giving this issue every consideration as you move forward with the FY2013 budget request for the Department of Defense. Also, attached, please find a copy of a letter from the National Governor's Association and the Adjutants General, including my own from the State of Georgia, regarding this matter.

Thank you for your consideration in the matter. Please do not hesitate to contact me should you need any additional information.

With warmest personal regards, I remain

Sincerely,

Sanford D. Bishop, Jr.
Member of Congress

Mr. YOUNG. Now, Mr. Secretary, look forward to hearing from you. Mr. Dicks and I have both had the opportunity to meet with you and the general prior to this hearing, and we will shoot for some very good, productive conversations. So we would love to hear your statement at this point.

SUMMARY STATEMENT OF SECRETARY DONLEY

Mr. DONLEY. Thank you, Mr. Chairman, and if I might, I would also like to express the sincere thanks of our Air Force leadership going back over 30 years now for the partnership that we have enjoyed with Congressman Dicks over these many, many years and the relationships developed to further the United States Air Force and the Airmen who serve in it. Sir, we appreciate all that you have done over the years to support our Air Force.

Mr. DICKS. Thank you.

Mr. DONLEY. Members of the committee, it is a pleasure to be here today representing more than 690,000 Active Duty Guard, Reserve, and civilian Airmen. I am also honored to be joined by my teammate today, the dean of the Joint Chiefs of Staff and one of America's finest public servants, General Norty Schwartz. We also have joining us today the Director of the Air National Guard, General Bud Wyatt, and the Chief of the Air Force Reserve, Lieutenant General Charlie Stenner.

This budget request represents the culmination of many hard decisions taken to align our Fiscal Year 2013 budget submission with the new strategic guidance and with the cuts required by the Budget Control Act over the next 10 years. Finding the proper balance between force structure, readiness, and modernization is our guiding principle. In short, we determined that the Air Force's best course of action is to trade size for quality. We will become smaller in order to protect a high-quality and ready force, one that will continue to modernize and grow more capable in the future.

The capabilities resident in the Air Force mission set are fundamental to the priorities outlined in the new strategic guidance, and in assessing how to adjust Air Force programs and budgets in the future, we have taken care to protect the distinctive capabilities our Air Force brings to the table: control of air, space, and cyberspace; global intelligence, surveillance, and reconnaissance (ISR); rapid global mobility; and global strike all enabled by effective command and control.

Our Air Force and our Joint Interagency, and Coalition teammates and partners rely on these capabilities, and though we will be smaller, we intend to be a superb force at any size, maintaining the agility and flexibility that is inherent in our airpower capabilities and ready to engage a full range of contingencies and threats.

This budget protects the Air Force's top priorities. We protect the size of the bomber force. We are ramping up our remotely piloted aircraft (RPA) force to a goal of 65 combat air patrols (CAPs) with the ability to surge to 85 CAPs. We protect our special operations forces capabilities, largely protect space programs, and protect our cyber capabilities.

But as we get smaller, it is not possible to protect everything. Our proposed force structure changes include the reduction of 286 aircraft over the Future Years Defense Plan, including 123 fighters,

133 mobility aircraft, and 30 ISR platforms. Many of these changes correspond to adjustments in the overall size of the Armed Forces, especially Army and Marine Corps ground forces, which is the case for the proposed reduction in A–10s.

Our smaller force structure has also led us to favor divesting smaller niche fleets, such as the C–27J, and emphasizing multirole capabilities that will provide operational flexibility across the spectrum of conflict demonstrated by our C–130s and by our choices in fighter force structure, which include a smaller A–10 fleet and plans for the F–16 service life extension.

We also emphasize common configurations, which can be seen in adjustments to C–5 and C–17 mobility fleets and in ongoing efforts to seek common configuration within the F–22 and F–15C fleets. Because force structure changes have a ripple effect on manpower needs, our budget proposal calls for a reduction of 9,900 Air Force military personnel. By component, this amounts to reductions of 3,900 Active Duty, 5,100 Air National Guard, and 900 Air Force Reserve personnel.

Fighter, mobility, and other force structure changes have been strategy driven, based on changed requirements, and consistent with that strategy, especially where Air National Guard units are affected, we have proposed to remission units where feasible. We have carefully balanced our Active and Reserve changes to make sure that we can meet the demanding operational tempos, including both surge and rotational requirements that are part of the current and projected strategic environment.

As our force gets smaller, all of our components get smaller together and will become even more closely integrated. We remain fully committed to our Total Force capability and have proposed several initiatives to strengthen integration of effort, including increasing the number of Active/Reserve Component associations from 100 to 115. Our intention is to protect readiness at any force level, because if we are going to be smaller, we have to be prepared.

To that end, we put funds in critical areas such as flying hours and weapons systems sustainment. We also support the Air National Guard readiness reset, which balances manpower across the States from lower-demand units to new high-demand intelligence, surveillance, and reconnaissance missions, and increases readiness in 39 units. We are committed to ensuring that our military forces do not go hollow, and readiness bears watching as we move forward.

Modernization is our most significant concern, especially as our fleets age and new technologies drive new investment needs. In this year's budget proposal, we slow modernization as we protect programs that are critical to future capabilities. We also restructure or terminate some major programs to protect key priorities. Protected modernization priorities include the Long Range Strike Bomber, the KC–46 refueling tanker, and key space programs such as the SBIRS (Spaced-Base Infrared System) and AEHF (Advanced Extremely High Frequency) satellites, and follow-on GPS (Global Positioning System) work, and advanced ISR.

We remain fully committed to the F–35 Joint Strike Fighter, which is the future of the fighter force, but we reduce the rate of

procurement for a few years because, in our judgment, Lockheed Martin is not ready to ramp up to full-rate production. Due to recent delays in the F–35 program, we will also proceed with an F–16 service life extension program.

Among the programs slated for termination are the Global Hawk RQ–4 Block 30 aircraft, because, among other reasons, we could not justify the cost to improve the Block 30 sensors to achieve capability that already exists in the U–2 and the Defense Weather Satellite System, a termination initiated by Congress, but one we can accept for now because the program is early to need.

As noted earlier, we decided to divest the C–27J, but we have a good alternative to this aircraft with the multirole-capable C–130, which has demonstrated its ability to provide the direct support mission in Iraq and Afghanistan. We remain committed to providing this support to the United States Army.

In other cases we eliminated programs that were judged to be nonessential in the current budget environment, such as the Light Mobility Aircraft and the Light Attack and Armed Reconnaissance Aircraft.

Through more disciplined use of resources, the Air Force continues to wring savings out of overhead, squeeze discretionary spending, and find more efficient ways of doing business. In fiscal year 2012, we committed to $33.3 billion in efficiencies across the FYDP (Future Years Defense Plan). In this year's budget we identified about $3.4 billion in efficiencies and another 3.2 in programmatic adjustments to add on top of that $33.3 billion.

In keeping with our enduring obligation to take care of our people, we will keep faith with Airmen and their families. Doing right by our service members is key to our ability to recruit and retain a high-quality force. Nevertheless, the impact of increasing personnel costs continues to be a serious concern. Therefore, we support the military compensation program reforms in the President's budget, which includes a modest pay raise, proposals to control health care cost growth, and calls for a commission to recommend reforms in retired pay. We must continue to seek and develop reforms to ensure the long-term sustainability of the benefits our men and women in uniform have earned.

Identifying $487 billion in defense cuts to comply with the current requirements of the Budget Control Act has been difficult. Our Air Force will get smaller, but we are confident that we can build and sustain a quality force that is ready for the contingencies ahead, and that will improve in capability over time. However, further cuts through sequestration or other means will put at risk our ability to execute the new strategy. To get this far we made tough decisions to align, structure and balance our forces in a way that can meet the new strategic guidance. If substantially more reductions are imposed on DOD, we will have to revisit the new strategy. We cannot afford the risk of a hollow force.

General Schwartz and I feel deeply that our leadership team has inherited the finest Air Force in the world, and it is our obligation to keep it that way so that our Joint and Coalition partners know that they can count on the United States Air Force to deliver the capabilities that we need to meet the security challenges ahead, and so that our future Airmen remain confident, as we are today,

that they are serving in the world's finest Air Force. That is our obligation going forward, and we are going to meet it.

Mr. Chairman, we remain grateful for the continued support and service of this committee, and we look forward to discussing our proposed budget.

[The joint statement of Secretary Donley and General Schwartz follows:]

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON DEFENSE

UNITED STATES SENATE

# FISCAL YEAR 2013 AIR FORCE POSTURE STATEMENT

STATEMENT OF: THE HONORABLE MICHAEL B. DONLEY
SECRETARY OF THE AIR FORCE

GENERAL NORTON A. SCHWARTZ
CHIEF OF STAFF, UNITED STATES AIR FORCE

MARCH 14, 2012

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

# BIOGRAPHY

**UNITED STATES AIR FORCE**

## MICHAEL B. DONLEY

Mr. Michael B. Donley is the Secretary of the Air Force, Washington, D.C. He is the 22nd Secretary and was confirmed Oct. 2, 2008. He is responsible for the affairs of the Department of the Air Force, including the organizing, training, equipping and providing for the welfare of its more than 334,000 men and women on active duty, 176,000 members of the Air National Guard and the Air Force Reserve, 170,000 civilians, and their families. He also oversees the Air Force's annual budget of more than $110 billion.

Mr. Donley has 30 years of experience in the national security community, including service in the Senate, White House and the Pentagon. Prior to assuming his current position, Mr. Donley served as the Director of Administration and Management in the Office of the Secretary of Defense. He oversaw organizational and management planning for the Department of Defense and all administration, facility, information technology and security matters for the Pentagon.

From 1996 to 2005, Mr. Donley was a Senior Vice President at Hicks and Associates, Inc., a subsidiary of Science Applications International Corporation, and a consultant to DOD and the State Department on national security matters. From 1993 to 1996, he was Senior Fellow at the Institute for Defense Analyses. During this period he was a Senior Consultant to the Commission on Roles and Missions of the Armed Forces and participated in two studies on the organization of the Joint Staff and the Office of the Chairman, JCS. Prior to this position, he served as the Acting Secretary of the Air Force for seven months, and from 1989 to 1993 he was the Assistant Secretary of the Air Force (Financial Management and Comptroller).

Mr. Donley supported two Presidents and five National Security Advisers during his service at the National Security Council from 1984 to 1989. As Deputy Executive Secretary he oversaw the White House Situation Room and chaired interagency committees on crisis management procedures and continuity of government. Earlier, as Director of Defense Programs, Mr. Donley was the NSC representative to the Defense Resources Board, and coordinated the President's quarterly meetings with the Joint Chiefs of Staff. He conceived and organized the President's Blue Ribbon Commission on Defense Management (the Packard Commission), coordinated White House policy on the Goldwater-Nichols DOD Reorganization Act of 1986, and wrote the National Security Strategy for President Reagan's second term. He was also a Professional Staff Member on the Senate Armed Services Committee from 1981 to 1984.

Mr. Donley served in the U.S. Army from 1972 to 1975 with the XVIIIth Airborne Corps and 5th Special

Forces Group (Airborne), attending the Army's Intelligence and Airborne Schools and the Defense Language Institute. Mr. Donley earned both Bachelor of Arts and Master of Arts degrees in international relations from the University of Southern California. He also attended the Senior Executives in National Security program at Harvard University.

**EDUCATION**
1972 U.S. Army Intelligence School, Fort Huachuca, Ariz.
1973 Defense Language Institute, Monterey, Calif.
1974 U.S. Army Airborne School, Fort Benning, Ga.
1977 Bachelor of Arts degree in international relations, University of Southern California, Los Angeles
1978 Master of Arts degree in international relations, University of Southern California, Los Angeles
1986 Senior Executives in National Security program, John F. Kennedy School of Government, Harvard University, Cambridge, Mass.

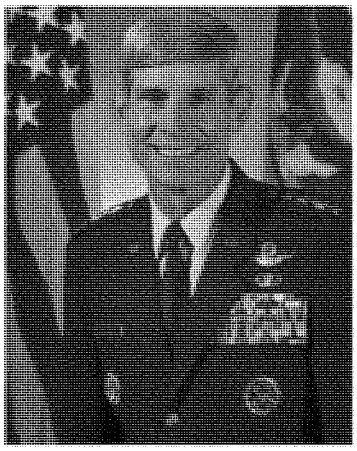
**CAREER CHRONOLOGY**
1. 1972 - 1975, U.S. Army, XVIIIth Airborne Corps and 5th Special Forces Group (Airborne), Fort Bragg, N.C.
2. 1978 - 1979, Editor, National Security Record, Heritage Foundation, Washington, D.C.
3. 1979 - 1981, Legislative Assistant, U.S. Senate, Washington, D.C.
4. 1981 -1984, Professional Staff Member, Senate Armed Services Committee, Washington, D.C.
5. 1984 - 1987, Director of Defense Programs, National Security Council, the White House, Washington, D.C.
6. 1987 - 1989, Deputy Executive Secretary, National Security Council, the White House, Washington, D.C.
7. 1989 - 1993, Assistant Secretary of the Air Force (Financial Management and Comptroller), Washington, D.C.
8. 1993, Acting Secretary of the Air Force, Washington, D.C.
9. 1993 - 1996, Senior Fellow at the Institute for Defense Analyses, Alexandria, Va.
10. 1996 - 2005, Senior Vice President at Hicks and Associates, Inc., a subsidiary of Science Applications International Corporation, McLean, Va.
11. 2005 - 2008, Director of Administration and Management, Office of the Secretary of Defense, Washington, D.C.
12. 2008 - present, Secretary of the Air Force, Washington, D.C.

(Current as of August 2009)

# BIOGRAPHY

**UNITED STATES AIR FORCE**

## GENERAL NORTON A. SCHWARTZ



Gen. Norton A. Schwartz is Chief of Staff of the U.S. Air Force, Washington, D.C. As Chief, he serves as the senior uniformed Air Force officer responsible for the organization, training and equipping of 680,000 active-duty, Guard, Reserve and civilian forces serving in the United States and overseas. As a member of the Joint Chiefs of Staff, the general and other service chiefs function as military advisers to the Secretary of Defense, National Security Council and the President.

General Schwartz graduated from the U.S. Air Force Academy in 1973. He is an alumnus of the National War College, a member of the Council on Foreign Relations, and a 1994 Fellow of Massachusetts Institute of Technology's Seminar XXI. He has served as Commander of the Special Operations Command-Pacific, as well as Alaskan Command, Alaskan North American Aerospace Defense Command Region, and the 11th Air Force. Prior to assuming his current position, General Schwartz was Commander, U.S. Transportation Command and served as the single manager for global air, land and sea transportation for the Department of Defense.

General Schwartz is a command pilot with more than 4,400 flying hours in a variety of aircraft. He participated as a crewmember in the 1975 airlift evacuation of Saigon, and in 1991 served as Chief of Staff of the Joint Special Operations Task Force for Northern Iraq in operations Desert Shield and Desert Storm. In 1997, he led the Joint Task Force that prepared for the noncombatant evacuation of U.S. citizens in Cambodia.

**EDUCATION**

1973 Bachelor's degree in political science and international affairs, U.S. Air Force Academy, Colorado Springs, Colo.
1977 Squadron Officer School, Maxwell AFB, Ala.
1983 Master's degree in business administration, Central Michigan University, Mount Pleasant
1984 Armed Forces Staff College, Norfolk, Va.
1989 National War College, Fort Lesley J. McNair, Washington, D.C.
1994 Fellow, Seminar XXI, Massachusetts Institute of Technology, Cambridge

**ASSIGNMENTS**

1. August 1973 - September 1974, student, undergraduate pilot training, Laughlin AFB, Texas

2. October 1974 - January 1975, student, C-130 initial qualification training, Little Rock AFB, Ark.
3. February 1975 - October 1977, C-130E aircraft commander, 776th and 21st tactical airlift squadrons, Clark Air Base, Philippines
4. October 1977 - December 1977, student, Squadron Officer School, Maxwell AFB, Ala.
5. December 1977 - October 1979, C-130E/H flight examiner, 61st Tactical Airlift Squadron, Little Rock AFB, Ark.
6. October 1979 - November 1980, intern, Air Staff Training Program, Office of the Deputy Chief of Staff for Plans, Operations and Readiness, Headquarters U.S. Air Force, Washington, D.C.
7. November 1980 - July 1983, MC-130E flight examiner, 8th Special Operations Squadron, Hurlburt Field, Fla.
8. July 1983 - January 1984, student, Armed Forces Staff College, Norfolk, Va.
9. January 1984 - April 1986, action officer, Directorate of Plans, Office of the Deputy Chief of Staff for Plans and Operations, Headquarters U.S. Air Force, Washington, D.C.
10. May 1986 - June 1988, Commander, 36th Tactical Airlift Squadron, McChord AFB, Wash.
11. August 1988 - June 1989, student, National War College, Fort Lesley J. McNair, Washington, D.C.
12. July 1989 - July 1991, Director of Plans and Policy, Special Operations Command Europe, Patch Barracks, Stuttgart-Vaihingen, Germany
13. August 1991 - May 1993, Deputy Commander for Operations and Commander, 1st Special Operations Group, Hurlburt Field, Fla.
14. May 1993 - May 1995, Deputy Director of Operations, later, Deputy Director of Forces, Office of the Deputy Chief of Staff for Plans and Operations, Headquarters U.S. Air Force, Washington, D.C.
15. June 1995 - May 1997, Commander, 16th Special Operations Wing, Hurlburt Field, Fla.
16. June 1997 - October 1998, Commander, Special Operations Command, Pacific, Camp H.M. Smith, Hawaii
17. October 1998 - January 2000, Director of Strategic Planning, Deputy Chief of Staff for Plans and Programs, Headquarters U.S. Air Force, Washington, D.C.
18. January 2000 - September 2000, Deputy Commander in Chief, U.S. Special Operations Command, MacDill AFB, Fla.
19. September 2000 - October 2002, Commander, Alaskan Command, Alaskan North American Aerospace Defense Command Region and 11th Air Force, Elmendorf AFB, Alaska
20. October 2002 - October 2004, Director for Operations, the Joint Staff, Washington, D.C.
21. October 2004 - August 2005, Director, the Joint Staff, Washington, D. C.
22. September 2005 - August 2008, Commander, U.S. Transportation Command, Scott AFB, Ill.
23. August 2008 - present, Chief of Staff, Headquarters U.S. Air Force, Washington, D.C.

**SUMMARY OF JOINT ASSIGNMENTS**
1. July 1989 - July 1991, Director of Plans and Policy, Special Operations Command Europe, Patch Barracks, Stuttgart-Vaihingen, Germany, as a colonel
2. June 1997 - October 1998, Commander, Special Operations Command, Pacific, Camp H.M. Smith, Hawaii, as a brigadier general
3. January 2000 - September 2000, Deputy Commander in Chief, U.S. Special Operations Command, MacDill AFB, Fla., as a lieutenant general
4. September 2000 - October 2002, Commander, Alaskan Command, Alaskan North American Aerospace Defense Command Region and 11th Air Force, Elmendorf AFB, Alaska, as a lieutenant general
5. October 2002 - October 2004, Director for Operations, the Joint Staff, Washington, D.C., as a lieutenant general
6. October 2004 - August 2005, Director, the Joint Staff, Washington, D. C., as a lieutenant general
7. September 2005 - August 2008, Commander, U.S. Transportation Command, Scott AFB, Ill., as a general

**FLIGHT INFORMATION**
Rating: Command pilot
Flight hours: More than 4,400
Aircraft flown: C-130E/H, MC-130E/H/P, HC-130, AC-130H/U, YMC-130, MH-53 and MH-60

**MAJOR AWARDS AND DECORATIONS**
Defense Distinguished Service Medal with two oak leaf clusters
Distinguished Service Medal
Defense Superior Service Medal with oak leaf cluster
Legion of Merit with two oak leaf clusters
Defense Meritorious Service Medal
Meritorious Service Medal with two oak leaf clusters
Air Force Commendation Medal with oak leaf cluster
Army Commendation Medal

**EFFECTIVE DATES OF PROMOTION**
Second Lieutenant June 6, 1973
First Lieutenant June 6, 1975
Captain June 6, 1977
Major Nov. 1, 1982
Lieutenant Colonel March 1, 1985
Colonel Feb. 1, 1991
Brigadier General Jan. 1, 1996
Major General March 4, 1999
Lieutenant General Jan. 16, 2000
General Oct. 1, 2005

(Current as of August 2009)

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## INTRODUCTION

Since the first clash of battle, warriors have relied on breaking through the lines to achieve victory. However, once the airplane was used over the battlefields of World War I, the battle itself was forever revolutionized. In the 65 years since the establishment of the United States Air Force as a separate Service, its technological, strategic, and tactical innovations have been elemental in shaping the way the United States engages in war, deters aggression, and maintains peace. Because America's Airmen characteristically view defense challenges differently, our Air Force has pioneered advancements that have been essential in ensuring our Nation's security while reducing the overall casualty counts inflicted by war. As the Department of Defense faces fiscal pressures and an evolving strategic environment, America will continue to depend on the Air Force to contribute innovative strategies and systems to conduct our most important military missions.

During the past decade, the United States has engaged in a prolonged war aimed at disrupting, dismantling and defeating al-Qa'ida and its network. A major part of this effort involved long-term and large-scale presence on the ground. The withdrawal of combat forces from Iraq and the drawdown in Afghanistan signal the beginning of a new chapter for America in which we will rely more heavily on airpower to complement innovative, lower-cost, lighter footprint approaches around the world. As the Nation sustains its global presence with a renewed emphasis on the Asia-Pacific region, in addition to continued focus on the Middle East, we must maintain the best military in the world—a force capable of deterring conflict, a force capable of projecting power, and a force capable of winning wars. We will preserve the capability and expertise in irregular warfare that we developed over the past decade and we will invest in fielding appropriate amounts of new and existing military capabilities in order to meet the national security challenges of today and the future.

Despite new challenges and fiscal stress, America is and will unquestionably remain the global leader. The strategic choices embodied in the proposed FY13 budget reflect 21st Century defense priorities and will enable your Air Force to play a critical role in sustaining that leadership. As the Department of Defense's (DoD) recently released strategic guidance articulates, the Joint Force of the future must be smaller and leaner—but agile, flexible, ready, and technologically advanced. The Air Force will leverage the innovative ability and technological acumen of its Airmen as we conduct the military missions that protect our core national interests: defeating al-Qa'ida and its affiliates and succeeding in current conflicts; deterring and defeating aggression, including those seeking to deny our power projection; countering weapons of mass destruction; operating effectively in cyberspace and across all domains; maintaining a safe and effective nuclear deterrent; and protecting the homeland. Air Force contributions to total Joint Force effectiveness make us indispensable in carrying out these missions and overcoming existing and emerging threats in this strategic environment.

## STRATEGIC ENVIRONMENT

After ten years of sustained large scale overseas operations, major changes in the strategic environment required a reshaping of defense strategy and priorities. Over the last several months, the Air Force, together with our Joint partners, has reassessed our future military strategy and

posture to determine how the Air Force will best contribute to achieving U.S. security objectives, including freedom of action in the global commons.

The major factors and trends of the strategic environment identified in the 2010 Quadrennial Defense Review (QDR) continue to affect the security environment and inform its trajectory. The rise of new powers, the growing influence of non-state actors, the proliferation of weapons of mass destruction (WMD), the proliferation of conventional arms, and the transfer of other destructive enabling technologies are all trends that still require focused attention when considering how the Air Force will execute America's national security strategy.

Since the release of the QDR, however, we have witnessed events that further inform our strategy. The Arab Awakening in the Middle East and North Africa has brought about regime changes in some nations in the region and challenged the stability and security of others. The global economic crisis has made some nations reluctant to support international cooperative military efforts as they have shifted their focus towards domestic issues. The economic crisis continues to contribute to the economic and political shift toward the Asia-Pacific region; although we will continue to place a premium on U.S. and allied military presence in – and support for – partner nations in and around the Middle East. The demise of Osama bin Laden and other senior al-Qa'ida leaders has led to deterioration in the organization's leadership and impaired its strategic coherence, although the threat of extremism remains. We are also transitioning out of the post-Cold War world where our military could easily gain access to the battlefield and operate major systems unimpeded. Today, adversaries are developing ways to prevent our access to the battlefield and deny our freedom of action once there.

As a result of these factors, DoD undertook a comprehensive strategic review and recently released new strategic guidance, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*. The new guidance notes the importance of recalibrating Joint Force capabilities and investments to succeed in the following key military missions: counter terrorism and irregular warfare; deter and defeat aggression; project power despite anti-access/area denial (A2/AD) challenges; counter weapons of mass destruction; operate effectively in cyberspace and space; maintain a secure and effective nuclear deterrent; defend the homeland and provide support to civil authorities; provide a stabilizing presence; conduct stability and counterinsurgency operations; and conduct humanitarian, disaster relief, and other operations. In determining development of the force required to meet these missions, the Secretary of Defense has directed that we maintain a broad portfolio of capabilities that, in the aggregate, offer versatility across this range of missions. Other factors that are important to the implementation of the new strategy include understanding which investments must be made now and those that can be deferred, maintaining a ready and capable force, reducing "the cost of doing business," examining how the strategy will influence existing campaign and contingency plans so that more limited resources are better tuned to their requirements, determining the proper Active and Reserve Component mix, retaining and building on key advances in networked warfare on which the Joint Force has become truly interdependent, and maintaining the industrial base and investment in promising science and technology.

Airpower – the ability to project military power or influence through the control and exploitation of air, space, and cyberspace to achieve strategic, operational, or tactical objectives – has been a

necessary component of successful U.S. military operations for many decades, and a reasonable assessment of the strategic environment suggests an even greater role for those capabilities. Since the end of the Cold War, the Air Force's contributions to national security have evolved with the times. We have become not only more effective, but also increasingly intertwined with the successful operation of the Joint Force. We have now reached a point where no other Service operates independently of the Air Force; we are a necessary catalyst for effective U.S. and Coalition military operations. As we realign our resources to support the new strategic guidance, the capabilities that underpin these contributions on which the Joint Force depends will be protected.

## REALIGNMENT TO THE NEW DEFENSE STRATEGIC GUIDANCE

The Air Force has made the hard choices to closely align with the new strategic guidance by trading size for quality. We will be a smaller, but superb, force that maintains the agility, flexibility, and readiness to engage a full range of contingencies and threats.

### NEW CONCEPTS

One way in which the Air Force is posturing itself for the future in light of the strategic guidance is through our pursuit of the Air-Sea Battle (ASB) concept in partnership with our sister Services. The rise of near peer capabilities—such as fifth-generation fighters, air defense systems and ballistic missiles—evince emerging A2/AD threats. The ASB concept will guide the Services as they work together to maintain a continued U.S. advantage against the global proliferation of advanced military technologies and A2/AD capabilities. ASB will leverage military and technological capabilities and is guiding us to develop a more permanent and better-institutionalized relationship between the Military Departments that will ultimately shape our Service organizations, inform our operational concepts, and guide our materiel acquisitions.

### ENDURING AIR FORCE CONTRIBUTIONS

The Air Force will also continue to bring four enduring and distinctive contributions to the Nation's military portfolio to support the new strategic guidance: (1) air and space control; (2) global intelligence, surveillance, and reconnaissance (ISR); (3) global mobility; and (4) global strike. These four core contributions—plus our ability to command and control air, space, and cyberspace systems—will sustain our Nation's military advantage as the Joint Force becomes smaller and as we face emerging A2/AD threats.

#### Air and Space Control

From the World War II Pacific island-hopping campaign, to the success of liberation forces in Libya, control of the air has been and remains an essential precondition for successful land and maritime operations. Today, control of the air and space, along with assured access to cyberspace, allows U.S. and Coalition forces to take advantage of unique capabilities in mobility, strike, and ISR and permits surface forces freedom of action without the threat of adversarial attack from above. Whether friendly naval forces are helping to secure vital lines of communication and transit, Marines are conducting amphibious operations, special operations

forces are executing counterterrorism missions, or ground forces are engaged in combined-arms maneuvers, these operations all fundamentally depend on the Air Force to provide mission-essential control of air and space. In the coming decade, our ability to assert control in all domains will be increasingly at risk as sophisticated military technology proliferates. The new strategic guidance demands that we forge ahead and maintain the air and space power advantages that will enable our entire Joint Force to deter and defeat aggression, operate effectively in space and cyberspace, defend the homeland, and conduct stability operations.

Global ISR

Combat experience over the last decade has shown how important ISR capabilities are to the counterterrorism and irregular warfare missions, and has also made it increasingly clear that these capabilities will be required in contested environments in future conflicts and as we take an active approach to countering extremist threats. Through a mix of aircraft and satellite sensors and corresponding architecture for exploitation and dissemination, Air Force ISR affords U.S. leaders an unparalleled decision-making advantage on which commanders rely—from supporting national strategic decision-making to successful outcomes in life-and-death tactical situations. Moreover, Airmen provide expert processing and exploitation of staggering volumes of raw data and timely dissemination of usable intelligence. In the past ten years, Air Force ISR contributions have been ascendant, particularly from our space-enabled remotely-piloted systems. But power projection in the future strategic environment will require extending today's ISR capability into contested battle spaces. This demands significant and sustained attention to modernization of our ISR capabilities.

Global Mobility

The capability to get friendly forces to the fight and to extend the range of airborne strike platforms is a unique Air Force contribution that not only enhances Joint effectiveness, but also embodies the Nation's global reach and power. The military's ability to deter and defeat aggression, project power, provide a stabilizing presence, conduct stability operations, and conduct humanitarian and other relief operations depends on the airlift and in-flight aerial refueling that the Air Force provides. We ensure that Joint and Coalition assets get to the fight and remain in the fight, posing a potent threat to adversaries and a persuasive presence to allies. Our airlift fleet transports massive amounts of humanitarian-relief supplies and wartime materiel to distant locations around the world in impressively short time periods. Furthermore, in-flight aerial refueling is the linchpin to power projection at intercontinental distances. Global mobility also provides for persistent pressure and over-watch once we arrive, as demonstrated last year in the skies over Libya.

Global Strike

Finally, the Air Force's ability to conduct global strike—to hold any target on the globe at risk—will be of growing importance in the coming decade. Our conventional precision strike forces compose a significant portion of the Nation's deterrent capability, providing national leaders with a range of crisis response and escalation control options. Our nuclear deterrent forces provide two-thirds of the Nation's nuclear triad, competently forming the foundation of global

stability and underwriting our national security and that of our allies. However, increasingly sophisticated air defenses and long-range missile threats require a focused modernization effort exemplified by the long-range strike family of systems. A key element of this effort is the Long-Range Strike bomber (LRS-B) which will strengthen both conventional and nuclear deterrence well into the future.

Collectively, these capabilities, and the Air Force's ability to command and control the air, space, and cyber systems, provide the Nation with the *Global Vigilance, Global Reach,* and *Global Power* necessary to implement the new strategic guidance.

## ADAPTING TO CONSTRAINED RESOURCES

Although the contributions that the Air Force provides to the Joint Force have increased in relevance over time, there has not been a corresponding proportional increase in resources. The Air Force has entered this era of fiscal austerity with significantly fewer uniformed personnel, with older equipment, and with a smaller budget share than any military Department in half a century. The Air Force has been continuously engaged in combat for over two decades and has taken on a range of new missions. Yet over that same time period, our aircraft inventory and end strength declined. Since 2001, we have reduced our inventory by over 500 aircraft and have added new missions, while end strength has come down by thousands of Airmen, leaving us next year with the smallest force since our inception in 1947. Meanwhile, the average age of Air Force aircraft has risen dramatically: fighters stand at 22 years; bombers, 35 years; and tankers, 47 years. Reduced manpower, full-scale operations, and reduced training opportunities have pushed our readiness to the edge. The budget increases that have occurred in the last decade were primarily consumed by operational expenses, not procurement. There is a compelling need to invest in next-generation, high-impact systems so that the Air Force can continue to provide the capabilities on which our Nation relies. The failure to make the proper investments now will imperil the effectiveness of the future force and our ability to execute the new strategic guidance for decades to come.

We are mindful, however, of the current fiscal situation and recognize that we must contribute to government-wide deficit reduction as a national security imperative. Our ability to make proper investments to modernize and sustain the capabilities of the Air Force is directly tied to the economic health of the United States. In addition, as respectful stewards of the American taxpayer's dollars, the Air Force is committed to achieving audit readiness and meeting Secretary Panetta's accelerated goal to achieve auditability of the Statement of Budgetary Resources by 2014. Over the last year, the Air Force has made real progress, receiving clean audit opinions on two important components of our budget and accounting processes from independent public accounting firms. In the coming year, the Air Force expects to have independent auditors examine the audit readiness of our military equipment inventories, our base-level funds distribution process, and our civilian pay process.

The Air Force Fiscal Year 2013 (FY13) budget request reflects aggressive prioritization of limited resources, heavily informed by the new strategic guidance, with regard to both capability and capacity of our forces – that is, both what capabilities we should buy and how much of them. The budget brings together strategic guidance with fiscal constraint. Its guiding principle was

balance. To retain critical core Air Force capabilities and the ability to rapidly respond to mission demands, the Air Force balanced risk across all mission areas.

Although we will be smaller and leaner, we will not sacrifice readiness. Selected reductions in force structure and modernization programs were based on careful assessments reflecting the requirements to address potential future conflict scenarios and to emphasize the Middle East and Asia-Pacific regions. Force and program development choices were also influenced by the need to protect our ability to regenerate capabilities to meet future, unforeseen demands. Our budget request seeks to leverage strong relationships with allies and partners, including the development of new partners. Finally, the FY13 budget request honors and protects the high quality and battle-tested professionals of the All-Volunteer Force.

## FORCE STRUCTURE

The fiscal reality and strategic direction mean that the Air Force will continue the long-term trend of accepting a smaller force to ensure high quality. In planning for a smaller force, our decisions favored retention of multi-role platforms over those with more narrowly focused capabilities – for example, F-16s over A-10s and F-15Cs, and C-130s over C-27s. Where feasible, we sought to divest smaller fleets with niche capabilities and stressed common configurations for key platforms in order to maximize operational flexibility and minimize sustainment costs.

### Aircraft

In meeting the force sizing requirements of the new strategic guidance, and to remain within the constraints of the Budget Control Act, the Air Force made the difficult choice of divesting 227 aircraft from our combat and combat support aircraft fleets in the FY13 budget request. Total divestitures rise to over 280 aircraft over the FY13-17 Future Years Defense Plan (FYDP) period. These divestitures will result in $8.7 billion in savings across the Active and Reserve Components.

In order to balance current and future requirements in the Combat Air Forces (CAF), we are reducing the total number of combat-coded fighter squadrons from 60 to 54 (31 Active squadrons and 23 Reserve Component squadrons). As part of a broader strategy to reshape the Air Force into a smaller, yet capable force, we divested 21 F-16 Block 30 aircraft in the Reserve Component and 102 A-10s (20 Active and 82 Reserve Component) from the total aircraft inventory. In making these difficult choices, we considered several factors: the relative operational value of weapon systems to counter capable adversaries in denied environments; fleet management principles, such as retiring older aircraft first and prioritizing multi-role aircraft; and operational flexibility, forward-basing, and host-nation commitments. The allocation of reductions between the Active and Reserve Components took into consideration the Air Force's surge requirements as directed by the new strategic guidance, the expected future deployment tempo, the need to increase means to accumulate fighter pilot experience, and the imperative to ensure that the Reserve Component remains relevant and engaged in both enduring and evolving missions.

In the Mobility Air Forces (MAF), we sized the fleet to a total of 275 strategic airlifters—52 C-5Ms and 223 C-17s. We will seek legislative approval to retire 27 C-5As across FY13-16, going below the FY12 National Defense Authorization Act strategic airlift floor of 301 aircraft. This will avert higher sustainment costs for aircraft with substantially less reliability than the C-17 or C-5M. For our intra-theater airlift, the fleet was sized to meet the airlift requirements of the new strategy, including our direct support requirements of ground forces. We will retire 65 C-130Hs across FY13-17 and are divesting the C-27J fleet. After these retirements, we will maintain a fleet of 318 C-130s (134 C-130Js and 184 C-130Hs). Our air refueling fleet is being reduced to 453 tankers after retiring 20 KC-135s. The development and procurement of the KC-46A is on-track for initial delivery in FY16 with the strategic basing process underway.

In our ISR aircraft fleet, we plan to divest all 18 RQ-4 Global Hawk Block 30 aircraft and retain the U-2S Dragon Lady program. Due to the reduction in high altitude ISR combat air patrol (CAP) requirements, the need for RQ-4 upgrades to meet current U-2 sensor operational performance levels, and the high operational costs of the RQ-4, continued investment into the U-2 is both the fiscally and operationally responsible choice. Transferring the MC-12W Liberty from the Active Component to the Air National Guard (ANG) reflects the assessment that the ANG is the appropriate place for long-term, scalable support of medium altitude ISR. The Active Component will retain association with the ANG units. The MC-12W will also perform the mission of the divested RC-26 fleet. Finally, we will retire one E-8C Joint Surveillance Target Attack Radar System (JSTARS) aircraft that is damaged beyond economical repair.

Air Force leaders recognize that proposals to retire aircraft are often contentious and that the Congress has at times written legislation blocking or delaying proposed retirements. We are committed to faithfully executing the law; however, we urge the congressional defense committees and Congress as a whole to be especially cautious about proposals to block or delay aircraft retirements that do not provide the additional human and financial resources needed to operate and maintain those airframes. Retaining large numbers of under-resourced aircraft in the fleet in today's fiscally constrained environment will significantly increase the risk of a hollow force. After the intense efforts to find efficiencies over the past few years, the Air Force has only a limited ability to reallocate resources and personnel to uncovered operations without creating major disruption in other critical activities.

End Strength

In correlation to the reductions in our aircraft force structure, we are also adjusting our end strength numbers. Since 2004, our Active, Guard, and Reserve end strength has decreased by over 48,000 personnel. By the end of FY13, end strength will be reduced a further 9,900 from 510,900 to 501,000. This will result in a reduction in Active Duty military end strength from 332,800 to 328,900, Reserve military end strength will decrease by 900 to 70,500, and Air National Guard military end strength will decrease by 5,100 to 101,600. Although the reductions in aircraft and personnel carry risk, we are committed to managing that risk and ensuring successful execution of the new strategic guidance.

Reserve Component

The Air Force has enjoyed great success in leveraging our Total Force Enterprise to present our enduring core capabilities to the Joint warfighter. The Air National Guard (ANG) and Air Force Reserve are integrated into all major Air Force mission areas, train to the same high standards as the Active Component, and are invaluable partners in helping us meet our many and varied commitments. This will not change—we will rely on our Air Reserve Component (ARC) as both a strategic and operational reserve. A strategic reserve can be employed to mobilize significant numbers of Airmen in the event of a significant national crisis while an operational reserve will still be used to augment day-to-day operations.

Maintaining the appropriate mix of forces between the Active and Reserve Components is critical to sustaining Air Force capabilities for forward presence, rapid response, and high-rate rotational demands within a smaller overall force. Over the years, we have adjusted the mix between Active and Reserve Components to ensure we maintained a ready and sustainable force and could meet our surge and rotational requirements. The Air Force has successfully met the demand of increased operations tempo through a combination of volunteerism, selective mobilization, and the establishment of Classic, Active, and ARC associations to better manage high activity rates. However, two decades of military end strength and force structure reductions in our Active Component have shifted the ratio of Active to Reserve Component forces. In 1990, the Reserve Component represented 25 percent of Total Force end strength; today that percentage is at 35 percent. Reserve Component aircraft ownership also increased from approximately 23 percent to 28 percent over the same period.

The Total Air Force leadership carefully considered the ratio between the Active and Reserve Components for the proposed force structure reductions in the 2013 budget request. The expected deployment tempo and the need to increase pilot seasoning drove the allocation of reductions between Components. The proper ratio between Components must be achieved to maintain acceptable operations tempo levels within each Component and to preserve the ability of a smaller Air Force to meet continued overseas presence demands and the rapid deployment and rotational force requirements of the strategic guidance.

While the Air Force Reserve and ANG are significantly affected by the proposed 2013 Air Force budget request, they remain essential elements of our Total Force. Due to the magnitude of the budget decline, our programmed reductions are wide-ranging, directly impacting over 60 installations. Thirty-three states will be directly impacted, but all 54 states and territories will be affected in some way by the proposed aircraft and manpower reductions. Although some squadrons will actually grow larger, it is unlikely that there will be a 100 percent backfill of personnel or alternative mission for every location. Without the Total Force re-missioning actions we are proposing, these reductions would have significantly affected 24 units and left eight installations without an Air Force presence.

In close coordination with our ANG and Air Force Reserve leaders, we have developed a detailed plan that will mitigate the impact by realigning missions to restore 14 of the 24 units. Nine of the remaining 10 units have existing missions, or the mission will transfer from the Air National Guard to the Air Force Reserve. Our plan also maintains an Air Force presence on

seven of the eight affected installations. This plan will allow us to preserve an appropriate Active to Reserve Component force mix ratio and minimizes the possibility of uncovered missions. The aircraft force structure changes also presented an opportunity for the ANG to realign manpower to ensure proper mission resourcing while simultaneously bolstering ANG readiness. The FY13 adjustments in strategy, force structure, and resources allowed us to realign manpower within the ANG to properly source its growing MC-12W and MQ-1/9 missions.

After the proposed force reductions and mitigations, Reserve Component end strength will make up 33 percent of Total Force military personnel, a reduction of two percent from the FY12 numbers. Within the CAF, the Reserve Component will have 38 percent of total aircraft which is four percent lower than FY12. For the MAF, the Reserve Component shares shifts from 51 percent to 46 percent. In order to maintain capability, the Air Force intends to grow the number of Total Force Integration associations from 100 to 115. This will enable the seasoning of our Active Duty personnel while improving the combat capacity of our Reserve Component.

## READINESS

Readiness is comprised of complementary components, such as flying hours, weapon system sustainment, and facilities and installations. A good readiness posture depends on health in all of these key areas. In spite of aircraft divestments and reduction in personnel, we are committed to executing the defense strategy and will ensure America's Air Force remains ready to perform its mission every day. High operations tempo has had some detrimental effects on our overall readiness, particularly in the context of aging weapons systems and stress on our personnel. Since September 11, 2001, the Air Force has flown more than 455,000 sorties in support of Operations IRAQI FREEDOM and NEW DAWN and more than 350,000 sorties in support of Operation ENDURING FREEDOM. In 2011, our Airmen averaged approximately 400 sorties every day, with December 17, 2011, marking the first day in 20 years that the Air Force did not fly an air tasking sortie in Iraq. Maintaining our ability to be ready across the full spectrum of operations has been challenging in recent years, especially for the CAF and certain limited-supply/high-demand units. We will continue to revise our readiness tracking systems to provide increasingly accurate assessments and mitigate readiness shortfalls. Preserving readiness and avoiding a hollow force was a non-negotiable priority for the Air Force and the DoD in developing the 2013 budget.

### Weapons System Sustainment

During previous budget cycles, the overall Air Force weapons system sustainment (WSS) requirement increased each year due to sustainment strategy, the complexity of new aircraft, operations tempo, force structure changes, and growth in depot work packages for legacy aircraft. In FY13, although the Air Force is retiring some combat, mobility, and ISR force structure, our overall weapon system sustainment requirements continue to increase. These cost increases, along with a reduction in the Service's Overseas Contingency Operations (OCO) request, resulted in a slight decrease in the percentage of weapons systems sustainment requirements funded from FY12 to FY13. Including the OCO request, WSS is funded at 79 percent of requirement in the FY13 budget.

We maintained our readiness capability in the portfolio areas most directly affecting readiness such as aircraft, engines, and missiles, while taking some risk in areas that are less readiness related in the short-term such as technical orders, sustaining engineering, and software. Additionally, the Air Force continues to conduct requirements reviews and streamline organizations and processes to reduce maintenance and material costs, develop depot efficiencies, and manage weapon system requirements growth. The goal of these efforts is to sustain FY12 weapon system sustainment performance levels for FY13.

Facility Sustainment, Restoration and Modernization

The sustainment portion of facilities sustainment, restoration and modernization (FSRM) was funded just over 80 percent of the Office of the Secretary of Defense (OSD) facility sustainment model. Due to current fiscal realities the revised strategic guidance, the Air Force is also taking a deliberate pause in its military construction (MILCON) program, resulting in a nearly $900 million reduction from FY12 enacted levels. To manage the risk associated with these actions we continue civil engineering transformation to employ an enterprise-wide, centralized, asset management approach to installation resourcing which maximizes each facility dollar.

Flying Hour Program

The emphasis on readiness in the new strategic guidance reinforced Air Force focus on the importance of maintaining our flying hour program (FHP). The FY13 budget removes flying hours where associated with the retirement of some of our oldest aircraft and divestiture of single-role mission weapon systems. In the remainder of the FHP, however, levels are consistent with FY12 levels to prevent further erosion of readiness. The FY13 baseline FHP remains optimized as we continue to fly a significant portion of our hours in the Central Command (CENTCOM) area of responsibility (AOR), but still poses a measured risk to our full spectrum training and readiness levels, especially with our tactical fighters. As operations in the CENTCOM AOR decrease, these OCO hours will migrate back to our baseline program to ensure peacetime FHP requirements are met. We are also committed to a long-term effort to increase our live, virtual, and constructive operational training (LVC-OT) capability and capacity by funding improvements in our LVC-OT devices (e.g., simulators and virtual trainers) and networks.

Although the Air Force has no single rollup metric to measure flying hour program requirements, we are working toward a set of metrics that clearly articulate the training requirements needed to support desired readiness levels. Our challenge is that the diversity of our missions does not lend itself to yardsticks like "hours per crewmember per month." The Air Force operates a wide variety of aircraft – including multi-role aircraft – that require differing training requirements in amount and type for each aircrew member. In addition, we have critical space and cyber units that involve no aircraft at all. As we develop FHP metrics, we will dovetail our efforts with the work being done at the Cost Assessment and Program Evaluation (CAPE) office at the Office of the Secretary of Defense to study the relationship between defense funding and military readiness and mature necessary metrics and assessment tools.

Even though the Air Force will be smaller in capacity, we will remain highly capable and lethal, as well as ready, agile, and deployable.

## MODERNIZATION

Looking ahead, the Air Force faces two primary strategic challenges. In the face of declining budgets, we must still provide the essential force structure and capabilities on which the Joint Force depends. Historical and projected uses of U.S. military forces, and our inability to accurately predict the future, make the complete divestment of the capability to conduct any one of the twelve Air Force Core Functions imprudent. Yet, the new strategic guidance also requires continuing modernization of our aging force to address the proliferation of modern threats. Finding the right balance requires a long-range plan that begins with a strategic vision. Implementing across the board cuts will not produce the envisioned Joint Force of 2020.

Accordingly, we carefully scrutinized all our weapons systems and capabilities to determine which require investment today and those that can be deferred. We then made the tough choices to maximize our military effectiveness in a constrained resource environment. Combat and combat support aircraft force structure reductions, coupled with reduced development and procurement of preferred munitions and other key modernization programs, were essential to achieving the Air Force FY13 budget targets.

In FY13, we have programmed $35.8 billion for modernization, approximately 33 percent of the Air Force total obligation authority. We are slowing the pace and scope of modernization while protecting programs critical to future warfighter needs. Focused investment in high priority programs such as the F-35 Joint Strike Fighter, Long Range Strike Bomber, KC-46A refueling tanker, service-life extension of the F-16, Space-Based Infrared and Advanced Extremely High Frequency satellites, space situational awareness capabilities, and our space launch capability is critical to the Department's overall strategy. Access and continued freedom of maneuver within cyberspace is an essential requirement for our networked force, therefore the development of offensive and defensive cyber capabilities remains a top Air Force priority. Additionally, in coordination with the Navy, the Air Force will fund modern radars, precision munitions, and other priorities to support the ASB concept and ensure worldwide power projection despite increasing A2/AD challenges.

To continue funding these high priority investments, we made the hard choices to terminate or restructure programs with unaffordable cost growth or technical challenges such as the RQ-4 Block 30, B-2 Extremely High Frequency radio improvements, and the Family of Advanced Beyond Line of Sight Terminals. We eliminated expensive programs, such as the C-130 Avionics Modernization Program, the C-27J program, and Defense Weather Satellite System, which have more affordable alternatives that still accomplish the mission. Likewise, we discontinued or deferred programs that are simply beyond our reach in the current fiscal environment, such as the Common Vertical Lift Support Platform, Light Mobility Aircraft, and Light Attack and Armed Reconnaissance aircraft. The FY13 budget also accepts significant near-term risk in military construction for current mission facilities, limiting ourselves to projects required to support new aircraft bed downs and emerging missions.

Underpinning the Air Force's ability to leverage and field these crucial technologies is America's aerospace research and development infrastructure—a national asset that must be protected to ensure future U.S. advantages in technology and civil aerospace. Therefore, the Air Force's budget protects science and technology funding as a share of our total resources.

## MORE DISCIPLINED USE OF DEFENSE DOLLARS

In June 2010, the Secretary of Defense challenged the Services to increase funding for mission activities by identifying efficiencies in overhead, support, and other less mission-essential areas in an effort to identify $100 billion in DoD savings for reinvestment. Our FY13 budget continues to depend on successfully managing and delivering the $33.3 billion in Air Force efficiencies from FY12 to FY16 associated with the FY12 PB submission. We are actively managing and reporting on these, as well as the Air Force portion of DoD-wide efficiencies. In light of the current budget constraints, the Air Force continues to seek out opportunities for additional efficiencies.

The FY13 budget request includes additional savings of $6.6 billion over the next five years from our more disciplined use of defense dollars. This represents $3.4 billion in new efficiency efforts as well as $3.2 billion in programmatic adjustments. These reductions continue to focus on overhead cost reductions and spending constraints consistent with Executive Order 13589, "Promoting Efficient Spending," and an OMB memo, dated November 7, 2011, to reduce contract spending for management support services. Areas in which we are seeking major efficiencies and spending reductions in this budget submission include information technology, service contracts, travel, and inventory.

We are identifying and eliminating duplicate information technology applications across our business and mission system areas. Policies and better spending controls will be placed within modernization and legacy systems sustainment areas. We have committed to save $100 million in FY13 and $1.1 billion across the FYDP in this area. We continue to put downward pressure on service support contract spending and are committing to an additional $200 million reduction in FY13 and $1 billion across the FYDP. These efforts are consistent with Secretary of Defense-directed efficiencies across the DoD and OMB guidance to reduce contract spending by 15 percent by the end of FY12 from an FY10 baseline. Executive Order 13589 also directs reductions in travel across Departments. The Air Force budget for travel has steadily declined from actual spending of $984 million in FY10 to a budgeted-level of $810 million in FY12. Between Air Force budget reductions and DoD-directed travel reductions, the FY13 PB reflects an additional $116 million travel savings in FY13 and $583 million across the FYDP. Finally, a bottom-up review of base-level inventory is planned, with the intent of identifying consumable and repairable items that are excess, including Government Purchase Card-procured excess inventory. We estimate $45 million savings in FY13 and $225 million across the FYDP.

## TAKING CARE OF OUR PEOPLE

Regardless of any strategy realignment or future mission commitment, the hallmark of our success as an Air Force has always been, and will remain, our people. Our mission effectiveness depends first and foremost on the readiness and dedication of our Airmen. Nearly two decades

of sustained combat, humanitarian, and stability operations have imposed extraordinary demands on our force. As we look to the future of reduced funding and fewer manpower positions, we are working hard to continue meeting the needs of a 21st Century force. The Nation owes a debt of gratitude for the sacrifices made by our Airmen and their families.

Despite the difficult budgetary environment, we are committed to our Air Force community. Therefore, quality of service programs must continue as one of our highest priorities. We are sustaining cost-effective services and programs to maintain balanced, healthy, and resilient Airmen and families so that they are equipped to meet the demands of high operations tempo and persistent conflict. As our force changes, we must adapt our programs and services to ensure we meet the needs of today's Airmen and their families. Developing our Airmen will be a key focus as we continue efforts to reduce the "cost of doing business" and develop lighter-footprint approaches to achieving security objectives. We will do this by developing expertise in foreign language, regional, and cultural skills while also ensuring our educational programs focus on current and anticipated mission requirements.

Even as Air Force end strength continues to be reduced, requirements for some career fields—like special operations, ISR, and cyber—continue to grow. We will continue to size and shape the force through a series of voluntary and involuntary programs designed to retain the highest quality Airmen with the right skills and capabilities. As we take steps to reduce our end strength, we will offer support programs to help separating Airmen translate their military skills to the civilian workforce and facilitate the transition in a way that capitalizes on the tremendous experience in technical fields and leadership that they accrue while serving.

Although retention is at a record high, we must sustain accessions for the long term and utilize a series of recruiting and retention bonuses to ensure the right balance of skills exist across the spectrum of the force. Enlistment bonuses are the most effective, responsive, and measurable tool for meeting requirements growth in emerging missions, while retention bonuses encourage Airmen to remain in, or retrain into, career fields with high operational demands.

We recognize the unique demands of military service and want to ensure that our Airmen are compensated in a way that honors that service. Accordingly, the President has announced a 1.7 percent increase in basic military pay for FY13. The costs of military pay, allowances, and health care have risen significantly in the last decade. These costs have nearly doubled DoD-wide since FY01 while the number of full-time military personnel, including activated reserves, has increased only eight percent. As budgets decrease, we must find ways to achieve savings in this area to prevent overly large cuts in forces, readiness, and modernization. As part of a DoD-wide effort, we are looking at a gamut of proposals, including health care initiatives and retirement system changes, to meet deficit reduction targets and slow cost growth. Proposed health care changes will focus on working age retirees and the retirement commission will address potential future changes, with the current force grandfathered into the current system. The defense budget includes a number of proposals to control health care cost growth in FY13 and for the longer term. The recommendations included in the budget reflect the proper balance and the right priorities.

We must go forward with balanced set of reductions in the military budget that not only implements the strategic guidance, but also does our part to alleviate the Nation's economic difficulties. Any solutions to this problem will be deliberate, will recognize that the All Volunteer Force is the core of our military, and will not break faith with the Airmen and families who serve our Nation.

With this as a backdrop, the Air Force has approached its investment strategy in a way that seeks to apply our resources to the people, programs, and systems that will best contribute to the new DoD strategic guidance.

## AIR FORCE CORE FUNCTIONS

The Air Force Core Functions provide a framework for balancing investments across Air Force capabilities and our enduring contributions as we align our resources to the new defense strategic guidance. However, none of these core functions should be viewed in isolation. There is inherent interdependence among these capabilities within the Air Force, the Joint Force, and in some cases, throughout the United States Government. The Air Force's budget request of $110.1 billion reflects the difficult choices that had to be made as a result of Air Force fiscal limitations, while still providing an appropriate balance of investment across our core functions in a way that best supports key DoD military missions. Additional detailed information about each core function, including specific investment figures, can be found in the Budget Overview Book and in the detailed budget justification documents provided to the Congress.

### AIR SUPERIORITY

U.S. forces must be able to deter and defeat adversaries in multiple conflicts and across all domains. In particular, even when U.S. forces are committed to a large-scale operation in one region, they must also be capable of denying the objectives of – or imposing unacceptable costs on – an opportunistic aggressor in a second region. Securing the high ground is a critical prerequisite for any military operation to ensure freedom of action for the Joint Force and the Nation. In making operational plans, American ground forces assume they will be able to operate with minimal threat of attack from enemy aircraft or missile systems. For nearly six decades, Air Force investments, expertise, and sacrifice in achieving air superiority have ensured that condition. The last time any American ground forces were killed by an enemy air strike was April 15, 1953.

But while the United States has enjoyed this control of the air for the last sixty years, there is no guarantee of air superiority in the future. Airspace control remains vitally important in all operating environments to ensure the advantages of rapid global mobility, ISR, and precision strike are broadly available to the Combatant Commander. Fast growing, near-peer capabilities are beginning to erode the legacy fighter fleet's ability to control the air. Likewise, emerging adversaries are developing significant air threats by both leveraging inexpensive technology to modify existing airframes with improved radars, sensors, jammers and weapons, and pursuing fifth-generation aircraft. Simultaneously, current operations are pressing our legacy systems into new roles. As a result, the legacy fighter fleet is accumulating flying hours both faster and differently than anticipated when they were purchased decades ago.

Given these realities, the Air Force's FY13 budget request includes $8.3 billion for initiatives to address current and future air superiority needs. We continue incremental modernization of the F-22 fleet, including Increment 3.2A, a software-only upgrade adding new Electronic Protection (EP) and combat identification techniques. The FY13 budget request includes approximately $140.1 million for Increment 3.2B, which includes the integration of AIM-120D and AIM-9X capabilities, data link improvements, and faster, more accurate target mapping. We are continuing the F-15 active electronically scanned array (AESA) radar modernization program, funding the F-15 Advanced Display Core Processor (ADCP), and funding the development and procurement of an Eagle Passive/Active Warning and Survivability System (EPAWSS). We are also investing in fourth-generation radar upgrades to ensure their continued viability, sustaining the development and procurement of preferred air-to-air munitions and select electronic warfare enhancements, and resourcing critical readiness enablers, including training capabilities and modernized range equipment.

As part of our Airspace Control Alert mission, the Air Force, working closely with U.S. Northern Command, reduced full time Air National Guard requirements at two sites while maintaining overall surveillance and intercept coverage.

## GLOBAL PRECISION ATTACK

A critical component of the broader mission to deter and defeat aggression is the Air Force's ability to hold any target at risk across the air, land, and sea domains through global precision attack. Global precision attack forces perform traditional strike and customized ISR roles to support Joint and Coalition ground forces every day. However, as A2/AD capabilities proliferate, our fourth-generation fighter and legacy bomber capability to penetrate contested airspace is increasingly challenged.

The A2/AD threat environment prescribes the type of assets that can employ and survive in-theater. While the Air Force provides the majority of these assets, success in this hazardous environment will require a combined approach across a broad range of assets and employment tools. Even then, these will only provide localized and temporary air dominance to achieve desired effects. Simultaneously, ongoing contingency operations in a permissive, irregular warfare environment at the lower end of the combat spectrum require adapted capabilities, including longer aircraft dwell times and increasing use of our platforms in unique intelligence gathering roles. Our FY13 budget request of $15.5 billion applies resources that will help the Air Force best meet threats in evolving A2/AD environments.

To enhance our global strike ability, we are prioritizing investment in fifth-generation aircraft while sustaining legacy platforms as a bridge to the F-35 Joint Strike Fighter, the centerpiece of our future precision attack capability. In addition to complementing the F-22's world class air superiority capabilities, the F-35A is designed to penetrate air defenses and deliver a wide range of precision munitions. This modern, fifth-generation aircraft brings the added benefit of increased allied interoperability and cost-sharing between Services and partner nations. The FY13 budget includes approximately $5 billion for continued development and the procurement of 19 F-35A Conventional Take-Off and Landing (CTOL) aircraft, spares, and support equipment. In FY13 we deferred 98 CTOLs from the F-35A program.

As we move toward fifth-generation recapitalization, we are funding fourth-generation fighter modernization to ensure a capable global attack fleet. Reserve Component recapitalization will begin based on F-35 production rates, basing decisions, the F-16 Service Life Extension Program (SLEP), and Combat Avionics Programmed Extension Suite (CAPES). The Air Force will continue to plan and program for approximately 350 F-16 service life extensions and capability upgrades over the FYDP to ensure a viable F-16 combat capability across the Total Force and to mitigate the effects of F-35 procurement rate adjustments on the total fighter force capacity during completion of system development and Low Rate Initial Production.

In our FY13 submission, we accepted risk by retiring 102 A-10s and 21 F-16s. Although the A-10 remains essential for combined arms and stability operations, we chose to retire more A-10s because other multi-role platforms provide more utility across the range of the potential missions. We are retaining enough A-10s to meet the direction of the new strategic guidance to maintain readiness and capability while avoiding a hollow force.

We are modernizing conventional bombers to sustain capability while investing in the Long-Range Strike Family of Systems. The bomber fleet was retained at its current size because we recognized the importance of long range strike in the current and future security environments. The Air Force is enhancing long range strike capabilities by upgrading the B-2 fleet with an improved Defensive Management System (DMS) and a new survivable communication system, and is increasing conventional precision guided weapon capacity within the B-52 fleet. We are investing $191.4 million in modernizing the B-1 to prevent obsolescence and diminishing manufacturing sources issues and to help sustain the B-1 to its approximate 2040 service life. In addition to aircraft modernization, we are upgrading our B-1 training and simulator systems to match aircraft configuration and ensure continued sustainability.

Procuring a new penetrating bomber is critical to maintaining our long-range strike capability in the face of evolving A2/AD environments. The new long-range, penetrating, and nuclear-capable bomber (LRS-B), which will be capable of both manned and unmanned operations, will be designed and built using proven technologies, and will leverage existing systems to provide sufficient capability. It will also permit growth to improve the system as technology matures and threats evolve. We must ensure that the new bomber is operationally capable before the current aging B-52 and B-1 bomber fleets are retired. LRS-B is fully funded at $291.7 million in the FY13 budget.

## GLOBAL INTEGRATED INTELLIGENCE, SURVEILLANCE, AND RECONNAISSANCE

Global integrated ISR includes conducting and synchronizing surveillance and reconnaissance across all domains—air, space, and cyber. These ISR capabilities produce essential intelligence to achieve decision superiority through planning, collecting, processing, analyzing and rapidly disseminating critical information to national- and theater-level decision-makers across the spectrum of worldwide military operations. Air Force ISR growth and improvement over the last decade has been unprecedented. Because of the dynamic nature of the operating environment, the Air Force conducted an extensive review of the entire Air Force ISR enterprise in 2011 to inform future planning and programming decisions. Even as the United States plans to reduce our military presence in CENTCOM AOR, Combatant Commands will continue to use

our ISR capabilities to combat global terrorism, provide global and localized situational awareness, and support future contingencies.

Recognizing the need for continued and improved ISR capabilities, and based on the 2011 ISR review, the Air Force is investing $7.1 billion in this core function in FY13. We are continuously improving the current suite of capabilities and will field the MQ-9 Reaper to meet delivery of 65 remotely piloted aircraft (RPA) combat air patrols (CAPs) by May 2014. We are actively managing our procurement rate of MQ-9s to efficiently increase RPA fleet size while allowing for necessary aircrew training. We are extending operations for the U-2 Dragon Lady manned aircraft, in lieu of investing more heavily in the RQ-4 Block 30 Global Hawk fleet. Despite early predictions, the savings anticipated by the use of Global Hawks have not come to fruition and we will not invest in new technology at any cost. Divesting the RQ-4 Block 30 fleet and extending the U-2 will save the Air Force $815 million in FY13 and $2.5 billion across the FYDP. Sustaining the U-2 fleet will ensure affordable and sustained high altitude ISR for the Combatant Commanders and Joint warfighters.

We will maintain investment in the MC-12 Liberty as we transfer it to the Air National Guard, but we will establish Active unit associations to meet combat air patrol and surge requirements. The MC-12 will also perform the mission carried out by the RC-26 as we divest 11 of those aircraft from the Air National Guard (ANG). In the ANG, six RPA units have been or are currently being established, and an additional five units will stand-up in FY13. An ANG ISR group with two squadrons will be established to conduct ISR in cyberspace and to conduct digital network intelligence and cyber target development.

We are developing a more balanced and survivable mix of airborne platforms to enable continued operations in permissive environments and to enable operations in A2/AD environments. We are exploring innovative ways to leverage space and cyberspace capabilities as part of the overall mix of ISR capabilities and partner with Joint, Coalition, and Interagency partners, including the use of Air-Sea Battle as a framework to develop required capabilities for the Joint fight. We are investing $163 million in FY13 in our ground processing enterprise, the Distributed Common Ground System, and will continue migration to a service-oriented architecture to handle the increasing quantities of ISR data that is integrated and delivered from emerging sensors and platforms operating in all domains. We will also improve our ability to move information securely and reliably over information pathways. Finally, we are improving analyst capability through improved training, automation and visualization tools while we deliberately plan for future operations using a refined capability planning and analysis framework.

## CYBERSPACE SUPERIORITY

Access and continued freedom of maneuver within cyberspace is an essential requirement for our networked force. Today's modern forces require access to reliable communications and information networks to operate effectively at a high operations tempo. Air Force and DoD networks face a continuous barrage of assaults from individual hackers, organized insurgents, state-sponsored actors, and all level of threats in between. Our adversaries are also realizing gains from electronically linking their combat capabilities. This is creating new warfighting

challenges that the Joint Force must be prepared to address. As we work to ensure our freedom of movement in cyberspace, we will also work with Service, Joint, and Interagency partners on additional and further-reaching cyberspace initiatives.

We are using a cyber strategy which not only improves the Air Force's ability to operate in cyberspace, but also mitigates constantly increasing infrastructure costs. This approach focuses on near-term FYDP investments to automate network defense and operations which increase both combat capacity and effectiveness. This effort, led by 24th Air Force, under Air Force Space Command, includes continued development of the Single Integrated Network Environment which provides a seamless information flow among air, space, and terrestrial network environments, and most importantly, mission assurance to the warfighter.

Our FY13 budget request for cyberspace superiority is $4.0 billion. With these funds, we are expanding our ability to rapidly acquire network defense tools, such as Host Based Security System, a flexible, commercial-off-the-shelf (COTS)-based application to monitor, detect, and counter cyber-threats to the Air Force Enterprise. We are also investing in advanced technologies to monitor and secure both classified and unclassified networks. We have made considerable progress in our efforts to meet the emerging challenges and threats in cyberspace by fielding a Total Force of over 45,000 trained and certified professionals equipped to ensure continuity of operations in cyberspace. The establishment of an additional ANG network warfare squadron (NWS) will enhance the Maryland ANG 175th NWS as they actively conduct cyber defense to protect networks and systems. The Air Force Reserve will also stand up an Active Association Network Warfare Squadron with the 33rd Network Warfare Squadron at Lackland AFB, Texas.

To keep with the rapid pace of technology, the Air Force is developing Joint standardization and acquisition strategies to enable quick delivery of cyber capabilities to address constantly evolving and more technologically advanced cyber threats and to improve intelligence capabilities in cyberspace. The Air Force is spending $27.3 million on the Air Force Wideband Enterprise Terminal, leveraging Army procurement efforts for significant quantity savings, Joint standardization, interoperability, and enabling wideband global satellite communication (SATCOM) Ka-band utilization, resulting in greater bandwidth for deployed warfighters. The Air Force continues efforts toward the Single Air Force Network, which increases Air Force network situational awareness and improves information sharing and transport capabilities. For future budget requests, the Air Force is working with DoD to define near- and long-term solutions to deliver warfighting communication capabilities, such as Family of Advanced Beyond Line of Sight Terminals (FAB-T) and upgrading the Air Force's wideband enterprise terminals to provide Joint standardization and greater bandwidth.

## SPACE SUPERIORITY

America's ability to operate effectively across the spectrum of conflict also rests heavily on Air Force space capabilities. Airmen provide critical space capabilities that enhance the DoD's ability to navigate accurately, see clearly, communicate confidently, strike precisely, and operate assuredly. General purpose forces, the intelligence community, and special operations forces depend on these space capabilities to perform their missions every day, on every continent, in the

air, on the land, and at sea. In addition, space operations help ensure access and use of the global commons, enabling a multitude of civil and commercial activities such as cellular communications, commercial and civil aviation, financial transactions, agriculture and infrastructure management, law enforcement, emergency response, and many more. Like air superiority, space-based missions can easily be taken for granted.

The Air Force has maintained its record of successful space launches, began on-orbit testing of the first Advanced Extremely High Frequency military communications satellite, and launched the first Space Based Infrared System geosynchronous satellite. Our ability to deliver space capabilities is currently without equal. As we become a smaller, leaner force in accordance with the new defense strategic guidance, the leveraging and multiplying effects that space provides will become increasingly important. Improving space situational awareness will be key to protecting the unique advantage space provides.

Rapid technology advancements and the long-lead time for integrating and fielding new space technology results in an ongoing need to plan, design, and implement space advancements. We must procure our space systems at the lowest cost possible while providing assured access to space. Our innovative acquisition strategy for the Efficient Space Procurement (ESP)[1] of complex space systems is designed to identify efficiencies and use those resources to provide enduring capability and help provide stability to the space industrial base. We are again requesting advance appropriations to fully-fund the satellites being procured under ESP. While we are modernizing and sustaining many of our satellite constellations, funding constraints have slowed our ability to field some space capabilities as rapidly as is prudent. Therefore, as we continue to sustain our current level of support to the warfighter, the current fiscal environment demands that we explore alternate paths to provide resilient solutions. As we incorporate the tenets of the new National Space Policy and National Security Space Strategy, we are actively developing architectures that take into consideration the advantages of leveraging international partnerships and commercial space capabilities. One example being tested is a commercially hosted infrared payload (CHIRP) launched from Guiana Space Center, Kourou, French Guiana, which begins to explore the utility of a dedicated payload for missile warning hosted on a commercial communications satellite.

With the $9.6 billion in funds for space programs in the FY13 budget request, the Air Force is recapitalizing many space capabilities, fielding new satellite communications systems, replacing legacy early missile warning systems, improving space control capabilities, and upgrading position, navigation and timing capabilities with the launch of Global Positioning System (GPS) IIF satellites and the acquisition of GPS III satellites. Consistent with the 2012 National Defense Authorization Act (NDAA) and Department of Defense Appropriations Act, the Air Force is canceling the Defense Weather Satellite System, saving $518.8 million in FY13 and $2.38 billion over the FYDP. The Defense Meteorological Satellite Program (DMSP) will continue to fulfill this critical requirement as the Air Force determines the most prudent way forward.

[1] Previously known as Evolutionary Acquisition for Space Efficiency (EASE).

## NUCLEAR DETERRENCE OPERATIONS

Credible nuclear capabilities are required to deter potential adversaries from attacking our vital interests and to assure our allies of our commitments. Although the threat of global nuclear war has become remote since the end of the Cold War, the prospect of nuclear terrorism has increased. Proliferation of nuclear weapons, especially among regional power aspirants, is on the rise. Advanced air defenses increasingly threaten the survivability of current bombers. Area denial and ballistic missile threats reduce our basing options and challenge the responsiveness and survivability of long range strike. As a result, the United States must shape its deterrent forces to maintain stability among existing nuclear powers, to strengthen regional deterrence, and to reassure U.S. allies and partners.

The Air Force is responsible for two of the three legs of the nuclear triad and continuing to strengthen the Air Force nuclear enterprise remains a top Air Force priority. Air Force investment in our bombers and intercontinental ballistic missile (ICBM) systems reflects our commitment to the nuclear deterrence mission well into the future. Our request of $5.1 billion for this core function in FY13 increases sustainment for the Minuteman III ICBM through 2030 with fuze component replenishment and replacement programs, as well as new transporter erectors. We are also enhancing long range strike capabilities by upgrading the B-2s with an improved Defensive Management System (DMS) and a new survivable communication system. These investments will ensure the Air Force maintains the capability to operate and sustain safe, secure and effective nuclear forces to deter adversaries, hold any target at risk, and respond appropriately if deterrence fails. In particular, the responsiveness of the ICBM leg and the flexibility of the bomber leg are valued attributes of the nuclear force. We are committed to a future force that will have the flexibility and resiliency to adapt to changes in the geopolitical environment or cope with potential problems in the nuclear stockpile.

The New Strategic Arms Reduction Treaty requires the United States to reduce warheads and delivery capacity by 2018. Our FY13 budget request includes $20.1 million to fund treaty preparatory actions that began in FY12 and additional actions necessary to accomplish the treaty-required reductions by 2018. While final force structure decisions have not yet been made, we are continuing to develop detailed plans, working with the Department of Defense and U.S. Strategic Command, for executing force reduction decisions which retain the attributes of the Triad needed for 21st Century deterrence.

## RAPID GLOBAL MOBILITY

The Air Force provides unparalleled in-flight refueling and cargo carrying capacity in support of worldwide operations. Mobility forces provide vital deployment and sustainment capability for Joint and Coalition forces by delivering essential equipment, personnel, and materiel for missions ranging from major combat operations to humanitarian relief operations. Achieving unprecedented survival rates, our highly skilled aeromedical transport teams swiftly evacuate combat casualties, ensuring our wounded warriors receive the best possible medical care. A unique Air Force contribution, rapid global mobility must be maintained on a scale to support DoD force structure and national strategic objectives.

On any given day, the Air Force fleet of C-17s and C-5s deliver critical personnel and cargo, provide airdrop of time-critical supplies, food, and ammunition, and enable rapid movement of personnel and equipment. Air Force air refueling aircraft will continue to play a vital, daily role in extending the range and persistence of almost all other Joint Force aircraft. The Air Force remains committed to fully funding the acquisition of the new KC-46A tanker with $1.8 billion in research, development, testing, and evaluation (RDT&E) in FY13, while also resourcing critical modernization programs for the KC-10 and KC-135 fleets. This will ensure our Nation retains a tanker fleet able to provide crucial air refueling capacity for decades to come. The retirement of 20 KC-135s is consistent with our analysis of warfighting scenarios based on the strategic guidance and will results in savings of $22.5 million in FY13. As part of our energy efficiency initiatives, we plan to begin upgrading 93 KC-135 engines in FY13 and 100 more each year through the FYDP. We anticipate overall savings in fuel and maintenance of $1.5 billion from this $278 million investment.

In addition, with our FY13 budget request of $15.9 billion in rapid global mobility funds, the Air Force will continue to modernize its inter-theater airlift fleet of C-17s and C-5s. To move towards a common fleet configuration, the Air Force is investing $138.2 million in FY13 for the Global Reach Improvement Program (GRIP). The GRIP brings the multiple variants of C-17 to a standard configuration, designated the C-17A, that will provide efficiencies in operations and weapon system sustainment. We also plan to transfer eight C-17s from the Active Component to the ANG in FY13, and an additional eight in FY15. We are modernizing the most capable C-5 airframes while retiring the final 27 of the oldest model, the C-5A. On the remaining 52 C-5s, the Air Force is investing $1.3 billion in modernization in FY13 to improve capability and reliability, including $1.23 billion on the Reliability Enhancement and Re-engining Program. We currently have seven operational C-5Ms. The retirement of the last C-5A by FY16 is timed to match the completion of the last C-5M upgrade.

Because the strategic guidance reduced the overall requirement for intra-theater airlift, we are retiring C-130H aircraft (39 in FY13 and a total of 65 over the FYDP). These older aircraft would require costly modification or modernization to remain viable. We will maintain the necessary intra-theater airlift capability and capacity by completing the recapitalization of older C-130E/H aircraft with the C-130J. The remaining legacy C-130H aircraft are being modernized to reduce sustainment costs and ensure global airspace access.

Finally, after rigorous mission analysis, we determined the mission performed by the C-27J fleet could be performed by the C-130 fleet which is fully capable of meeting direct ground support and homeland defense requirements.[2] The fiscal constraints that demand we become a smaller Air Force also support the decision to retain aircraft that have multiple role capabilities, like the C-130. Therefore, all 21 C-27Js in the current fleet will be retired and we are canceling procurement of 17 additional aircraft. Without question, the Air Force's commitment to support time-sensitive, mission-critical direct airlift support to the Army is unaltered by the divestment of the C-27J.

[2] Six of the seven Air National Guard units that are affected by the divestment of the C-27J fleet are being backfilled with MC-12W Liberty, ISR/cyber, MQ-9, or C-130 units.

## COMMAND AND CONTROL

Command and control (C2) of our forces has never been more vital or more difficult than in the highly complex 21st Century military operations that depend on close Joint and Coalition coordination. C2 is the key operational function that ties all the others together to achieve our military objectives, enabling commanders to integrate operations in multiple theaters at multiple levels through planning, coordinating, tasking, executing, monitoring and assessing air, space, and cyberspace operations across the range of military operations. No longer in a Cold War technological environment, the Air Force is transforming its C2 to an internet protocol-based net-centric war fighting capability. To do so, the Air Force must sustain, modify, and enhance current C2 systems, and develop deployable, scalable, and modular systems that are interoperable with Joint, Interagency, and Coalition partners.

The Air Force is focusing its attention to modernization efforts to operate in A2/AD environments with our fourth- and fifth-generation weapon systems. In doing so, the Air Force will continue to use a balanced approach across the C2 portfolio by investing in sustaining legacy platforms while modernizing our C2 aircraft fleet and ground operating nodes only as needed to sustain our capability. Our FY13 budget request of $5.8 billion for C2 includes $200 million to support secure and reliable strategic level communications through the E-4 National Airborne Operations Center (NAOC). We are also spending $22.7 million to begin fielding a cockpit modernization development program to sustain the capability of the existing Airborne Warning and Control System (AWACS) platform and we will continue to modernize and sustain the Theater Air Control System Command and Control Centers (CRC). The modernization of the Air Operations Center (AOC) will move this weapon system to an enterprise system which can accept rapid application upgrades and enable future warfighting concepts.

To reduce unnecessary cost, the Air Force will retire one JSTARS aircraft that is beyond economical repair, saving the Air Force $13 million in FY13 and $91 million over the FYDP. The JSTARS re-engining system development and demonstration (SDD) flight test program completed in January 2012; however, because the FY12 NDAA reduced re-engining funding, full completion of the re-engining SDD is under review. The JSTARS re-engining program is not funded in FY13. We also terminated our portion of the Army-managed Joint Tactical Radio System (JTRS) small airborne radio program that was over cost and behind schedule and will instead leverage industry-developed hardware, while continuing the development of the required radio waveforms. The termination of this program and the associated non-recurring engineering will save $294 million in FY13 and $3.2 billion over the FYDP.

## SPECIAL OPERATIONS

Success in counterterrorism and irregular warfare missions requires the ability to conduct operations in hostile, denied, or politically sensitive environments, using other than conventional forces. Air Force special operations capabilities continue to play a vital role in supporting U.S. Special Operations Command and geographic Combatant Commanders. U.S. special operations forces (SOF) depend on a balanced force of air, sea, and land capabilities; Air Commandos bring specialized expertise for infiltration and exfiltration and the kinetic and non-kinetic application of airpower that are essential to Joint special operations capabilities.

Our investments in SOF must strike a balance between winning today's fight and building the Joint special operation force of the future, including the ability to act unilaterally when necessary. Despite the challenging fiscal environment, with our budget request of $1.2 billion, the Air Force was able to sustain nearly all of the SOF aviation improvements realized over the past several years. The programmed buy of 50 CV-22 Ospreys will complete in FY14, and the procurement of MC-130Js for the recapitalization of 37 MC-130E/Ps will also complete in FY14. MC-130H/W recapitalization will begin in FY15, a year earlier than scheduled in the FY12 PB, which ensures a continued, more capable SOF mobility fleet. The Air Force is modernizing our SOF precision strike capability by procuring AC-130Js, on a one-for-one basis, to recapitalize our legacy AC-130Hs. We are also ensuring our Battlefield Airmen continue to receive first-class equipment and training by adding funds to operations and maintenance accounts.

## PERSONNEL RECOVERY

The Air Force remains committed to modernizing crucial combat search and rescue (CSAR) capabilities. The additional use of personnel recovery (PR) forces for medical and casualty evacuation, humanitarian assistance, disaster response, and civil search and rescue operations has steadily risen since the early 1990s. This increase in usage has taken its toll on the aircraft and significantly affected availability. Currently, Air Force PR forces are fully engaged in the CENTCOM and Africa Command AORs, accomplishing lifesaving medical and casualty evacuation missions. They are also supporting domestic civil land and maritime search and rescue, humanitarian assistance/disaster relief, and mass casualty evacuation missions. The dynamic geopolitical environment suggests that the continued need for PR forces to conduct non-permissive CSAR in contingency operations and permissive humanitarian assistance, disaster response, and civil search and rescue operations will remain.

To ensure the Air Force is able to provide this vital core function in the future, we are recapitalizing our fixed wing aircraft, replenishing our rotary wing aircraft through the Operational Loss Replacement (OLR) program, and replacing aging rotary wing aircraft through the Combat Rescue Helicopter (CRH) program. The $1.4 billion FY13 budget request for PR includes $152.2 million for the HC-130J and $183.8 million for the OLR and CRH programs. The FY13 RDT&E funding for the CRH was reprogrammed to support the acquisition of two test aircraft. The program remains on track to produce a replacement for the HH-60G through a full and open competition, with initial operational capability planned for FY18. The Air Force also continues to fund the HH-60G and HC-130 sustainment programs while continuing to invest in the Guardian Angel program that provides first-class equipment and training for the rescue force.

## BUILDING PARTNERSHIPS

Building the capacity of partner governments and their security forces is a key element in our national security strategy. The establishment of strong, foundational aviation enterprises in our partner nations enables successful, sustainable security within their own borders while contributing to regional stability. Successful partnerships ensure interoperability, integration and interdependence between air forces, allowing for effective combined and coalition operational

employment. These partnerships also provide partner nations with the capability and capacity to resolve their own national security challenges, thereby reducing the potential demand for a large U.S. response or support.

The necessity for partnering is evident every day in Afghanistan where U.S. and Coalition air forces provide flexible and efficient airpower support to International Security Assistance Force operations. In both Iraq and Afghanistan, Airmen are building the capabilities and capacities of the Iraqi and Afghanistan air forces so that they can successfully employ airpower in their own right. In addition, the success of the Libya operations last year can be partly attributed to years of engagement that led to improved interoperability and highly capable and equipped partner nations.

These international engagements require Airmen to perform their duties effectively and achieve influence in culturally-complex environments around the globe. Fielding the Joint Strike Fighter and other platforms will help further our partnerships with more established allies. The U.S. role in the 12-nation Strategic Airlift Consortium enables a unique fully operational force of three C-17s to meet the airlift requirements of our European allies. The FY13 budget request of approximately $300 million in this core function continues to fully resource the Strategic Airlift Consortium effort at Papa AB, Hungary. The Air Force also committed to field a new aviation detachment in Poland.

Due to fiscal constraints, the Air Force terminated the Light Attack Armed Reconnaissance and the Light Mobility Aircraft programs; however, the Air Force believes this requirement can be substantially met with innovative application of Air National Guard State Partnership Programs and Mobility Support Advisory Squadrons. We are working with partner nations to build and sustain ISR capacity and help them effectively counter threats within their borders. We are also pursuing international agreements to increase partner satellite communication, space situational awareness, and global positioning, navigation, and timing capabilities.

The Air Force also recognizes that it cannot build effective international partnerships without effective U.S. Government interagency partnerships. To that end, we are a strong supporter of State-Defense exchanges and other programs that provide interagency familiarity and training.

## AGILE COMBAT SUPPORT

Underpinning our capacity to perform the missions in these core functions is the ability to create, protect, and sustain air and space forces across the full spectrum of military operations – from the training, education, and development of our Airmen to excellence in acquisition. The FY13 budget request includes $31.0 billion for agile combat support.

We will continue to support our Airmen and their families through quality of life and support services such as child care and youth programs and initiatives, medical services and rehabilitation for wounded warriors, improvements to dining facilities, food delivery, fitness centers, and lodging. We are partnering with local communities, where feasible, to provide the highest quality support, and we are changing the way that we provide services so that Airmen and their families are more able to easily access and receive the support they need. To ensure we

continuously focus on and improve readiness and build a more agile and capable force, we have strengthened technical and professional development by enhancing technical training, professional military education, and language and culture programs.

The Air Force is committed to sustaining excellence with a smaller force. We remain attentive to force management efforts and continue to size and shape the force to meet congressionally-mandated military end strength. A series of voluntary and involuntary force management efforts have been successful in reducing Active Duty end strength. Force management programs in FY12 include voluntary and involuntary programs which lessen the need for involuntary actions in FY13. We are posturing accessions for the long term and ensuring the right balance of skills exists to meet operational requirements. The Air Force will meet its OSD-directed civilian end strength target for FY12. The Force Management Program is not a quick fix, but a tailored, multi-year effort to manage the force along the 30-year continuum of service.

We are improving acquisition processes, recently completing implementation of the Acquisition Improvement Plan (AIP). We have also institutionalized the "Better Buying Power" (BBP) initiatives promulgated by the Under Secretary of Defense for Acquisition, Technology and Logistics and are expanding those improvements through our Acquisition Continuous Process Improvement 2.0 (CPI 2.0) effort. The major elements of the CPI 2.0 initiative – process simplification, requirements, realizing the value proposition, and workforce improvement – will build upon the BBP initiatives and continue our momentum in improving our acquisition workforce skills.

We are ensuring the Air Force continues to have war-winning technology through the careful and proactive management of our science, technology, engineering, and mathematics (STEM) workforce and improving our means to attract and recruit future innovators for the Air Force. Properly funding our science and technology laboratories enables them to continue discovering, developing, and demonstrating high payoff innovations to address the changing strategic environment and sustain air, space, and cyberspace superiority. Therefore, the Air Force's budget protects science and technology funding as a share of our total resources.

Science and technology investments are also a key toward enhancing our energy security and meeting our energy goals. The Air Force is requesting over $530 million for aviation, infrastructure, and RDT&E energy initiatives in FY13 to reduce energy demand, improve energy efficiency, diversify supply, and increase mission effectiveness. A focus of these initiatives is to improve our energy security by diversifying our drop-in and renewable sources of energy and increasing our access to reliable and uninterrupted energy supplies. We are investing more than $300 million in energy RDT&E, which includes $214 million for the FY13 Adaptive Engine Technology Development (AETD) initiative. This initiative will build upon the Adaptive Versatile Engine Technology (ADVENT) effort to reduce energy consumption and improve efficiency and reliability of future and legacy aircraft.

We are continuing to support an important aspect of our readiness posture through weapons system sustainment, the requirements for which have grown due to the complexity of new aircraft, operations tempo increases, force structure changes, and growth in depot work packages for legacy aircraft. We are mitigating overall WSS growth through efficiency efforts and

requirements reviews. WSS funding through OCO requests remains critical while we continue to be engaged in these global operations. For FY13, we are seeking $11.6 billion in WSS (including OCO). We are committed to retaining three strong organic depots. In FY12, we are investing approximately $290 million in new technologies and infrastructure in all of our depots. Although we may have a short term challenge to meet the Title 10, § 2466 Depot 50/50 Rule requirements due to force structure changes, we have a robust plan in place to perform organic repair for future weapon systems like the KC-46A.

As noted earlier, Air Force continues to emphasize the importance of maintaining readiness in support of our flying hour program. The Air Force's $44.3 billion FY13 operations and maintenance request supports 1.17 million flying hours for new pilot production, pilot development, maintenance of basic flying skills, as well as training of crews to support Combatant Commander priorities.

Facility sustainment, restoration and modernization and MILCON are essential tools for providing mission capability to our warfighters. The $441 million in MILCON funding, a $900 million decrease from FY12 enacted levels, represents a conscious decision to take a deliberate pause in MILCON investment. During this pause, we will maintain funding levels for facility sustainment at $1.4 billion and restoration and modernization at $718.1 million. We will continue to fund the most critical construction priorities of our Combatant Commanders and the Air Force, including projects aligned with weapon system deliveries—supporting beddowns for the F-22, F-35, HC-130J/C-130H, and MQ-9. In addition, our investment funds some much-needed support to our Airmen, with $42 million in dormitory recapitalization.

## CONCLUSION

Given the continuing complexity and uncertainty in the strategic environment, and a more constrained fiscal environment, DoD and Air Force resources are appropriately targeted to promote agile, flexible, and cost effective forces, and to mitigate strategic risks. The FY13 Air Force budget request reflects the extremely difficult choices that had to be made that will allow the Air Force to provide the necessary capability, capacity, and versatility required to prevail in today's and tomorrow's wars, prevent and deter conflict, and prepare to defeat adversaries and succeed across the range of potential military operations—all the while preserving and enhancing the All-Volunteer Force. Additional reductions would put at risk our capability to execute the new strategic guidance.

We are confident in our Airmen and their families. They are the best in the world, and we rely on them to meet any challenge, overcome any obstacle, and defeat any enemy—as long as they are given adequate resources. As they have time and again, our Airmen innovators will find new and better ways to approach future military challenges across the spectrum of domains and against nascent threats. We are committed to excellence and we will deliver with your help. We ask that you support the Air Force budget request of $110.1 billion for FY13.

Mr. YOUNG. Well, Mr. Secretary, thank you very, very much, and we share your pride in the world's most efficient, the world's best Air Force, and we are convinced of that, and we appreciate the role that you have played to maintain that.

General Schwartz, we are happy to hear from you now, sir.

SUMMARY STATEMENT OF GENERAL SCHWARTZ

General SCHWARTZ. Mr. Chairman and Congressman Dicks, members of the committee, I am privileged to be here today with Secretary Donley representing the men and women of the United States Air Force. When we appeared before you last year to discuss our budget request, America's Airmen were serving in Iraq and Afghanistan alongside their Joint and Coalition teammates. Little did anyone know that they were on the verge of surging into two additional theaters of operations, ranging more than 5,500 miles apart, and engaging in operations spanning the entire spectrum of activity. But when multiple disasters struck our friends in Japan on March 11th, and when the United Nations Security Council passed Resolution 1973 six days later, the men and women of the United States Air Force and the Armed Forces were ready to respond, and they responded magnificently.

The ability to address concurrent surge requirements while we maintained fully engaged on two fronts in the United States Central Command area of responsibility was most assuredly not trivial. Such capability and capacity to address potential similar scenarios remains important to our success in the future security environment, but in light of fiscal circumstances, both presently and for the foreseeable future, helping to ensure America's success in these and other contingencies requires carefully tailored preparedness of America's Air Force and her Armed Forces.

This budget request, fully appreciating the Defense Department's role in helping to stabilize the Nation's extraordinary fiscal condition, supports our Airmen and our continuing efforts to structure the force for a maximized versatility with minimized risk across the spectrum of operations. So using our very own version of "March Madness" last year as an example, this spectrum includes humanitarian relief operations in places like Japan, where more than 13,000 Air Force personnel were called to action to increase much-needed airfield capacity; to conduct search-and-rescue operations; to provide airborne, wide-angle views of the devastation for overall situation awareness; and to provide rapid and tailored airlift capability, delivering some five million pounds, or 60 percent, of the total of U.S. emergency relief supplies.

The operational continuum also includes airpower-intensive combat operations such as Libya, where Airmen surged to contribute more than 65 percent of all Coalition sorties, notably 99 percent of the lift, 79 percent of the in-flight refueling, 50 percent of the airborne reconnaissance, and 40 percent of the strike missions. And our Nation's full-spectrum requirements that rely on Air Force capabilities include everything else from counterinsurgency to counterterrorism, to irregular operations, to the safe and reliable operations, maintenance, and security of two of our Nation's three legs of the nuclear deterrent.

In all of these mission areas, Airmen are committed to the task of leveraging air and space power with all of its versatility. Ultimately Air Force capabilities present to the President and the national leadership a range of options to meet priorities in the new Defense Strategic Guidance, such as projecting power in anti-access and area-denial environments, conducting space and cyber operations, and maintaining the preponderance of the Nation's nuclear deterrent.

The wide array of Air Force capabilities which will remain vital to our Nation's diplomatic, economic, and military interests fall into four general categories of enduring and core contributions: air and space control; global intelligence, surveillance, and reconnaissance; rapid global mobility; and global strike. These contributions are integrated and harmonized across multiple operating domains via the Air Force's high-volume command and control of air, space, and cyber systems.

As part of the Defense Strategic Guidance, we are restructuring our force to be agile and responsive, even as we accept the risk associated with a smaller force. While still maintaining quality, we will divest 230 fighter, mobility, and ISR aircraft in fiscal 2013 toward a total of 286 retirements over the program period. We project that targeted divestitures will achieve $8.7 billion in total force savings over the planning period, which then can be applied to our modernization strategy, as Secretary Donley discussed, as well as to all important operations and maintenance accounts.

Our guiding principles in these careful and responsible reductions were to favor multi-role systems over those with niche capabilities so that we could maximize versatility, and to retire entire aircraft types where possible so that we could potentially eliminate the entire support infrastructure, thereby achieving greater efficiency. But where retirements of entire fleets was not feasible, we evaluated options for eliminating aircraft that were the least capable or the most costly to operate.

For the assets that we retain, that is 54 combat-coded fighter squadrons, 275 airlifters, 453 tankers, and a robust mix of remotely piloted U–2, E–3, E–8, and other ISR systems, we are emphasizing common configurations for fewer support-and-sustainment requirements, and therefore we would be positioned to achieve greater efficiency in delivering Air Force capabilities I mentioned earlier.

The Defense Strategic Guidance articulates our plan to execute the $487 billion cut in defense spending over 10 years. Although we have no illusion about the road ahead being easy, we have confidence in our ability to manage in this tight fiscal circumstance. And I must echo Secretary Donley's concern that across-the-board cuts driven by sequestration would dramatically change the complexion of our thoroughly deliberated defense strategy. We effectively would be sent back to the drawing board, because any indiscriminate salami slicing of the budget would nullify the carefully considered and responsible reductions that preserve our readiness and effectiveness, notwithstanding the fiscal constraints in a smaller force.

The comprehensive nature of our fiscal 2013 budget request includes a holistic interstate approach to Air National Guard and Air Force Reserve force structure from both an operational effective-

ness and a fiscal responsibility perspective. We prefer this strategy over a more piecemeal state-by-state approach. Our proposed efforts will correct several manpower disconnects, rebalance forces, and improve sortie generation and aircraft utilization rates, thereby improving the Total Force's readiness and responsiveness across the spectrum of operations. The strategy also allows us to better resource our higher-priority requirements such as ISR, distributed mission training, and domestic and homeland defense operations.

On the manpower side, the program Total Force realignment actions on the order of 10,000 Active, Guard, and Reserve Airmen will bring the Total Force end strength down to 501,000 by the end of fiscal 2013. We hold no illusions that these personnel reductions affecting all 54 states and territories will be easy. Taken comprehensively, however, this recalibration will robust almost 40 units across the Air National Guard and thus enhance overall Total Force readiness.

Clearly, the Air Force's vitality and effectiveness is dependent on the Total Force. Therefore, the leadership of both the Active and Reserve Components work closely together in all deliberations and decisions affecting the Total Force. Understandably, we did not always achieve total unanimity, but we most certainly were unified, and we remain unified in the common goal of ensuring Total Force vitality and viability. Together we remain committed to fulfilling the requirements of the Defense Strategic Guidance as one Air Force.

Finally, please allow me to make one comment concerning military compensation. I appeal to the committee to carefully consider those initiatives in our budget proposal that begin to tackle escalating personnel costs: compensation, health care, and retirement. Among all the challenges facing us, the reality of fewer members of the Armed Forces costing increasingly more to recruit, train, and retain for promising careers is the monumental defense issue of our time. Our inability to address this issue properly will place other areas of the budget, including force structure and modernization, under yet more pressure, forcing out needed military capability at a time when we are already right sized for the likely missions ahead.

Mr. Chairman and committee members, the Air Force remains committed to providing Global Vigilance, Reach, and Power for America's needs today and for her aspirations in the challenges we will face as a Nation tomorrow. Every single day our Airmen—Active, Guard, Reserve—proudly serve on behalf of the American people as trusted stewards of the Nation's resources and stalwart defenders of her security.

Thank you again for your continued support of the United States Air Force, for our Airmen, and certainly for our families. We look forward to your questions, sir.

Mr. YOUNG. General, thank you very much. We appreciate your statement, the importance of your statement.

With the agreement of Mr. Dicks, we are going to have a little change of format this morning. The Budget Committee is meeting. Two of our members serve on the Budget Committee, and it is important that they be there to protect the interests of this subcommittee and our jurisdiction. So I am going to go first to Mr. Cal-

vert, who is a member of the Budget Committee as well as this subcommittee. So, Mr. Calvert, you are on.

COST OF RESTRUCTING THE FORCE

Mr. CALVERT. Thank you, Mr. Chairman, and thank you for the opportunity to serve on the Budget Committee. I really appreciate it.

Mr. YOUNG. We are counting on you, believe me.

Mr. CALVERT. Thank you.

Mr. YOUNG. And Mr. Cole.

Mr. CALVERT. Thank you.

And thank you, Mr. Secretary and General, for your service. I certainly appreciate your coming here today.

Mr. Secretary, I recently sent a letter to you outlining several questions relating to the Air Force budget, so you may recognize several of these questions.

As you know, the Air Force plans on moving a lot of airplanes around, retiring several airframes, remissioning several bases. Do you have an estimate what the cost of remissioning these bases may be?

Mr. DONLEY. Well, the overall cost of—or actually this is built around force structure savings in our Air Force, so a combination of reductions in costs and the costs of moving, altogether that is about $8.7 billion in savings across the five-year plan.

Mr. CALVERT. And what is the cost, though, of remissioning those bases, savings over time?

Mr. DONLEY. I can get that for you for the record. It is localized, different at each location, depending on the missions that are going out and those that are coming in. It is balanced out.

Mr. CALVERT. If you could get that for us, I would appreciate it.

Mr. DONLEY. Sure.

[The information follows:]

The Air Force programmed approximately $600 million dollars across the Future Years Defense Program to enable the re-missioning and relocation of aircraft. The $600 million funds aircraft flying hours for training, depot maintenance for aircraft, manpower authorizations to meet prescribed crew ratios/new missions, minor construction, and military construction projects. Minus these costs, the Air Force projects to net savings of approximately $8.7 billion across the Future Years Defense Program from all our proposed force structure adjustments. Starting in April of this year, the Air Force's major commands, including the Air Force Reserve Command and the Air National Guard, will begin site surveys to identify any facility and non-facility requirements that we may not have anticipated so they can be addressed during the development of the Fiscal Year 2014 budget.

MQ–9 BASING

Mr. CALVERT. Why are five new MQ–9 squadrons being located at different bases?

Mr. DONLEY. I will let the Chief address some of this in more detail, but this has been a growing part of our Air Force force structure, so while we have come down in Active Duty strength about 24–, 25,000 in the last six or seven years, the number of personnel in our ISR work has been growing, so we have been creating new RPA units and ISR units across the Air Force, both Active and Guard and Reserve.

Mr. CALVERT. I appreciate that, but would it not make sense if the Air Force could save money by collocating some of those units together with existing MQ–1 units?

Mr. DONLEY. Just quickly, we have maxed out the capability at certain locations, like Creech Air Force Base, which was the primary location we started with early in this decade, so we have clearly outgrown Creech and other locations as well.

Mr. CALVERT. But not all locations?

General SCHWARTZ. But more importantly, most of the units that are involved, particularly in the re-missioning sir, are what we call RSO units, the remote split operation units. In other words, they have no aircraft, but they have the ground stations in order to control these aircraft. And so it is not so much an issue of——

Mr. CALVERT. Well, without sounding too parochial, in California you have an existing schoolhouse up in Victorville. You have an existing Predator unit at March, but they fly them out of Victorville. Actual aircraft flies out of the old George Air Force Base, which has plenty of space to train around Twentynine Palms, Fort Irwin, and certainly the Nevada area, and it seems that they have plenty of space, plenty of opportunity to expand that. So I just wanted to bring that to your attention because there is some concern about that.

C–5 MODERNIZATION

The other thing that I wanted to bring to your attention is the C–5 modernization, and I know there is considerable cost to some of these older aircraft and maintenance costs and the rest. Would it not make sense of retiring some of these older C–5s and buying C–17s instead, rather than keeping some of these old airframes around?

General SCHWARTZ. Well, in fact, we are retiring 27 C–5As in this program.

Mr. CALVERT. Why not retire more?

General SCHWARTZ. Because we are re-engining the B models and the C models, and they are going to be very capable aircraft at considerably less cost, frankly, than would new production C–17s. That is a decision that is behind us, and frankly——

Mr. CALVERT. You talk about the issue of common configuration in your statement.

General SCHWARTZ. Yes, sir, and we are establishing Block 18 as the common configuration for all 223 C–17s. And we are going to have the re-engined version; the C–5M will be the common configuration for the remaining C–5 fleet of 52 aircraft.

Mr. CALVERT. Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, Mr. Calvert.

Mr. Cole is also an extremely important member of this committee as well as the Budget Committee, and, Mr. Cole, you are recognized, and then you can both be excused to get to that important budget meeting.

F117 ENGINE SUSTAINMENT

Mr. COLE. Thank you very much, Mr. Chairman. I will just point out for the record that Mr. Calvert and Mr. Simpson and I are all

draftees, not volunteers for that particular committee, but we are happy to be there.

Mr. Secretary, as you know, we are moving the engine-sustainment activities for the F117 engine to Tinker Air Logistics Center, and that has got a very expensive supply chain associated with that, sole-sourced right now. It has come to my attention there is a lot of commercially available parts that could be in that. I would like to know what your thoughts are going forward as to whether or not we should look at those supply chains and begin to compete them as opposed to sole-source them.

Mr. DONLEY. We have taken a look at competing some aspects of engine components and have seen the potential for significant reductions. My recollection is here on one component we have forecast savings of up to $40 million, so this has some potential. Let me get you the details for the record here.

General SCHWARTZ. I can offer, if I may, sir.

Mr. COLE. Please.

General SCHWARTZ. The experience we have had thus far with using both reconditioned commercial parts and nonoriginal equipment-manufactured new parts, in particular with the F108 engine, which is the KC–135 engine, where we have had fan blades that we are now purchasing from non-OEM (original equipment manufacturer) sources at very considerable savings that the Secretary addressed.

With respect to the F117, we are securing data rights in order to pursue a similar strategy, and this is a key thing for defense procurement more broadly is assuring that the government possesses data rights, particularly for those systems that are not blended commercial/military, that are military-only application, like the 117.

C–130 AVIONICS MODERNIZATION PROGRAM

Mr. COLE. Well, I would certainly encourage you to continue and expedite that, because I think it might save us a lot of money and hopefully save you some of the tough decisions you have had to make going forward.

Let me also switch and be a little parochial here again. I am concerned, I guess, first and foremost, just about the number of C–130s that are being retired, and particularly concerned that the decision was made on the C–130 Avionics Modernization Program, the C–130 AMP program. Actually Mr. Dicks, I think, mentioned that in his opening comments.

If the idea is to cut numbers, but retain and, if possible, improve quality, what is the rationale behind abandoning that program which would improve quality?

General SCHWARTZ. It would, without a doubt, and in a prior budget environment, it was a magnificent modification to the airplane, no question about it, and it removed one crew member, the navigator, from the platform. But, sir, the reality is that that modification per airplane is in the neighborhood of $19 million a bird. The less ambitious program that will satisfy international navigation requirements and so on is less than $5 million an airplane. This was simply a recognition of affordability. Having that magnifi-

cent cockpit and one less crew member was desirable, but it is in this environment not affordable, sir.

AIR FORCE MISSION CAPACITY

Mr. COLE. Thank you.

Let me ask you one last question, and then I will go about my business of trying to make sure you have the largest possible budget. You mentioned, I think, General Schwartz, the extraordinary achievement of this last year of maintaining military operations in two theaters while we are at war, in conflict, and at the same time on a dime moving toward Libya and doing the incredible work you did in Japan. After we do all the things that you are recommending here, are you going to be able to do that again?

General SCHWARTZ. Probably not. We will not have the same depth that we had a year ago at the end of fiscal 2013. We will be as good as we were, but there will be less capacity. That was the strategy we followed was to sacrifice capacity for quality. If we go beyond 487, then we are talking about both capability and capacity.

Mr. COLE. I would just ask both of you to make that point repeatedly, that we literally—I mean, we have too many people on here who look at this in terms of numbers, and that is important, but do not understand what it is going to mean we cannot do going forward that we are in the habit of doing, and, you know, those are—I mean, that is going to be lives lost. That is going to be tremendous loss of capability. But again, thank you for what you are doing to wrestle with a very difficult situation.

Mr. Chairman, thank you for your indulgence.

Mr. YOUNG. Mr. Cole, thank you very much.

And now we will go to Mr. Dicks.

GLOBAL HAWK BLOCK 30

Mr. DICKS. Thank you, Mr. Chairman.

General Schwartz and Secretary Donley, did the Air Force propose to terminate Block 30, or was this decision made by OSD? And what is the basic reasoning behind the decision?

Mr. DONLEY. This was an Air Force recommendation. We looked at the relative costs of the Block 30s going forward and the relative costs of the U–2 going forward, and there were changes in the joint requirements for high-altitude ISR that caused us to revisit how we could meet those requirements with both of these platforms, and our conclusion was that we could get this work done with the U–2. While it does not have the persistence of the Global Hawk, the reduced overall requirements would still allow us to get the missions done and meet the operational tempo required, and the U–2 has, in some areas, a superior sensor, which the Global Hawk does not. So bringing the Global Hawk Block 30 up to the U–2 would take time and money. The net impact of that is a $2.5 billion savings in the FYDP.

Mr. DICKS. Were there other factors involved in the decision to terminate Block 30 such as reliability or sensor performance, or was it solely a matter of cost? You said there was some difference in the sensors, I heard that.

General SCHWARTZ. Sir, the costs are, at least at this moment in time, roughly a push. They are about $32,000 a flying hour U–2 versus Block 30. With respect to the sensors, the sensor capability on the U–2 is better in at least two dimensions, both on the EO/IR (electro-optical/infrared) side and in the signal side, and with respect to the reliability of the airplane, although we have made improvements of subsystems—generators, for example, were a significant issue in the Block 30—that has largely been corrected. But reliability is an issue, it is a cost driver, and it was recognized in the cost per flying hour.

Mr. DICKS. The committee has been seeking a detailed breakdown of the cost per flying hour and maintenance costs to compare the U–2 and Block 30. Will you encourage your staff to supply this data as soon as possible?

General SCHWARTZ. Of course, sir.

Mr. DONLEY. We will.

[The information follows:]

The detailed breakdown of the cost per flying hour maintenance costs to compare the U–2 and RQ–4 is shown below. The RQ–4 flying hour breakout is based on data from Air Force Total Ownership Cost (AFTOC) system and includes all RQ–4 configurations. The RQ–4 FH breakout is based on program office data and shows a mix of blocks. Block 30 flew nearly 45 percent of the total. The RQ–4 does not represent steady state operations and sustainment costs. Steady state is defined as end of production and when the program has reached reliability and maintainability maturity.

| Then year $ | RQ–4A | U–2 |
|---|---|---|
| Mission Personnel: | | |
| Operations | $28,571,948 | $5,365,619 |
| Maintenance | 29,604,964 | 36,708,722 |
| Other Mission Personnel | 31,317,633 | 6,160,553 |
| Unit-Level Consumption: | | |
| POL/Energy Consumption | 4,376,241 | 25,829,422 |
| Consumables | 5,774,192 | 5,622,410 |
| Depot Level Reparables | 379,589 | 772,586 |
| Other Unit Level Consumption | 34,675,502 | 20,849,584 |
| Depot Maintenance (not Depot Level Reparables): | | |
| Overhaul/Rework | 0 | 907,059 |
| Contractor Support: | | |
| Contractor Logistics Support | 314,379,249 | 417,628,143 |
| Indirect Support: | | |
| Personnel Support | 3,077,080 | 4,355,094 |
| Installation Support | 14,892,739 | 4,850,351 |
| Total: | 467,049,137 | 529,049,542 |
| Hours | 14,620 | 16,518 |
| Operational Cost Per Flying Hour | 31,947 | 32,029 |

## U–2 FLEET

Mr. DICKS. All right. Now, what is the average age of the U–2 fleet?

General SCHWARTZ. Sir, the average age of the birds is in the neighborhood of 25 years. You know, there is a mythology out there that these are 40- or 50-year-old airplanes. Of course, you know, in the 1980s we bought the U–2s essentially new, the U–2Ss as they were called at the time, and so these are 20- to 30-year-old airframes that have been, like so many of our birds, improved over time.

Mr. DICKS. What is the mission-capable rate of the U–2 fleet?

General SCHWARTZ. Sir, I would have to get that to you for the record.

Mr. DICKS. That is fine.

[The information follows:]

For Fiscal Year 2011, the U–2 mission capable rate was 81.8 percent. As of March 6, 2012, the U–2 mission capable rate is 77.2 percent.

Mr. DICKS. We understand that you will need to spend $1.1 billion over the next 5 years to extend the U–2 to 2025. Some have characterized the cost as what is needed to modernize or overhaul the U–2. Can you please clarify what you have restored to the budget for the U–2 and what this is for?

General SCHWARTZ. It is largely operations and sustainment. There is modest RDT&E (Research, Development, Test and Evaluation) involved, which we would use on any platform, but it is primarily flying hours, personnel, and sustainment of the weapons system. I was just going to say, on the other hand, the predominant portions of the Block 30 that create that $2½ billion in savings are procurement and substantial RDT&E in the neighborhood of six or eight times that of the U–2.

Mr. DICKS. Do your estimates include the cost associated with keeping the pilot-training pipeline open for the U–2?

General SCHWARTZ. It does, sir.

Mr. DICKS. Okay. You know, are you aware that the budget justification for operation and maintenance in fiscal 2013 includes adjustments predicated on retiring the U–2 and continuing Block 30? For example, the budget removed $519,000 from U–2 manpower to ramp down support in preparation for the retirement of the U–2 system. Is this an indication that the decision regarding Block 30 and U–2 was done in a rushed manner, the fact that this is in your budget for 2013? It just seems hard to understand how that would be in there if this was a well-thought-out, well-considered decision.

Mr. DONLEY. Sir, we will go back and look at the justification material there and make sure it is correct. That may have been what the 2013 line looked like for the Fiscal Year 2012 budget.

Mr. DICKS. Yeah, before the decision was made. I understand that. I mean, these errors can be made.

You know, I hope you are doing everything you can to figure out a way to use these 18 Global Hawks; I mean, if NATO needs them, if Special Forces need them, the Navy, if you can work out something with the Navy. I just think the American people are going to have a hard time understanding how when we said a year ago that these were $220 million less expensive to operate than the other ones, that all of a sudden now we are just going to put 18 of these things in a warehouse. I mean, that just does not seem right to me. I hope the Navy or somebody can use these things. We need ISR, you know, dramatically, and the idea of this just really bothers me, and I am not—I do not care about who manufactures them or anything else. I am worried about we have already bought them, and we better figure out a way to get some utilization out of this.

Mr. DONLEY. We understand, Mr. Dicks, and we are open to further discussion on how best to use these platforms going forward.

Mr. DICKS. And the Navy is going to get these BAMs.

Mr. DONLEY. That is correct.

Mr. DICKS. I mean, if there is a way to use this or to change the sensors, I hope we consider that.

Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, Mr. Dicks.

Mr. Lewis.

144TH FIGHTER WING

Mr. LEWIS. Thank you, Mr. Chairman.

Welcome, gentlemen.

The 144th Fighter Wing has been preparing facilities, maintenance, and support functions for several years. More than half of the support equipment for the F–15 conversion is on hand, and maintenance training began in May. The delegation supported military construction money that the fiscal year 2010 budget appropriated for the 144th Fighter Wing for its operations facility. The wing has already trained five pilots to fly the F–15, has four scheduled to begin training in July, and has hired four experienced F–15 pilots. The environmental impact study is on schedule and will be completed by July 15, 2012. The first 21 assigned F–15 aircraft are scheduled to arrive at Fresno, California, on August 15, 2012. The wing will have 18 F–15 aircraft by January 31, 2013, with the balance arriving by May of the next year.

The fundamental question here, Secretary Donley and General Schwartz, is, is the F–15C the best platform for aerospace controller missions for the 144th Air National Guard Wing at Fresno and March Air Force Base? Is that fielding plan still on track for mid-August, and are there any plans to eliminate the 144th?

Mr. DONLEY. So, those plans are on track, Mr. Lewis, and the F–15C is an excellent platform for air superiority, of course, and including the air sovereignty mission as well.

Mr. LEWIS. General Schwartz?

General SCHWARTZ. I would just concur that the logic of putting F–15s into Fresno was because they are in a geographic position which is ideal for performing the ACA (Airspace Control Authority) mission, and so at least at this moment in time, sir, that is clearly the plan ahead.

UNMANNED AERIAL VEHICLE PERSONNEL

Mr. LEWIS. I have noted over this last 18 months in recruitment patterns of people coming into the Air Force that there is a very high percentage of people who seem to be entering with, in part, an objective to fly Unmanned Aerial Vehicles. Is that a significant shift? And discuss that with the committee, if you would.

General SCHWARTZ. Sir, it is. I mean, I must admit candidly that, you know, folks from our generation did not look up into the sky and dream about operating remotely piloted aircraft from the surface, but the reality is that time has moved on, and these platforms are a vital part of our Air Force both for intelligence surveillance and reconnaissance missions, as well as strike. And so a couple years back, sir, we created a separate career path for—we started the mission with traditionally trained pilots and so on, and we have since established a separate career path for the remotely piloted mission. It is viable, it is enduring. These youngsters are professional in what they do, and it is a very powerful and meaningful

mission because they see what they achieve every day. And as I have said in public, but I will repeat it here, that being the al Qaeda operations officer is now a short-term assignment, and that is in no small part due to the efforts of our remotely piloted aircraft operators.

Mr. LEWIS. No small amount of revolutionary change here that is very, very significant.

Mr. Chairman, thank you.

Mr. YOUNG. Thank you, Mr. Lewis.

Ms. Granger.

RELOCATION OF C–130S

Ms. GRANGER. Secretary Donley and General Schwartz, when Secretary Panetta testified before this subcommittee, he highlighted the importance of maintaining a strong National Guard and Reserve, and I wholeheartedly agree with his comments. And I am very concerned that the Air Force's proposed cuts to the National Guard are not consistent with the Secretary of Defense's statement. Relocating the Texas Air Guard's eight C–130s is a prime example of what I think are poor decisions contained in your Air Force proposal. There is no justification for moving the assets of an established, well-functioning, and experienced unit from Texas, where the C–130s are critical to domestic response, and moving them to Montana, which is far less prone to the number of natural disasters experienced in the Gulf Coast region. The unnecessary cost in military construction, additional training, and operational requirements is unacceptable, and I believe it is ill advised.

Mr. Secretary, Congressman Sam Johnson and I talked to you a little over a week ago, and you told us at that time this was not your decision. This was very concerning for us to hear since this is the Air Force's budget proposal, and a decision of this magnitude with this impact should be made with the full knowledge and approval of the service Secretary. I was pleased to hear that you have decided to review this proposal, and I hope that any alternatives and adjustments proposed by the Air Guard are given serious considerations. I look forward to personally briefing, with you personally briefing, Senators Hutchison, Cornyn, and me on your decision.

General Schwartz, last week Congressman Conaway asked you about the impact of moving the C–130s from Texas, what impact it would have on the Gulf States' ability to respond to disasters or other domestic contingency. Your response did not address the Congressman's question and left the members of the Armed Services Committee believing that there are Guard assets in the Gulf States that they do not have, specifically C–130s in Mississippi and Arkansas. As we both know, there are no Air National Guard C–130s in Mississippi. The C–130s in Arkansas are used for training and have not been used to respond to disasters.

So I want to give you another opportunity to respond to that question with accurate information, because I am concerned that the Members of the House Armed Services Committee left their hearing with this misinformation. I want to make sure the same thing doesn't happen to this subcommittee.

General SCHWARTZ. Ma'am, you are well aware that in the 2011 NDAA (National Defense Authorization Act), there was authoriza-

tion for using Title X assets to support domestic contingencies. There are 28 C–130s at Abilene at Dyess Air Force Base, there are Reserve assets clearly in Mississippi, there are Air National Guard assets and Active Duty lift assets in Arkansas in close proximity. The bottom line is that there are considerable lift assets available to support a contingency. This is what we did during Katrina. I think you are aware of all the support that we offered.

The bottom line here, ma'am, is that we had to reduce the C–130 inventory by 65 aircraft, 39 of which will retire in 2013. The connection between Fort Worth and Great Falls, I would argue, is serendipitous. It is not A to B. These were independent choices. There is capability that resides within Texas, there is a very modest capability of lift in FEMA (Federal Emergency Management Agency) region 8, and so on what we did when the C–27s retired and the reduction of the C–130s was to make the best possible choices, given the overall footprint of our Total Force.

Mr. DONLEY. Ma'am, I would also like to correct the record, make sure there was no misinterpretation of our conversation last week. The decision to move C–130s, like all the decisions in the Air Force's budget proposal for Fiscal Year 2013, are my decisions with the rest of the Air Force leadership, and in this regard, as we evaluated how many C–130s we were going to take down in the Air Force and where we might do that, I took the advice of the senior Air Staff and including the Director of the Air National Guard and the Air Force Reserve as well. So these were the collective recommendations on how to make these adjustments.

Ms. GRANGER. I am going to tell you, I am just a real straightforward person. I asked a question, and I believed the answer, and the answer you gave me, it was the Guard's decision, because I said on the telephone at that time, not the Guard that was in my office, and Sam Johnson said the same thing.

On the response about the C–130s, according to the Governors of the Gulf States—Gulf Coast States, they do not agree, and they say losing the C–130s takes away an essential asset for saving the lives of Gulf Coast State citizens.

I ask unanimous consent to include the letter to President Obama from the Governors, signed by all the Governors of the Gulf Coast States, for the record.

Mr. YOUNG. Without objection.

[The information follows:]

March 5, 2012

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Obama:

The *USAF Force Structure Changes (Feb 2012)* and its corresponding "Adjustments" proposal moves and retires many flying assets around the country. We are deeply concerned that this plan significantly impacts our states and the nation — it results in the loss of the 136th Airlift Wing's eight C-130s, located in Fort Worth, Texas. The 136th Airlift Wing is one of the most proven and capable airlift organizations in the USAF and is vital to state and regional hurricane and other emergency responses. Losing the C-130s takes away a powerful airlift asset for saving the lives of Gulf Coast States citizens and removes this capability from the nation's inventory for approximately two years as new facilities are built and crews are trained in another state.

Texas and the Gulf Coast are under constant threat of hurricanes, wildfires and floods. These C-130s have answered the call to support Gulf Coast States to counter these threats at a moment's notice. The Governor of Texas can mobilize and deploy these C-130s in a matter of hours either in Texas or at our request with a simple phone call through EMAC agreements. The same support from the federal government could take days. Since 2005 the Texas Air Guard C-130s have flown 423 storm response sorties in Texas, Louisiana and Mississippi, carrying 3,143 passengers and delivering 939 tons of much-needed emergency supplies along the Gulf Coast. Immediately after Hurricane Katrina made landfall, these C-130s were among the first into New Orleans with National Guardsmen and supplies, and taking out evacuees. Acting on the authority of an agreement between Texas and Louisiana, this unit single-handedly ran cargo operations at New Orleans Naval Air Station (first airport in operation after landfall) and helped open and run airlift operations in Gulfport, Mississippi. During hurricanes Ike and Gustav these

aircraft evacuated 800 hospital and nursing home patients prior to landfall, a successful "first" in the United States.

Mr. President, it makes no sense to move the assets of a perfectly functioning and experienced unit that has supported us well to establish the exact same capability in a state with none of this experience or any ties to the states that traditionally require these assets for emergency response. The unnecessary cost to taxpayers in MILCON and additional training and operational requirements also seems to be a waste. We request you reconsider this move and leave the C-130s in the Texas Air National Guard so they can continue to provide outstanding support to our states and the nation.

Sincerely,

Rick Perry
Governor
State of Texas

Phil Bryant
Governor
State of Mississippi

Rick Scott
Governor
State of Florida

Bobby Jindal
Governor
State of Louisiana

Robert Bentley
Governor
State of Alabama

Ms. GRANGER. Mr. Secretary, when we spoke, you mentioned that you would get me the numbers the Air Force had run to determine all the costs associated with the proposed move of the 136th Airlift Wing, and I have not received that information. Have you sent that to me?

Mr. DONLEY. We have not completed all our work, but I can give you an update at least on part of the issue that you asked about, which had to do with the military construction costs at Great Falls. That installation had already been slated for military construction (MILCON) to support the C–27, so the appropriate measure there is the difference between the MILCON for the C–27 and the MILCON for the C–130, and that looks to be about $6 million.

Ms. GRANGER. Six? So $6 million can change those hangars in Montana to hold C–130s?

Mr. DONLEY. That is the difference between the MILCON costs, as I understand it, between the C–27 mission and the C–130 mission.

Ms. GRANGER. And then you have to train the pilots in Montana to fly those C–130s?

Mr. DONLEY. I do not have that information for you today.

Ms. GRANGER. Okay, but you will get that full information?

Mr. DONLEY. That is the difference between what the operation of the training costs would have been to train them as C–27 pilots versus training them as C–130 pilots.

Ms. GRANGER. So you will get the full cost to us?

I am going to tell you, I haven't had good experience with the Air Force and due diligence.

General Schwartz, you know that 2 years ago I expressed concerns directly to you about the Air Force plan to relocate Air Force Electronic Warfare Simulator. Unfortunately, my concerns were not taken seriously by the Air Force, but were confirmed in a January 2011 GAO report that stated the Air Force did not follow relevant guidance or best practices for completing the cost/benefit analysis. So I come with some concerns and doubts because of my personal experience.

So, once again, I would like to know that the Air Force did its homework, and was there a cost/benefit analysis prior to deciding to relocate the 136th Airlift Wing? Was there a cost/benefit analysis done?

Mr. DONLEY. I would not call this a cost/benefit analysis. This was a balancing of missions across the—a balancing of the C–130 missions across the states. That is what this was about, I think.

Ms. GRANGER. Across the States. Because I do not agree with the answer, but the C–130s in Texas do cover the Gulf States, and that mission and those C–130s and what they are able to do is not replaced.

I have one more question. There are currently Air Force C–130s stationed all over the world to include 14 C–130Js at Ramstein Air Force Base, and with the Army's drawdown in Europe and our renewed focus on the Asia Pacific region, have you considered transferring those C–130s to the continental U.S. and into the Air National Guard? It seems like a prudent decision that would reduce costs while still maintaining the ability to respond to the national security needs.

General SCHWARTZ. Ma'am, those airplanes support both the European theater, they are downrange into the Central Command area, and importantly support AFRICOM (United States African Command). It is not that they are under-utilized. And the question is there will still be an airborne battalion plus, a reinforced battalion, at Vicenza. It will need C–130 support. So the short answer is that there is a legitimate need for U.S. airlift capability in supporting EUCOM (United States European Command) and AFRICOM, and I do not foresee the relocation of the single squadron in Europe that provides that support.

Ms. GRANGER. If the Guard operates at a third of the cost of the Active Duty Force, why would it not be more effective to have the Guard perform those missions in Europe?

General SCHWARTZ. If the Guard can perform those missions on a volunteer basis, on a continuing volunteer basis, that may be a legitimate strategy. What we do not want to have, ma'am, is a situation where we require perpetual mobilization in order to perform those missions at the tempo and with the coverage that is required.

Ms. GRANGER. I understand that. I also understand that in looking at this situation with the C–130s in Texas, the mobilization, the time, the way the response that occurs when those C–130s are needed for those emergencies, when they are in Texas by the Governor of Texas is far different from having—saying they are going to be in Montana, and we are going to have these, in an emergency like Katrina, and the time it will take, which can be days, not hours.

Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, Ms. Granger.

Mr. Secretary and General, I hope that you will save time here and just assume that I have asked you the same questions that Ms. Granger asked about my home State of Florida.

Mr. Moran.

## GLOBAL HAWK BLOCK 30

Mr. MORAN. Thanks, Mr. Chairman.

Mr. Chairman, I want to associate myself with the concern registered by Ranking Member Dicks over the idea of mothballing 18 new Global Hawk Block 30s, because it really seems to be an about-face. Over the last decade the Department has asked for, and this committee has provided, $4 billion to meet the six-orbit, 1,200-nautical-mile ISR requirement. The U–2 fleet is operating today at its maximum capacity, and yet it can only go 0.6 orbits at 1,200 nautical miles and 1.15 orbits at 400 nautical miles. So it is concerning that we have changed the requirements in terms of what we need for ISR.

And then there is some questions as to whether we are really mixing—we are using comparable data. For example, I have to wonder whether the Air Force is including the cost to train, equip and compensate U–2 pilots, because obviously the Global Hawk is pilotless, and this committee appropriated funding just last year to procure three more Global Hawk Block 30s. Have they been put on contract?

General SCHWARTZ. Sir, they have not, and they will not be put on contract.

Mr. MORAN. So even though we appropriated the money, you are not going to spend it?

General SCHWARTZ. Sir, given the decision on not maintaining the fleet, we do not think that would be prudent, and we would offer that for your consideration.

But let me, if I may, just make the point that the reason we changed the name from "unmanned systems" to "remotely piloted aircraft" is exactly to make the point that while the aircraft are not manned when they are in the air, they are piloted from the ground. There is air crew required to operate this system, just like there is the U–2, just in a different location.

Mr. MORAN. Well, okay.

Mr. YOUNG. Would the gentleman yield for a second?

Mr. MORAN. I would be happy to yield to the chairman.

Mr. YOUNG. To follow up on your question, if you are not going to spend the money for the program that we were told last year was imperative to do this program, if you are not going to spend that money, what are you going to do with it?

Mr. DONLEY. Mr. Chairman, as Mr. Dicks suggested earlier, the current plan would be to put the existing fleet in Type 1000 storage. In the Global Hawk program, it is a complicated situation since some of the aircraft have already been delivered and are operating, some are in production, and some have yet to be put on contract. So we are working through, over the next several months, how to balance all those considerations together in developing a plan forward, understanding that, as Mr. Dicks suggested, there are multiple Global Hawk programs that are still alive; the Block 20 capability, the Global Hawk Block 40 capability in the Navy bands, the German Euro Hawk, the NATO AGS, (Alliance Ground Surveillance) and a number of other nations interested in this capability. So there are lots of moving parts, and we will continue to work through the best course of action and the options for that this summer.

Mr. YOUNG. So, Mr. Secretary, is it safe to say that you are not sure what you are going to do with that money yet?

Mr. DONLEY. That is correct.

Mr. YOUNG. Thank you, Mr. Moran.

### F–35 JOINT STRIKE FIGHTER

Mr. MORAN. Well, thank you, Mr. Young, for underscoring the concern that I think is shared by a number of the members of the committee. The committee has been given justification to put all this money into the Global Hawk. We do so, and then all of a sudden, well, wait a minute, we are going to mothball 18 of them after the committee has spent taxpayers' money on it.

Let me move to another topic. The F–35. The Department of Operational Testing and Evaluation in its fiscal year 2011 report, its most current report, stated that, and I quote, the F–35 program is not on track to meet operational effectiveness or operational stability requirements. It concluded, again quoting, while additional time and resource and development may aid the program in resolving some deficiencies, several requirements are not going to be met given current known program plans.

Given the fact that the F–35, as you know, constitutes the vast majority of the Air Force's tactical fighter fleet, that would seem to be cause for concern, and both Secretary Donley and General Schwartz may want to respond to this.

Your Vice Chief, General Breedlove, is a member of JROC, and JROC apparently accepted a less demanding flight profile for the F–35A that will allow it to meet its key performance parameter for combat radius, but it seems as though when they found there was a deficiency, they simply changed the standards to a less demanding flight profile so that it can meet it. In other words, they simply changed the goalpost.

Do you want to respond to that?

General SCHWARTZ. Congressman, the difference between the key performance parameter for distance versus the estimate for performance was five miles, a five-mile delta. And so the question to me is how much do we want to invest in order to recover that five-mile margin?

Mr. MORAN. Okay. It was a judgment call, in other words? Okay.

General SCHWARTZ. It was a judgment call, and I think not an unreasonable one.

F–22 PILOT OXYGEN SYSTEMS

Mr. MORAN. Okay. It is worth putting out there.

I just have one last question, this time about the F–22. In November of 2010, an F–22 crashed in Alaska. It killed the pilot Captain Haney. The investigation board blamed Captain Haney for the crash. His family obviously is very much troubled by that because the same crash report said the fighter jet's bleed air intakes malfunctioned, and Captain Haney stopped receiving sufficient oxygen.

Now, Captain Haney was blamed for not activating the system quickly enough to recover from a dive, but there has been considerable question, there has been a suggestion, not just implication, explicit really questioning, saying the service is trying to protect its fifth-generation fighter and those involved with the program because there have been a number of pilots apparently who have experienced hypoxialike symptoms, indicating a lack of oxygen. And our subcommittee has been told that it is the on-board oxygen-generating system or some other deficiency, but you have been unable to identify a single cause, and I think it is worth giving you an opportunity to respond to the situation with regard to the F–22. And that will be the end of my questions.

General SCHWARTZ. Sir, you are quite right. We have been unable to identify a single engineering fault that is producing some of the phenomenon that we have seen with respect to hypoxia-like symptoms. We had a stand-down for five months with the weapons system. We employed the expertise of the Air Force Scientific Advisory Board, the best physiologists, the best engineering talent we could put together, and as a result of their effort, although again not definitive in terms of cause, we implemented a number of risk-mitigation measures, among them including real-time monitoring of oxygenation for the pilots, filtering the oxygen flow to the pilot to make sure it did not have contaminants, and so on and so forth.

We have flown 8,000 hours since that stand-down concluded, and we have had several additional incidents as well, and we are investigating those. We have got the data take, and so on and so forth.

The bottom line is that in the Haney case, and we need to acknowledge the sacrifices of the Haney family here, the accident board's purpose was to identify causal issues, and certainly part of the causal chain was the interruption of bleed air flow and oxygen flow to the pilot, no question, no debating that that occurred. And in the process regrettably, sadly, the pilot was unable to maintain control of the aircraft.

Mr. MORAN. But should the pilot have been blamed?

General SCHWARTZ. We did not blame him, sir. In my view, this is an extrapolation of the board report. We did not assign blame to the pilot.

Mr. MORAN. The investigation board did. Okay, I do not mean to interrupt you. Excuse me.

General SCHWARTZ. Sir, what I am saying is that this was a complex contingency that he did his best to manage, and in the end we lost aircraft control, in the end.

But the bottom line is this airplane is important to the national security. We have got the best minds we know we can find working both the engineering and the physiology side of it, and we are working hard both to manage the risk and ultimately, through data reduction, to identify the exact cause.

Mr. MORAN. Thank you, General.

Thank you, Mr. Chairman, unless the Secretary——

Mr. DONLEY. I just want to add that we would not have come back from the stand-down unless we felt that it was safe and prudent to do that. And to echo the Chief's points, the aircraft and the pilots are now equipped with the sensors that will help us collect the data and will add to the safety of the pilots and reinforce the procedures inside the cockpit that will provide for their safety in the event they have an emergency. But this is a critical capability for our Nation going forward, and so we will continue to fly this airplane and collect all the information we can necessary to make any—take any corrective action that is necessary going forward. But this is a national-level capability that we must maintain.

Mr. MORAN. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. YOUNG. Mr. Crenshaw.

C–130S

Mr. CRENSHAW. Thank you, Mr. Chairman.

And first let me associate myself with the remarks of Ms. Granger and the chairman. In Florida, right after I became president of the Florida Senate, we had the largest natural disaster that Florida has ever had, something called Hurricane Andrew. I flew over the area. It was like a war zone. The roads were destroyed. The only way we could get provisions and supplies to the people in Miami and Homestead was through military aircraft, and we do not have a C–130 air wing in our National Guard, so we relied on Texas. And I can tell you that if you move that air wing somewhere else out of the Gulf Coast region, then we are all going to lose a

valuable resource in meeting our natural disasters. So I wanted to add my words to associate that.

LIGHT AIR SUPPORT

I wanted to ask you all about the Light Air Support program. I know that has been a difficult situation. That is a program, as you know, that was designed to have some light aircraft in Afghanistan, have them kind of utilize their own air cover. It would save NATO and U.S. money, so we would not use the very expensive airframes that we are using now. And I think the contract was for $335 million, about 20 aircraft. Last summer one of the competitors was disqualified; I think it was Hawker Beech. The contract was awarded to Sierra Nevada, a joint venture for Sierra Nevada and Embraer, and I think Beechcraft offered or filed a protest with GAO. That was denied. Then they filed a lawsuit.

What disappointed me, I found out last week that the Air Force took the unusual step of just canceling, rescinding the entire contract, and I guess it was based on not so much the lawsuit, but some internal discoveries, some process, procedures. I do not know exactly what that was, but it has to be disappointing to all of us, and I am sure it is embarrassing to you all. It kind of brings to mind the tanker saga where that controversy set us back billions of dollars and years in terms of modernization.

And so I want to ask you about that. I know there is a lawsuit going on, but I am concerned that this was an urgent program to get down to Afghanistan. Now you wonder if we are ever going to get the aircraft there, is it going to be too late?

So several questions come to my mind. Number one, what is the plan? What is the schedule for getting these aircraft down there? We were going to do some training here with our troops, and how is that going to work out? Is there going to be a new competition? What is the plan for that? Some of the savings that we were going to find by using these airplanes instead of our kind of overtrained aircraft, more expensive aircraft, are those savings going to disappear? Are the requirements going to be the same? Is it still a nondevelopmental aircraft? Again, they were going to be delivered about a year from now.

And comment on those questions. And, of course, the big question is that I do not know how much you can talk about because of the lawsuit, but you ought to learn from your mistakes. I know we all try to do that, and we went through this. So what happened to kind of cause this breakdown and cancelling this project? Could you comment on that?

Mr. DONLEY. Sir, there are a number of issues here in your question, but let me just echo that we are also disappointed that we arrived at a situation in this program where in developing Air Force and Department of Justice responses to the court case, it was discovered internal to the Air Force that the documentation associated with this source selection was not what it needed to be, and it was just not sufficient. And so we made a decision to terminate the award, and we made that notification to the court last week, that we were going to be reopening this issue. We have started a commander-directed investigation to determine exactly what happened inside this source selection, why the documentation was not suffi-

cient, why it was not as settled as it should be according to regulation, and we will find out the results of that investigation in a few weeks.

In the meantime, we have to figure out a way forward for the program. As you rightly point out, this was an urgent need from our Afghan partners, and this program has now been set back. It is very likely that we will need to go back and start from scratch on this source selection, and we are determining exactly the parameters for how to structure that going forward. We are working through that to determine how quickly we can get restarted on this path.

But there is no question there is a delay now for our Afghan partners of several months, and this is problematic. It is not the way we wanted this program to be managed or to play out. So it is less than ideal. But our task now is just to put it back together, get it back, get a competition back on track as soon as we can to get this capability downrange.

Mr. CRENSHAW. Do you have any idea when the competition is going to start?

Mr. DONLEY. I do not have those details. We are literally working those day by day based on the decisions made a little over a week ago.

Mr. CRENSHAW. Have the requirements changed?

Mr. DONLEY. In my view, they have not, but I have not yet gotten a recommendation back from our Service acquisition officials on how to approach the competition going forward. But in my view, based on what I know, I do not see that the requirements have changed.

Mr. CRENSHAW. Still be kind of a nondevelopmental aircraft, something you can kind of get up and get going?

General SCHWARTZ. Right.

Mr. DONLEY. Yes.

Mr. CRENSHAW. The problem is we are talking about leaving, what, a couple years—the plan was to leave it there; we were going to do some training. Are you still working on that, how that training is going to occur? Because all of a sudden a year or two from now we are supposed to be leaving the place.

General SCHWARTZ. Two parts, sir. One is that we have Afghan students in pilot training as we speak. That is sort of the precursor. The predicate to this whole process is having Afghan pilots that we can train in a light strike aircraft, so that process is underway and will continue. The efforts that we are—what we call advisory missions will also continue and likely will continue after December of 2014. But we have about 350 Airmen that are doing this advisory mission in MI–17s, in G–222s. These are assets that the Afghans operate, and not just airplane issues; how to run an airfield, how to measure airfield pavement, how to do aerospace physiology, all the things that made for an effective Air Force. And so that will continue as well. Without a doubt, sir, you know, you are embarrassed; I am, too.

Mr. YOUNG. Mr. Crenshaw, thank you very much.

The procedure for the balance of the hearing will be Mr. Bonner, Mr. Hinchey, and then the chairman will take the last segment of time.

Mr. Bonner is recognized.

GLOBAL HAWK BLOCK 30

Mr. BONNER. Thank you, Mr. Chairman.

Mr. Secretary, General, it is good to have you here. This is a target-rich environment of things to talk about.

I want to associate with Mr. Crenshaw and Chairman Young, with Ms. Granger. I do not know how many hurricanes they have in Montana or oil spills, but I will tell you, it is a real concern. If you take the five Gulf Coast States, they represent the seventh largest economy to the world, and I just hope that great deliberation is given before you think about taking an asset that serves an area that is so important to our country away from this region.

I want to certainly associate myself with Chairman Young, the former chairman Mr. Dicks, Mr. Moran about the Block 30 issue, and I am going to address that in a minute.

Before I do, since Mr. Dicks came back, I think I would be remiss, and we all feel a sense of loss with his decision. Now, he and I have sparred—I was not even on the committee, so that is like, you know, a kid boxer going up against a heavyweight—on the tanker program, and while we were on opposite sides of that, there was nothing but mutual respect or certainly respect from my side in terms of his leadership.

You take Chairman Lewis and Chairman Dicks, that is 70 years of service in this Congress, almost the entire time of which has been in support of the Air Force and other branches, and so we are going to lose a lot of institutional knowledge, and the country will lose a lot as well.

But Mr. Dicks started off on the Block 30, and I want to follow up on it, because I have got a couple questions that might need to be—that will be asked with a different accent perhaps to try to get a little bit more clarification on this.

Am I correct that the Air Force stated that the Block 30 program has become unaffordable, and its mission can be accomplished by the U–2 at a lower cost, but just last June you declared that the Block 30 was essential to national security, and that there were no alternatives to providing the acceptable capability at less cost, and that the Global Hawk's units were reasonable? If that is true, it sounds to me that Global Hawk performed better than the U–2, it was less expensive to operate, but the Air Force changed the requirements. So that is my first question. Did you change the requirements? And if so, why?

General SCHWARTZ. Well, first, we did not change the requirements. The Joint community, the Joint activity that establishes these requirements reduced it, as Congressman Moran indicated. In this forum I would prefer not to be specific. I will be happy to go offline with you to tell you exactly what that new requirement was.

But, sir, it is important also to put this in context, that that certification was made before the Budget Control Act, before the mandate for $487 billion, and before the JROC (Joint Requirements Oversight Council) changed the requirement for high-altitude ISR.

Mr. DONLEY. I would add, too, that as the Nunn-McCurdy on Global Hawk came up, the Nunn-McCurdy measured the ability of

other aircraft to perform the Global Hawk mission, and in that context the persistence of the Global Hawk has great advantages, and that is—that causes the cost issue that you referred to, about $220-some million delta between the U–2 and the Global Hawk capability in that comparison. So that Nunn-McCurdy certification had to do with what it takes to do the Global Hawk mission, what does it take to do persistence.

When the requirements changed, that calculus also changed, and when we had to look at the budget situation and the changed requirements, the two in combination caused us to ask, what does it take to do the U–2 mission, because the U–2 is funded, the airframe has a life up to 2040, and it has a better sensor. So there, while the persistence of the Global Hawk is certainly an advantage, the changed requirement allows us to get the mission done with U–2s, and so we understood we had enough U–2 capacity to get the mission done.

Then the issue was the sensors. And so in what does it take to do the U–2 mission, the Global Hawk needs a sensor adjustment that requires significant investment and time to get there, and in that context, looking out for 10 years ahead of us, it was more expensive to go forward with the Global Hawk Block 30 than to sustain the U–2 capability.

General SCHWARTZ. And I would only add, sir, if I may, that we are retaining the Block 20 communications capability and, importantly, the Block 40 ground moving-target radar capability as well.

Mr. BONNER. And I appreciate that, but I think there is still concern, at least with this Member, that by cancelling the Block 30, you are going to be increasing the cost of other variants.

General SCHWARTZ. Sir, all I can tell you is that the delta between keeping the Block 30 and keeping the U–2 is over $2 billion.

Mr. BONNER. Well, again, I think, Mr. Dicks——

Mr. DICKS. Will the gentleman yield?

Mr. BONNER. I would be happy to.

Mr. DICKS. Why did we not know this 5 years ago? I mean, why would we go out and buy 18 of these if we knew this? We had to have some indication, you know. In all the statements, the Nunn-McCurdy, everything else, it said this is essential, we have to have it. I just do not understand how we could not have figured this out before we bought 18 of these things.

I yield. Thank you.

Mr. BONNER. The gentleman yields, but it is an open question, and I certainly hope that the Secretary and the general are listening to the passion upon which these questions are coming. They are not just coming from one region of the country, and as Mr. Dicks said, we are not asking this on behalf of a company. It is just hard. I have actually been to the facility in Mississippi, and it is just hard for me to believe that the newest technology that seems to be out there, that we are going to be putting it in somewhere else.

### KC–46 TANKER DEVELOPMENT

But that point said, I want to just turn my attention to one other issue. Mr. Crenshaw mentioned it. I was not going to. But I will point out, and I do not believe that the ranking member was opposed to this, but I think I owe a debt of gratitude to the chairman

and to the staff on both sides. We were successful in getting language in talking about the tanker, since Mr. Crenshaw raised it. We need the tanker, and we are not going to retry that case, but as both the Secretary and the general know, the program is already way over budget from what we had been led to believe. We have got some directed questions that we will put in the record, and thanks to the support of the leadership of the committee and their staff, we were able to get some language in the omnibus that was approved in December that requires DOD and the Air Force to notify us of any expenditure over $5 million or greater on a quarterly basis.

So we hope that the leadership of the Air Force is going to take this seriously. We are looking at pennies and dollars. We just want to make sure that a program as vital to the national security of this country, such as the tanker is, that it does not get way off track in terms of cost overruns.

I thank you, Mr. Chairman.

Mr. YOUNG. Thank you, Mr. Bonner.

Mr. Hinchey.

CIVIL AIR PATROL

Mr. HINCHEY. Well, thank you, Mr. Chairman.

Secretary Donley and Chief of Staff Schwartz, I thank you very much for everything that you do and all the things that you have been talking about here. There is just a couple of little minor things, but nevertheless they are significant, that I wanted to ask you about, and they are similar to some of the things that have been mentioned already.

First of all, the Air National Guard, it performs critical work that is necessary for the Air Force to fulfill its larger mission. However, the Air Force is proposing numerous aircraft retirements and mission realignments that will have a major impact on the Air National Guard. I am sure you remember the devastation along the east coast caused by Hurricane Irene and Tropical Storm Lee just this past summer. The National Guard was integral to New York State response and the recovery that came about as a result during these natural disasters. I know this is true of many other places along the country.

Basically I fear mass reductions to the National Guard will affect our ability to respond to future disasters, natural or otherwise. So I just wanted to say that, first of all, similarly the Civil Air Patrol is scheduled to take significant cuts this year, and I know that these volunteers did invaluable work for an extremely low cost following Tropical Storm Lee in Binghamton, New York, for example. Has the Air Force fully considered the effects of these cuts at all? Anything? What is going on with that?

Mr. DONLEY. Sir, I would like to give you a more fulsome answer for the record here, but the Air Education and Training Command (AETC) was required to make reductions in its manpower as well, and I understand there may be some impact on the Civil Air Patrol, but I do not recall that the Chief and I ever discussed Civil Air Patrol issues directly in our headquarters discussions, and this was worked mainly through AETC.

[The information follows:]

The Civil Air Patrol Corporation funding has not been cut for fiscal year 2013. The Air Force programmed a modest 1.8% increase to their operations and maintenance funds each year across the future years defense plan (FY11–15) and each year thereafter. By law, all funds appropriated for the Civil Air Patrol are for the Civil Air Patrol's exclusive use. However, we are very much aware of the fiscal challenges the country is facing. Should Congress reduce the Civil Air Patrol's appropriated budget in the Fiscal Year 2013 Defense Appropriations Act, the impact will be felt in missions and programs funded through its annual operations and maintenance appropriation. These speculative cuts may or may not be realized at the wing (state) level. Funding is provided to wings based on a historical and proportional distribution and further tailored by Civil Air Patrol Region Commanders' recommendations.

In keeping with the Air Force's reduction of civilian manpower positions, Air Education and Training Command was required to make manpower reductions and a portion of these cuts fell on Civil Air Patrol-United States Air Force (CAP–USAF) as a subordinate unit. CAP–USAF is the Air Force organization responsible for oversight of, support to, and liaison for the Civil Air Patrol Corporation. CAP–USAF took a 22-person reduction of civilian positions or 23 percent of their total authorizations, including one civilian position in New York. CAP–USAF, in concert with the Civil Air Patrol, has re-engineered its organization and processes, and we do not believe the oversight activities related to the Civil Air Patrol will be significantly impacted. To the contrary, CAP–USAF believes their oversight responsibilities at the wing (state) level and above will be enhanced. However, support at the local level might diminish if operations tempo increases with fewer CAP–USAF members. The Air Force remains committed to our partnership with the Civil Air Patrol and we will strive to achieve appropriate Civil Air Patrol utilization and oversight while supporting missions in the Homeland.

General SCHWARTZ. I would only indicate, though, that some of this was civilian manpower, which we took a reduction of some 16,000 throughout our Air Force, and that this has affected some of the oversight activities related to the Civil Air Patrol. And I think in the case of your unit in New York, it is somewhat at McGuire Air Force Base in New Jersey, but it is one position.

AIR NATIONAL GUARD AND AIR FORCE RESERVE

Mr. HINCHEY. Well, I know that, you know, just locally, you know, unfortunately the number of personnel was already planned to be reduced, for example, in the district that I represent, as it transitions from a C–5A mission to C–17s, for example, at Stewart Air National Guard. Other bases in New York are in a much worse situation, such as the 107th Airlift Wing at Niagara Falls Air Reserve Station.

What do you think about the specific efforts that can be done to find new missions for units directly affected by aircraft retirements? Can new opportunities in cyber or remotely—you know, the aircraft keep work that the Guard presented at these locations can get into effect and make some positive effect?

General SCHWARTZ. Sir, as we get smaller, there are fewer and fewer opportunities for backfill. In this budget, we actually affected 24 units total in the Air National Guard and were able to cover 14 of them with successor missions, but the bottom line is that we could not cover all of them.

In the case of the Niagara unit that I know you are concerned about, we have a situation where you had two units collocated, and in the end—again, this was part of the larger reduction of C–130 force structure in our Air Force—the reality was we are preserving a mission capability at Niagara, admittedly on the Air Force Reserve side, and there were four other bases in New York that had flying missions, and this was part of the consideration, sir.

SOLAR PANELS

Mr. HINCHEY. Well, in some ways, you know, I appreciate it. I know what you have got to deal with, and I know what in some cases is the difficulty of what you have to deal with and the effect of the situations in a number of places, and the economic situation that it affects as well. But, nevertheless, I want to commend you on your efforts to commit the Air Force to significant renewable energy goals, all of this on its installations, say, for example, and your leadership, of course, as I mentioned, is deeply appreciated.

I just want to mention one other minor thing, but it has some effect. As you know, there is a strong supporter of the military utilization solar panels in its installations. However, some of the installations touted for their solar energy, such as Nellis Air Force Base, uses Chinese panels, panels that are developed over there, manufactured over there, moved into here, and used, used here. If our military is expected to become truly energy independent, I believe we should be relying on American-made technology.

Under third-party contracts, such as power purchase agreements, the Air Force does not technically own the solar panels located on their base, which allows contractors to skirt the Buy American law. So while I, of course, do not believe it is the intention of the Air Force to ignore the spirit of this law, can you tell us how is the Air Force planning to adjust these contract rules to stop the circumvention of the Buy American Act for solar panels on military bases?

Mr. DONLEY. Sir, we are looking at that issue now and how to implement the intent of the Buy America provision in the Fiscal Year 2011 budget. I would just note that the Nellis project predated that, and so we did not have that legislative requirement. As we went back and looked at Nellis, there is the possibility of Chinese-manufactured panels at the Nellis site, but most of the panels at the Nellis site, most of them, were probably built in the Philippines, just for awareness. But we are assessing now how to go about implementing the new provisions that you referred to going forward.

Mr. HINCHEY. Well, I appreciate it. I deeply thank you for your attention to that, because I think it is significant, and I once again want to express my appreciation to everything that you do and all of the concentration that you have for all of these sometimes difficult circumstances that have to be dealt with. Thank you very much.

ACCEPTABLE RISK FORCE STRUCTURE

Mr. YOUNG. Thank you, Mr. Hinchey.

Mr. Secretary and General Schwartz, thank you very much for a very good hearing, some penetrating questions. There are still a few to go. The chairman is going to take his turn, and a number of the specific issues that I would address I am going to submit to you in writing, because there is something that I really need to talk with you about.

The members of this committee, basically our responsibility is spelled out in Article I of the Constitution. Section 8 and Section 9 both refer to the work that we do on this committee. Last year

we were required to make certain reductions in the President's budget request, and for 2011 we had to reduce by $18 billion, and for the 2012 budget we had to reduce by close to $20 billion. That is a lot of reduction.

I was determined that we would not produce any bill that would affect adversely the readiness of our national defense, and I think this committee worked very hard, and the very, very professional staff worked very hard, and we accomplished those reductions without affecting readiness. And I have asked the question many times from the Pentagon all the way through the services, and we tend to get agreement, we did not affect readiness or we did not affect the warfighter. But now here we are faced with a substantial request now to reduce especially in procurement.

I do not see the world any better, any safer, any more stable this year than it was last year. In fact, I see Korea is up and down. North Korea, they are our friends one day, and one day they are not our friends. We have a deal with them one day, and the next day we don't have a deal. Other parts of the world, the Mideast is in constant turmoil, riots and protests, and killing of innocent civilians. And then we have the issue of Iran, and I think it is pretty generally conceded by spokesmen that speak from the Pentagon that they definitely believe that Iran is on the way to a nuclear weapon. So the world is not safer than it was.

But now we are making reductions in our weaponry not only in the Air Force, but throughout. We have already had the Navy and Marines, they are having to make substantial cuts, and it bothers me that the investment in our national defense should be based on the threat, the threat to our country, the threat to our security, the threat to the safety of our citizens, the threat.

And, General Schwartz, several times during your statement, you talked about acceptable risk. What is acceptable risk? When you talk about the safety of the Nation, when you talk about the safety of our troops who are providing for our national security, who are flying the airplanes, who control the air over the battlefield, so far anyway, and have done such a tremendous outstanding job, what is an acceptable risk? What can we afford to do without and still maintain the readiness that we need and handle that acceptable risk, whatever it is?

And if you can describe for me what acceptable risk is, that would maybe make me feel better, but right now I am not really happy about this budget that we have received because I do not believe that it guarantees the readiness that this Nation requires and deserves, and I do not believe that it is sufficient to protect our troops who are fighting the fight. So please talk to me about acceptable risk and where you think this budget takes care of any acceptable risk.

General SCHWARTZ. Sir, we had a force sizing mandate from the new Defense Strategic Guidance that talked about one major campaign followed by a lesser campaign; in other words, not two regime changes, but something less than that. What I am saying is that the force that we have, both on the strike, on the ISR, and the lift side, is sufficient to support that kind of a contingency, a North Korea followed by a Strait of Hormuz contingency, for exam-

ple. It would not be a cakewalk, but we would prevail. That is how I define an acceptable risk.

Would we prefer to have overwhelming superiority? Of course, Chairman. But given the financial guidance that we have received, we did the very best we could to provide the breadth of capability, less depth, that would allow us to succeed in a major contingency followed by a more modest one in close succession.

Mr. YOUNG. General, I understand that, and you know that I have just great confidence in you and Secretary Donley, but when we talk about acceptable risk, and we talk about it might be—it will not be a cakewalk is your words, it will be tough, but it would be tougher. What would be the cost in casualties? You have a situation where you are utilizing the effort to take care of an acceptable risk. What is it going to cost us in manpower? What is it going to cost us in casualties? What is it going to cost us in soldiers, warfighters who come home without—well, you know what I am saying. You have been to the hospitals as much as I have, and you have seen the type of injuries that we have. How much more of a risk do we put the warfighters in?

General SCHWARTZ. We would prefer zero risk, sir. I mean, clearly, as an Airman, as a military professional, you would prefer to have minimal risk. The question for the country is whether that is affordable at this moment in time. I have guidance via the Budget Control Act and so on that tells me what the country is willing to invest in our Armed Forces and in our Air Force in this particular case, and my obligation was to try to give you the best proposal I could based on that guidance. And I agree with you, Mr. Chairman, it is not without risk both to human capital and equipment, but it is the best-faith effort, sir, that we could give you.

Mr. YOUNG. General, believe me, I understand what you are saying to me, and I know where your heart is, because you and I have discussed this many times, as have Mr. Secretary and I. So I know where your heart is, and I know some of the rules and regulations you have to go by, some of the direction that is handed down to you. I have got to be open, upfront, and honest with you. It bothers me. I will not feel comfortable presenting a bill to the Congress for national defense that I believe has an adverse effect on readiness and our warfighters.

And then just one quick statement. Talking about readiness, when we have talked about the National Guard and the aviation assets, we are talking about readiness for our States, and some of these situations are really serious. Those of us who are in hurricane-prone areas, or those who are in flooding areas, or the massive tornadoes that we saw just this weekend, readiness is also an issue for our States and for our National Guard. And our military does an amazing job, and I just really—I am proud to be part of supporting what our military does. I want to thank you both for the role that you play, the very important role that you play, but I just had to get this off my chest today because as we go through preparing to mark up our bill, in the back of this chairman's mind is going to be what is an acceptable risk. And I thank you very much, and I yield to Mr. Dicks.

Mr. DICKS. Thank you, Mr. Chairman, and I agree with you. I also must say that General Schwartz is correct when he says this

is the Budget Control Act that Congress enacted last year, and we are dealing with the consequences of that. And I know everybody on this committee is going to work hard to avoid sequestration. I certainly want to do that. And that would be a far more serious problem than we are faced with now.

And I think General Dempsey and General Schwartz, all the leaders, have done a very good job, I believe, of coming up with a strategy-driven budget. It is not perfect, but, you know, the last time I checked, I think we still spend more on defense than the next 10 countries in a row. So there is a little give here, and there is a lot of things we could do about acquisition, as you and I have talked about so many times, especially with the Army, that we could save money on.

You know, there is still, I think, a way to do this without threatening our troops. But I am just going to stand with you. If there is something in here that needs to be fixed on readiness, we will certainly be supportive of that.

And if I could just ask a quick question?

Mr. YOUNG. Surely.

KC–46 PROGRAM

Mr. DICKS. First of all, I want to disagree with my good friend Mr. Bonner, who made some assertions regarding the KC–46 program. As I understand it, this thing has met the milestones, and that there is not any increased costs. If there is an increased cost, Boeing has to pay for it, as I understand the contract. Is that not your understanding?

Mr. DONLEY. Yes, sir, this is a fixed-price contract.

Mr. DICKS. And so far, so good, as I understand it. In fact, I understand from the Boeing people that they feel very excited about this program, and they put their best team on it, and this is a critically important program.

You know, the one thing about the 10-year battle, we are going to get a better tanker because of that, because of some of the upgrades in equipment that we are going to get from the 787 and other things. So even though this has been one of the most painful things that we have been through, when we finally get these planes, they are going to be extraordinary, and such a difference between these and the KC–135s.

STARS REPLACEMENT

Now, just one other thing. You were looking at a JSTARS replacement, and I just want to mention this again. I have talked to you both about this. The idea of leveraging the Navy's purchase of 117 P–8A aircraft, investment of approximately $6 billion in P–8A nonrecurring engineering, flight test sensors and development, additionally the Navy and Air Force will save even more in the efficiencies gained in a production line, common training, and depot maintenance. Last week during our naval posture hearing, Admiral Greenert lauded the P–8A program and its successful acquisition progress. To me it is a no-brainer to use this $6 billion that has already been spent, this is kind of like off-the-shelf in a sense, for a replacement for JSTARS or some of the current E–8 programs, and I know you are looking at this.

You know, if the Air Force intends to proceed with a small business jet solution, and given the small global inventories, won't that actually perpetuate the small-fleet dynamics of high-cost sustainment and limited logistics support they are facing today with limited numbers of spare parts for Boeing 707s and KC–135 aircraft? I mean, if you have got a program, and you have got—you know, this is what we did for many years with the 707s. And so you have got a chance here to look at the full picture of the cost, and, you know, if you can use this plane that the Navy has developed, I think you should take a serious look at it.

Thank you, Mr. Chairman.

Mr. YOUNG. Thank you, Mr. Dicks.

And Secretary Donley and General Schwartz, thank you very much for your direct answers to some penetrating questions. We look forward to being supportive of our United States Air Force, of whom we are very, very proud.

The committee will be adjourned until 10 a.m. tomorrow when we will have a hearing with the Secretary of the Army and the Chief of Staff of the Army.

[CLERK'S NOTE.—Questions submitted by Mr. Kingston and the answers thereto follow:]

AFGHANISTAN

*Question.* If we complete our mission in Afghanistan sooner than was originally envisioned and as recently announced accelerated troop withdrawals might indicate, do we know how much will be saved from OCO funds as currently requested in the President's Budget Request?

Answer. The Air Force overseas contingency operations (OCO) budget is a bottom-up budget preparation each year, and is configured to support current national policy and military strategy, to include troop rotations and planned deployments/redeployments, and commander needs on the ground in the area of responsibility.

The OCO budget is adjusted when the President decides to implement additional troop redeployments or drawdown forces. Specific dollar savings are unknown until detailed operational and tactical plans are released. In addition, Air Force funding may increase due to increased movement of equipment and personnel movement in/around/out of country and an increase in potential intelligence, surveillance, and reconnaissance and/or flying hour presence as ground forces exit.

*Question.* Do you have any estimate of when the "reset" of the Air Force equipment used in Iraq and Afghanistan will be complete? Any idea of how much it will cost? (DoD Comptroller, Mr. Hale, said we have $9.5 billion planned for FY13 OCO reset at the 15 Feb HASC hearing).

Answer. The Air Force requested reset level for Fiscal Year 2013 is $2.183 billion. Major Air Force weapon systems (aircraft and engines) are reset on an ongoing basis. Aircraft and engines redeploy to home station to meet regularly scheduled depot maintenance based on various timing criteria, including engine cycles, life-limited parts, and flying hours. The tempo of combat operations drives weapon system sustainment (WSS) and support equipment reset costs. As overseas contingency operations (OCO) wind down, Air Force WSS requirements will not immediately decrease; therefore, funding should transition from OCO to the Air Force baseline to ensure successful reversion to peacetime operational readiness support.

Support equipment, vehicles, Base Expeditionary Airfield Resources (BEAR), and war reserve materiel (WRM) remain in-theater throughout the duration of the operation with major repairs conducted while in theater (with the exception of depot-level repairs for special purpose vehicles and generators). Some BEAR and WRM assets will also require reset funding comparable to reconstitution costs once operations cease and we pull out of theater.

After the conclusion of combat operations, the Air Force expects a limited reset requirement due to WSS and support equipment sustainment accomplished during those operations. This limited reset will apply to requirements for repairing aircraft and engines roughly equivalent to the OCO cost of those activities during the previous and current year. Even though operations in Iraq and Afghanistan would have concluded, the Air Force will have a significant and continued presence in the Mid-

dle East and elsewhere. These rotational demands will continue to require WSS support to maintain the high operations tempo.

JSTARS

*Question.* When will the Analysis of Alternatives for JSTARS replacement be complete? When will the report be released and when can we anticipate the AF making a decision on a way ahead?

Answer. Air Combat Command presented the results of the Airborne Synthetic Aperture Radar/Moving Target Indicator and Joint STARS Mission Area analysis of alternatives to the Air Force Requirements Oversight Council for validation on November 30, 2011. The Vice Chief of Staff of the Air Force approved the analysis of alternative's release on January 12, 2012, to the Office of the Secretary of Defense's Cost Assessment and Program Evaluation (CAPE) office. CAPE is currently reviewing the final report for sufficiency. Air Force senior leadership is studying options to determine the best course of action based on operational requirements and the current fiscal environment.

ROTARY WING

*Question.* With the termination of the CVLSP, is this now an area where we are assuming an unacceptable level of risk with respect to the existing fleet of helicopters?

Answer. Due to fiscal constraints, there are several areas where the Air Force is assuming operational risk. The 2005 service life study for the UH–1N assessed that it could be operated through 2020. With the large number of UH–1s operating around the world, we are confident that the Air Force will be able to support the UH–1N beyond 2020 and reduce capability gaps while considering fiscal realities. To minimize these gaps, the Air Force will selectively modernize the UH–1N. These efforts include upgrades to make the cockpit fully night vision compatible, sensor upgrades to better support the security mission, and safety and sustainment improvements. Additionally, the Air Force is relooking at UH–1N employment methods to see if there are opportunities to further minimize UH–1N deficiencies and reduce operational risk.

*Question.* What actions are we going to have to take to ensure that the current H–1 fleet remains viable? How much will it cost?

Answer. We have and will continue to address diminishing manufacturing and obsolescence for the dynamic (rotary) components, engines, and existing avionics for the UH–1N fleet. Given current usage (flight loads and environment), the aircraft structure should be safe for operations, though we will continue to analyze aircraft structural integrity. These efforts require sustaining engineering funds. The UH–1N has proven to be extremely versatile, yet additional upgrades are required for it to remain viable. The aircraft's communications, navigation and survivability systems will need to be upgraded, as well as improvements in aircrew safety.

Although the costs are not fully captured at this time, Air Force Global Strike Command's UH–1N Master Plan, currently being developed, will define the way ahead for the weapon system and become the foundation for future budget submissions.

*Question.* What are the major deficiencies of our current fleet? Can these deficiencies be overcome through programs like the Operational Loss Replacement Program?

Answer. The Air Force has two major deficiency issues regarding our Combat Search and Rescue fleet: capacity and capability. While the operational loss replacement (OLR) program will fix our capacity issue, it fails to fulfill our current fleet's capability deficiency.

Our capacity issue centers on an increasing shortage of flyable aircraft. Our current program of record is 112 HH–60G aircraft. The current Air Force inventory consists of 99 aircraft, of which only 93 are flyable. The OLR program will provide sufficient aircraft to raise the fleet back to the 112 program of record. The OLR replacement aircraft will provide the identical capabilities as the current HH–60Gs.

However, neither the current HH–60G or the OLR aircraft will resolve the second deficiency, capability. Capability gaps will be addressed by the Combat Rescue Helicopter program.

OLR is designed to fix a short term capacity (aircraft availability) issue and ensure the Air Force can continue providing rescue capability to combatant commanders. However, OLR cannot resolve our current capability gaps.

*Question.* How long will the HH–60 be the workhorse of our current fleet? What actions do we need to take in order to ensure that we have a viable personnel recovery platform?

Answer. The HH–60G will remain in service until the combat rescue helicopter program is at full operational capability, which is currently scheduled for 2025. The Air Force has modification programs to address sustainment issues, safety features, defensive systems, and avionics upgrades that allow the HH–60G to continue providing rescue capability to the combatant commanders. Additionally, the operational loss replacement program is a short term fix to address aircraft availability issues to ensure the Air Force can continue providing rescue capability to combatant commanders

C–130 AVIONICS MODERNIZATION PROGRAM

*Question.* The budget request indicates that the C–130 avionics modernization program can be achieved with a less robust program while maintaining the ability to perform the mission. Will the C–130s that are not upgraded still be able to operate internationally without restriction if they don't receive these modifications?

Answer. Although the C–130 avionics modernization program was terminated in the Fiscal Year 2013 President's Budget request, the Air Force is committed to modernizing and ensuring the legacy C–130H fleet has unlimited access to international airspace. To this end, the Air Force has initiated a new program titled "Optimize Legacy C–130 Communication, Navigation, Surveillance/Air Traffic Management (CNS/ATM)." This upgrade will ensure that the entire C–130H fleet will meet the Federal Aviation Administration's January 1, 2020, requirements for automatic dependent surveillance-broadcast and continue to operate internationally without restriction.

*Question.* Will any additional crewmembers be required to compensate for not doing this upgrade? If additional crewmembers will be required, are we merely shifting costs from equipment to personnel?

Answer. When evaluating the total program cost, including retaining the navigator position, the new "Optimize Legacy C–130 Communication, Navigation, Surveillance/Air Traffic Management (CNS/ATM)" program is a lower-cost approach for modernizing the legacy C–130H fleet to meet domestic and international airspace requirements.

GLOBAL HAWK

*Question.* The Air Force is proposing to cut the Global Hawk Block 30 unmanned aerial vehicle, saying that reconnaissance missions will be done using the U–2 instead, due to lower operating costs. Are we going to stop flying the Block 30 altogether or will we be looking at using these for other missions? It seems like we have invested a lot of money in the Global Hawk program and that it would not be a good use of resources to have them sitting in storage.

Answer. Based on the Fiscal Year 2013 President's Budget, the Air Force will stop buying the Global Hawk Block 30 aircraft in Fiscal Year 2013. The final disposition of these aircraft is unknown at this time; however, the Air Force is developing disposition alternatives which include plans to place these assets in usable storage to preserve future options.

*Question.* What are the worldwide ISR requirements (total amount in general) compared to what the Air Force is able to provide? What kind of implications does this have for our strategic shift to the Pacific theater?

Answer. The Air Force acts in concert with Department of Defense (DoD) intelligence agencies, the military Services, and the U.S. Intelligence Community to meet worldwide intelligence, surveillance, and reconnaissance requirements. In September 2011, the DoD Joint Requirements Oversight Council reviewed recent adjustments in military strategy and determined that high-altitude ISR force structure could be reduced. The Air Force further determined that the U–2, which remains viable until at least 2040, was sufficient to meet these reduced requirements. There will be no impact to warfighting capabilities, and peacetime support will be managed by the current Global Force Management Process. Forward basing the U–2 now will meet combatant commander requirements in the near term and Navy BAMS will provide additional support in the Pacific operating area when those assets deliver later in the decade.

*Question.* What was the requirement change that seems to have been the main driver in the decision to discontinue use of the Global Hawk in favor of the U–2? Does the AF foresee the possibility of a future requirement that would tilt the balance back in favor of the Global Hawk?

Answer. In September 2011, the DoD Joint Requirements Oversight Council (JROC) reviewed recent adjustments in military strategy and determined that conventional high-altitude intelligence, surveillance, and reconnaissance (ISR) force structure could be reduced. The Air Force further determined that the U–2, which

remains viable until at least 2040, was sufficient to meet these reduced force structure requirements. Continued increased investment in RQ–4 was required to field a comparable capability to U–2 and was determined to be unaffordable.

The JROC will continue to monitor adjustments in military strategy to determine future force structure requirements, and the Air Force will continue to determine the most efficient and effective methods to meet those requirements.

*Question.* One of the reasons given for cutting the Block 30 variant was sensor performance. Was sensor performance inadequate? Did it not meet the requirements that we set for it?

Answer. The sensor suites aboard the RQ–4 and U–2 are not equivalent. However, the RQ–4 imaging sensors meet the stated Joint Requirements Oversight Counsel (JROC) requirement and, therefore, were not a factor in the divestment decision.

The total cost of keeping the Global Hawk Block 30 and continuing the investment to improve the RQ–4 to reach a comparable capability with the U–2 was more expensive than keeping the U–2. As a result, the Department chose to save $2.5 billion across the Future Years Defense Plan (FYDP) in a reduced budget environment since the U–2 is sufficient to meet the requirement and remains viable through 2040.

*Question.* How much operations and maintenance savings is reflected in the FY 2013 budget request as a result of "mothballing" the Block 30s?

Answer. The Air Force operations and maintenance cost avoidance/savings reflected in the Fiscal Year 2013 budget request as a result of divesting the Block 30s is $82.6 million.

F–35

*Question.* Since the F–35 is important to the US and many of our allies, what is the impact of international partners and involvement of our allies on the continued acquisition program?

Answer. The eight International Partners and the foreign military sales nations are one of the key elements to success of the Joint Strike Fighter (JSF) program. Their participation contributes the following: sharing of JSF development costs among all partners, lowering of U.S. procurement and operating costs due to economies of scale, and assuring of a future fleet of tactical aircraft that are interoperable with our coalition partners.

Just like the U.S., the partner nations are reassessing their short-term procurement needs and long-term strategies as a result of today's challenging fiscal environment. However, at a recent multilateral meeting, all of the partners underscored their full and continued support for the JSF program.

*Question.* The greatest cost efficiencies are typically realized when production rates increase and we start getting much needed economies of scale. Is there anything that can be done in the near term to help drive down costs and ensure that the F–35 program will be affordable in the long term for the Air Force (and DoD as a whole)?

Answer. In the near term, the Air Force deferred the purchase of 98 F–35A conventional take-off and landing (CTOL) aircraft to outside the Fiscal Year 2013 President's Budget request Future Years Defense Plan (FYDP) in order to mitigate increased concurrency costs. In addition, the Department of Navy deferred 81 short take-off and vertical landing and carrier variant aircraft. This realigns the pace of production to balance the need for a stable industrial base with the realities of increasing concurrency modification costs in a resource-constrained fiscal environment. We expect concurrency costs to begin to decrease starting in Fiscal Year 2015. Therefore, we plan on increasing the production ramp rate from 19 CTOL aircraft in Fiscal Year 2014 to 48 aircraft in Fiscal Year 2017. As the production rate increases, the unit recurring flyaway cost will decrease from $122 million in Fiscal Year 2014 to $91 million in Fiscal Year 2017.

In addition, the F–35 JSF Program Office (JPO) is using low rate initial production Lot 5 "should cost" analysis from the Office of the Secretary of Defense to support contract negotiations. The focus of the effort is to reduce contractor overhead and pass-through fees. The JPO is also conducting a business case analysis to determine proper contractor/organic maintenance mix to provide the best value sustainment solution. The JPO is engaged on several affordability initiatives focusing on unit level consumables (45 percent of overall operational and sustainment costs) and sustaining support (24 percent of operational and sustainment costs).

The Air Force has also taken active measures to reduce costs. The Air Force reduced the deployed spares package requirement from one per squadron (for 44 squadrons) to 25 total. It also reduced field training detachment quantities and requirements. We drove additional savings by reducing the flying hour requirement

from 300 to 250 flying hours/aircraft/year for operational aircraft. In order to identify cost efficiency opportunities within the Air Force force structure, the Air Force has commissioned RAND to study potential base reductions and varying squadron sizes and its impact on maintenance manpower, support equipment, and spares requirements.

C–27J

*Question.* It is my understanding that at least part of the rationale for divesting the C–23 Sherpa fleet was that we were going to acquire the C–27J. With the C–27J fleet now being divested, do we need to re-look at the original C–23 divestiture or can the requirements be met with other assets (like the C–130)?

Answer. With the divestment of the C–27J fleet, the requirement to provide time-sensitive, mission-critical air delivery over unsecured ground lines of communication will be met by the C–130 fleet. The Air Force cannot comment about the Army's decision to divest their C–23 Sherpa aircraft, but the Air Force is committed to the direct support mission for Army forces and retains sufficient force structure to accomplish this mission.

SATELLITE SYSTEM CUTS

*Question.* Regarding the termination of the AF Defense Weather Satellite System (DWSS), the AF says it can meet mission requirements and save money by launching two existing Defense Meteorological Satellite Program (DMSP) satellites, currently in storage. What capabilities do we lose by not launching the DWSS? Can we meet 100 percent of our mission requirements with the older DMSP satellites?

Answer. Yes, the remaining Defense Meteorological Satellite Program (DMSP) satellites will continue to meet the Department of Defense's overhead weather collection requirements until a follow-on program is fielded. The Defense Weather Satellite System (DWSS) would have exceeded legacy DMSP capabilities with newer technology to improve atmospheric and ionospheric measurement capability, such as a more detailed depiction of clouds and aerosols. Collectively, DWSS capabilities would have improved weather forecast accuracy; however, DMSP continues to meet legacy requirements for environmental battlespace awareness to support worldwide military operations.

*Question.* The budget request indicates that it will cost $120 million per year to extend DMSP on-orbit operations; does this include all of the costs (refurbish, prepare and the actual launch of the final 2 satellites?

Answer. Yes. The approximately $120 million per year encompasses all costs associated with integrating and testing the DMSP F–19 and F–20 spacecraft and seven mission sensors for each satellite and performing launch processing for the satellites. Additionally, it covers all costs associated with operating the on-orbit constellation, sustaining the ground command and control segment, and performing anomaly resolution for all of the on-orbit satellites, as well as DMSPs F–19 and F–20 during pre-launch integration and test.

CYBER PROTECTION

*Question.* With all of the recent examples in the media of foreign entities hacking into our networks (defense contractor, FBI and law enforcement as well as our military unmanned aerial vehicle systems), it's clear that we can't prevent all of these incidents. Is there more we can do on the detection side, though? If we can't stop it, what are we doing so that we at least know about it, and then we try to manage it from there?

Answer. The Air Force is intent on providing a full range of cyber capabilities to Joint Force commanders, whenever and wherever needed. The Air Force contributes to the Joint Force by developing, integrating, and operating cyberspace capabilities across the full spectrum of operations to include defense.

The Air Force is moving forward aggressively to integrate mission assurance capabilities in the network strategy through a defense-in-depth framework, such as implementing cyber defense hunter teams to provide a mobile, precision capability against cyberspace threats. We also are expediting requirements and acquisition processes to deliver proactive and responsive cyber defense capabilities. We are improving commanders' decision making abilities by increasing situational awareness, developing doctrine, policies, security and guidance to effectively employ and innovate in cyberspace defense. For example, we are developing innovative active cyber defense concepts as part of the Department of Defense Cyber Integration Group in accordance with the Department's Strategy for Operating in Cyberspace. We also are affecting changes in behavior, practices, and culture by improving training,

standards, communication and accountability by instituting cyberspace operations guidance. Finally, we are partnering with the Department of Defense, industry, and academia to share cyber defense information, including the Defense Industrial Base Opt-In Pilot.

[CLERK'S NOTE.—End of questions submitted by Mr. Kingston. Questions submitted by Mr. Bonner and the answers thereto follow:]

KC–46A

*Question.* I understand that the total additional costs to taxpayers that this contract allows, some $500 million, has already been incurred. Is it correct that any and all other cost overruns from this point forward will be paid exclusively by the Boeing Company?

Answer. The government's current estimate at completion (EAC) for the KC–46 development contract is $5.3 billion. However, the $5.3 billion EAC is just an estimate at this point. Since we are only one year into contract execution, Boeing has not yet incurred that amount of cost. The Government is liable for up to $0.5 billion above the contract's target price of $4.4 billion.

The KC–46 development contract has an overall contract ceiling price of $4.9 billion. Boeing is fully responsible for any cost growth beyond the $4.9 billion overall contract ceiling price.

*Question.* Exactly what does the contract require Boeing to deliver 78 months after contract award? I understand it is 18 operational aircraft on the flight line, but what are the details of those aircraft in terms of certification, operational status and total refueling and other capabilities?

Answer. The contract requires Boeing to deliver 18 aircraft that meet all the terms and conditions of the contract, to include all performance specifications and FAA certifications, 78 months after contract award, with the necessary support and training. Required aircraft, support, and training includes:

—18 aircraft meeting final product baseline in place 78 months after contract award
—Interim Contractor Support (ICS) in place to support 18 aircraft, according to basing and military construction plans
—Inventory and Maintenance Data Collection Systems in place
—Requisitioning process connecting the Inventory Control Points to the Standard Base Supply System in place
—Field Service Representatives/Logistics Support Representatives in place
—Item Unique Identification (IUID) implemented
—Two spare engines delivered
—Warranty plan implemented
—Required verified technical documentation in place
—Initial Type 1 maintenance cadre training completed
—Nine shipsets (18 total) Wing Air Refueling Pods (WARP) in place

*Question.* Exactly what if the terms of the contract of the 18 aircraft delivery are not met within the timeframe specified by the contract, or not with the operational capabilities stipulated in the contract?

Answer. The contract requires Boeing to deliver 18 aircraft that meet all the terms and conditions of the contract, to include all performance specifications and FAA certifications, 78 months after contract award, with the necessary support and training. Failure to comply with the technical or schedule requirements of the contract could result in a default termination.

In addition to the significant financial incentives that Boeing has to deliver aircraft on time—inherent in the competitively negotiated fixed-priced engineering and manufacturing development and production contract structure—the Air Force will use all the tools available to motivate Boeing to meet its schedule commitments, and penalize them when they do not.

The Air Force is not required to accept delivery of any aircraft that does not meet the performance specification stipulated in the terms and conditions of the contract. Accordingly, the Air Force will not complete payment on any aircraft until it formally accepts delivery of that aircraft. If Boeing does not meet its schedule commitments, per the contract, the Air Force could obtain appropriate consideration for late delivery which would likely translate into a reduction to both target and ceiling prices and also require Boeing to continue development until it finds a solution to meet the contractual scheduled event at no additional cost to the Air Force. Additional available management tools include withholding progress payments and downgrading Contract Performance Assessment Report (CPAR) ratings.

*Question.* If KC–46A deliveries are late, I assume that planned retirements of existing KC–135s will be delayed. I also am aware that major maintenance to those aircraft comes due in the 2017 to 2018 timeframe, specifically the resurfacing of major portions of the aircraft. If that maintenance is necessary to keep the aircraft flying longer, what will be the cost to the taxpayer? What other costs accrue to the taxpayer if the service life of the KC–135 fleet has to be extended?

Answer. Boeing remains on schedule to deliver 18 aircraft that meet all the terms and conditions of the contract, to include all performance specifications and FAA certifications, 78 months after contract award (August 2017), with the necessary support and training.

If KC–46 deliveries are delayed, the Air Force is confident in our current KC–135 service-life estimates that project fleet viability through 2040. In mid–2016, we will have the results of the six-year tear-down study on three retired KC–135 aircraft. This assessment will provide a better understanding of future KC–135 fleet sustainment costs.

*Question.* If Boeing defaults on this contract, how is the taxpayer protected? What are the Air Force's legal and financial obligations? More importantly, how will the nation's vital interests be protected? The new Strategic Planning Guidance makes it clear that this program and a robust global refueling capability are more important than ever. It seems that the KC–135 will be wholly inadequate by 2018 in terms of both capability and cost to operation and maintain. What is your contingency plan to deal with a default on this contract?

Answer. The Air Force has mitigated the greatest risk to the taxpayer—cost growth and open ended financial liability—by structuring the competitive development contract with both Fixed Price Incentive (Firm Target) and Firm Fixed Price components. The KC–46 development contract has an overall contract ceiling price of $4.9 billion. Boeing is fully responsible for any cost growth beyond the $4.9 billion overall contract ceiling price.

The Air Force is mitigating the greatest risk to the warfighter—schedule—by maintaining tight oversight of contract execution to ensure that Boeing delivers on its contract commitments. Boeing has completed every major milestone on or ahead of schedule, and Boeing remains on schedule to deliver 18 aircraft that meet all the terms and conditions of the contract, to include all performance specifications and FAA certifications, 78 months after contract award (August 2017), with the necessary support and training, ready to go to war on day one. There is no indication that Boeing will default on any portion of the KC–46 program. However, if Boeing does default, the taxpayer is protected under the Termination for Default clause of the contract. Under the default clause, the government is not liable for the contractor's costs on undelivered work, is entitled to the repayment of any applicable advance and progress payments, and may elect to require the contractor to transfer title and deliver to the government completed supplies and manufacturing materials.

With the above in mind, the Air Force is committed to maintain the health and viability of the KC–135 fleet through selective component replacement and modernization. We are confident in our current KC–135 service-life estimates that project fleet viability through 2040. The KC–135 fleet remains and will remain a rapid global capability in support of our Joint and Coalition forces.

## GLOBAL HAWK

*Question.* I understand the Department's Cost Assessment and Program Evaluation (CAPE) performed a detailed cost analysis associated with the decision to terminate and mothball the Global Hawk Block 30 program. Please share this analysis with the Congress so it can better understand the analytical foundation of this decision. Provide a detailed cost assessment including the basis of costs for both sustainment and procurement through 2025.

Answer. In support of the Fiscal Year 2013 President's Budget request, the Air Force analyzed the operational output of both the RQ–4 and the U–2 using existing concepts of operation for both aircraft and determined that U–2 capability was sufficient for operational needs. When analyzed in this context, the U–2 and RQ–4 operating costs were nearly equal. Given comparable flying hour costs, and given the large investment required for the RQ–4, the Air Force chose to divest the Block 30 program and save a net of $2.5 billion. OSD/CAPE conducted their own independent cost analysis based on three scenarios to come to the conclusion that the U–2 was the more affordable option to meet the newly reduced requirement. The Air Force will defer to OSD/CAPE to provide Congress the details of their independent cost analysis.

*Question.* The Department based its Global Hawk Block 30 divestment decision on it being more expensive to operate than the U–2. Can you explain how the Department determined these costs?

Answer. The Department of Defense (DoD) conducted an analysis during the Fiscal Year 2013 budget review using data from previous Air Force and DoD efforts. The Air Force Total Ownership Cost (AFTOC) database figures in Fiscal Year 2011 show that both the U–2 and the RQ–4 cost $32,000 per hour to operate. However, the costs for the U–2 included signals intelligence (SIGINT) sensors. The Air Force did not fly the RQ–4 Block 30 with its SIGINT sensors in 2011. The Air Force will begin flying Global Hawk with SIGINT sensors in April 2012 and expects the RQ–4 flying hour costs to become greater than those for the U–2. Given comparable flying hour costs, and given the large investment required for the RQ–4, the Air Force chose to divest the Block 30 program and save a net of $2.5 billion.

*Question.* If the U–2 is extended until 2025, and the system that was slated to replace it is cancelled, what is your plan for replacing the U–2? How much will it cost to modernize and maintain the U–2 for another 15 years?

Answer. There is no projected U–2 retirement date. The U–2 aircraft remains viable until 2040 and meets all sensor requirements currently tasked by the combatant commands. The Air Force will invest approximately $68 million per year in sustainment and enhancement modifications to ensure platform modernization and maintenance.

*Question.* General Schwartz mentioned operations and support costs are an issue for the Global Hawk program. When the decision was made to retire the U–2 a few years back, specific costs (base support, infrastructure and indirect support) where allocated to Global Hawk. As a result, these costs have inflated the Global Hawk cost per flight hour while the U–2's cost per flight hour has decreased. Did the Air Force look at doing an apples-to-apples comparison of costs for both systems? If not, why not?

Answer. Base support, infrastructure, and indirect support costs were included in the Department's Total Ownership Costs computations and appropriately allocated to each program. As a result, the cost per flying hour for each platform totaled $32,000 per hour. However, a direct flying hour comparison does not illustrate the differences in the maturities of the two programs. For example, the costs for the U–2 included a signals intelligence (SIGINT) suite flown for many years. The SIGINT suite aboard the Global Hawk has yet to reach operational maturity, and therefore, has not been included in its cost per flying hour as the cost is not yet known. The Air Force will begin flying Global Hawk with SIGINT sensors in April 2012 and expects the RQ–4 flying hour costs to outpace those for the U–2.

[CLERK'S NOTE.—End of questions submitted by Mr. Bonner. Questions submitted by Mr. Cole and the answers thereto follow:]

SUSTAINMENT ISSUES AND COMPETITION

*Question.* The Air Force has acknowledged that 91% of the F117 engine is common with the commercial variant PW–2000 series engine flown world-wide on Boeing 757s. This confirms there is significant capability in the commercial market to supply parts and repairs for the F117 engine. Is the Air Force going to take advantage of this fact as it prepares the Request for Proposal to solicit bids from industry for supply chain management services?

Answer. The proposed F117 sustainment strategy is structured to take advantage of the industrial capability supporting the PW2000 family of engines. Section 805 of the Fiscal Year 2010 National Defense Authorization Act states that our objective will be to "maximize competition and make the best possible use of available Department of Defense and industry resources at the system, subsystem and component levels." Using the current strategy, the Air Force will maximize competition at the system level by transitioning F117 engine sustainment from the Globemaster Integrated Sustainment Partnership contract with the C–17 product support integrator (The Boeing Company) to a competitively-chosen F117 production manager to accomplish the engine overhaul (touch labor). The Air Force is also developing a strategy to expand competition in engine supply chain management. The Air Force is maximizing competition at the subsystem level by allowing a mix of repaired and new parts procurement. Finally, the Air Force is further maximizing competition at the component level by utilizing the Air Force's Source Approval Request process, which will allow for approval of non-original equipment manufacturer (OEM) parts into the F117 engine.

In December 2011, at the Air Force's request, the engine OEM (Pratt and Whitney) agreed to negotiate licenses to both the F117 Overhaul and Component Repair

manuals, for use in competitor proposal preparation and program execution. This access provides the Air Force with the ability to compete F117 engine sustainment in a manner comparable to commercial industry strategies for PW2000 series engine sustainment.

*Question.* When competition becomes a factor in military programs, we see cost reductions between 30–50% over the life-cycle of the activity. We have a tight budget request before us and the Air Force is requesting new funding of $230 million in a direct appropriation to the Air Force Working Capital Fund for F117 sustainment. The Air Force's justification for the $230 million request states that it is for Contractor Logistics Support, of which the supply chain is a critical component. Could the requirement for this funding be eliminated or at least reduced if we ensure competition for the supply chain management requirements?

Answer. The C–17 Contractor Logistics Support engine cost increase line item provides additional funding to accomplish major overhauls on all scheduled F117 engines during Fiscal Year 2013. Cost increases are the result of excessive wear and tear on the engine while operating in the contingency environment. F117 engine sustainment for Fiscal Year 2013, including supply chain management, has already been negotiated as a pre-priced option under the Globemaster Integrated Sustainment Partnership contract. Elimination or reduction of this funding would require the engine sustainment option to be renegotiated and engine overhauls to be deferred to the following year. Deferring engine overhauls would cause a decrease in C–17 aircraft availability as specified in the working capital fund justification.

The Air Force plans to conduct a competition for F117 engine sustainment, to include overhaul and supply chain management, with performance starting in 2014. While the sustainment plan has been modified to leverage competition, any savings will not be realized until after 2013. Projected savings derived from this competition will be validated after receipt and review of proposals for the F117 engine sustainment for 2014 and beyond.

*Question.* The Air Force's justification for the $230 million direct appropriation includes only 3 sentences. Can you explain to me the requirement for this funding, the financial analysis and assumptions that were made in determining the funding level requested, and what Air Force organization conducted the analysis?

Answer. The C–17 Contractor Logistics Support engine cost increase line item provides additional funding to accomplish major overhauls on all scheduled F117 engines during Fiscal Year 2013. Cost increases are the result of excessive wear and tear on the engine while operating in the contingency environment. Increased flying hours and utilization factors have resulted in the increased replacement of engine life limited parts and increased engine component repair and scrap rates during overhaul. Overseas Contingency Operations (OCO) environmental factors, including sand ingestion and increases in the number of maximum power takeoffs, have caused life limited parts to reach their replacement thresholds more quickly than programmed. Additionally, these factors have caused a greater rate of replacement for parts which were previously repairable during overall.

The financial analysis and assumptions made in determining the funding level requests were originally based on the Boeing/Pratt and Whitney engine sustainment contract proposal to the Air Force. Further analysis was conducted by a government tiger team composed of the C–17 System Program Office at Wright-Patterson Air Force Base, Ohio, the Engines System Program Office, the Engines Product Group Manager, the C–17 Combined Program Office (CPO), and the Air Mobility Command staff. The main assumption during the analysis was the number of anticipated engine cycles the C–17 fleet will accomplish each year. The estimate was provided by each of the C–17 using commands and then used by the C–17 CPO to place the C–17 Product Support Integrator, The Boeing Company, on contract to achieve the performance based outcomes of available aircraft and serviceable propulsion systems.

Further analysis was conducted by the C–17 CPO in July 2011 to determine a fair and reasonable cost. This effort led to a contract award to Boeing with their subcontractor Pratt and Whitney, for engine sustainment in Fiscal Year 2012 with pre-priced options available in Fiscal Year 2013 and Fiscal Year 2014. The Fiscal Year 2013 option represents a total cost to the C–17 program for engine management with OCO requirements included.

*Question.* If the basis for the $230 million request is relative to excessive wear and tear from operating in the contingency environment, why isn't the Air Force requesting this funding from the Overseas Contingency Operations budget request?

Answer. The Air Force Working Capital Fund budget submission requests $230 million of overseas contingency operations (OCO) direct appropriation for repair of C–17 aircraft engines (F117). These engine repairs are necessary due to excessive

wear and tear sustained in support of United States Transportation Command contingency operations.

Additionally, $120 million of OCO operation and maintenance funding is requested to repair excessive engine wear and tear sustained on the C–17 fleet operated by Air Force Active, Reserve, and Guard.

C–130 AMP

*Question.* General Schwartz, you have said earlier this year that your greatest concern with the new defense strategy is that the Air Force may not have the capacity in the mobility aircraft and combat fleets to execute the new strategy. Can you please quantify for the committee the risks incurred with the significant reduction to the mobility airlift fleet and what it may mean in meeting war fighting requirements of the combatant commanders?

Answer. We carefully analyze each warfighting scenario laid out by the Office of the Secretary of Defense (OSD) to determine what the mobility air fleet capacity should be to support strategic guidance. We measure the capacity in million ton-miles per day (MTM/D), which expresses a theoretical capacity of the fleet to move an amount of cargo over a set distance per day and is used as a common metric for quantifying airlift requirements as a basis for computing the size and optimal mix of airlift forces.

The Mobility Capability Requirement Study 2016 (MCRS–16) analyzed requirements of the previous strategy and called for a peak capacity of 32.7 MTM/D. One of the study's scenarios (Case 3) was approved by OSD as sufficiently consistent with the new strategic guidance to inform our force structure and indicated that a capacity of 29.1 MTM/D was adequate.

Analysis of additional scenarios in-line with strategic guidance and approved by OSD requires slightly more capacity than MCRS Case 3. The President's Budget Fiscal Year 2013 mobility air fleet provides a capacity of 30.4 MTM/D, which meets this anticipated demand with a small margin in reserve.

STRATEGIC AIRLIFT

*Question.* General Schwartz, the Major Capabilities Requirements Study–16 assumed that DOD would maintain 3 prepositioned locations of military stock equipment. Now that DOD plans to downsize the number of locations of prepositioned stock equipment to 2 locations, what does this do in terms of adding additional requirements for strategic airlift during a major contingency operation?

Answer. The Mobility Capabilities & Requirements Study 2016 (MCRS 16), like its predecessors did and as its successors will, begins with the National Military Strategy which determines the capabilities and requirements needed to deploy, employ, sustain, and redeploy Joint Forces in order to accomplish that strategy. While it does take into account locations of prepositioned stock, it is not prudent to assume that there is a linear relationship between numbers of prepositioned stock locations and the size of the strategic airlift fleet. The multi-modal modeling assesses airlift, aerial refueling, sealift, surface transportation, ashore and afloat prepositioning, forward stationing, and infrastructure. It puts these multimodal tools against the time phased force deployment plan. Ultimately, for planning purposes we run excursion upon excursion against scenarios anticipated by the National Military Strategy and determine the optimum force structure to accomplish that strategy with a given level of risk.

While MCRS–16 analyzed requirements of an older strategy which called for a peak capacity of 32.7 million ton miles per day (MTM/D), one of the study's scenarios is sufficiently consistent with the new strategy to inform our force structure and indicates that a 29.1 MTM/D capacity is sufficient. Our proposed mobility air fleet has a capacity of 30.4 MTM/D and will meet this potential demand with a small margin in reserve as we continue to shape our force based on strategy looking forward. This fleet size and mix is the right one to execute national strategy at an appropriate level of risk.

C–130 AVIONICS MODERNIZATION PROGRAM

*Question.* General Schwartz, why has the Air Force decided to terminate the C–130 AMP program that is over 98% complete with development activities and with very little risk going forward? How much will the new start effort truly save after considering the termination liability, and other life cycle cost savings are removed from the solution?

Answer. The Future Year Defense Plan (FYDP) investment cost savings from terminating C–130 Avionics Modernization Program (AMP) and initiating the "Opti-

mize Legacy C–130 Communication, Navigation, Surveillance/Air Traffic Management (CNS/ATM)" program is $2.3 billion. Additionally, when adding the "To Complete" cost of AMP in the Fiscal Year 2012 President's Budget request and comparing it to what the Air Force has funded in the Fiscal Year 2013 President's Budget request for CNS/ATM, including its "To Complete" cost, the Air Force identified a total investment cost savings of $3.5 billion.

By going with the new Optimize Legacy C–130 CNS/ATM, which retains the navigator position, the Air Force took into consideration that we would lose the mission personnel "cost savings" of $482 million in base year dollars vice AMP (reference number 31, Dec 2010 C–130 AMP Selected Acquisition Report (SAR) to Congress). This additional cost of retaining the navigator reduces the program savings referenced in the above paragraph. The 2010 Selected Acquisition Report (SAR) identified that there were no other life cycle costs savings by continuing with AMP.

The termination liability for C–130 AMP is $5.1 million, and has been factored into the cost savings referenced above.

*Question.* General Schwartz, could you explain the numbers that have been circulating in the press regarding the cost of the current program? My understanding that about $2.1 billion has been invested to date and there is about $2.5 billion needed to complete the program. However, it appears the Air Force is using a $6.2 billion total program cost, leaving over $4.1 billion yet to be spent. With less than 200 aircraft to be modified and using $8 million a copy, we should be able to finish the program for around $2 billion.

Answer. Due to budget constraints, the Fiscal Year 2013 Presidents Budget request recommends terminating the C–130 Avionics Modernization Program (AMP) and initiating a new lower cost program titled "Optimize Legacy C–130 Communication, Navigation, Surveillance/Air Traffic Management (CNS/ATM)." As reflected in the December 2010 Selected Acquisition Report (SAR), the C–130 AMP per aircraft estimate is $19 million. The Fiscal Year 2013 President's Budget request per aircraft cost of the C–130 CNS/ATM program is $3.7 million. A total of $1.8 billion has been spent to date on C–130 AMP ($1.7 billion in research, development, testing, and evaluation, and $0.1 billion in procurement). Total cost of the 221 C–130 AMP aircraft fleet is estimated at $6.3 billion. This latest estimate is from the Office of the Secretary of Defense Cost Assessment and Program Evaluation's independent cost estimate dated March 23, 2010; it reflects total cost of $6.3 billion ($1.8 billion in research, development, testing, and evaluation, and $4.5 billion in procurement).

*Question.* General Schwartz, the current AMP system of record eliminated the navigator position and essentially paid for the upgrade in the early days of the program. Will a new start require a navigator and if so, what is the impact on availability, training, and life cycle costs for a new program of record without eliminating the navigator and one with the navigator.

Answer. When terminating the C–130 avionics modernization program (AMP) and initiating the new lower cost program titled "Optimize Legacy C–130 Communication, Navigation, Surveillance/Air Traffic Management (CNS/ATM)," which retains the navigator position, the Air Force took into consideration that we would lose the mission personnel "cost savings" of $482 million in base year dollars vice C–130 AMP (reference 31, December 2010 C–130 AMP Selected Acquisition Report (SAR) to Congress).

However, the 2010 SAR identified that there were no other life cycle costs savings by continuing with C–130 AMP. The SAR identified an expected cost increase in both Unit Level Consumption ($513.4 million base year dollars) and sustaining support ($157.7 million base year dollars) for C–130 AMP modified aircraft over the current C–130 combat delivery fleet.

*Question.* General Schwartz, Is the Air Force at all entertaining a modified AMP for the C–130 in lieu of terminating the program in FY13? It is my understanding that the Saudis and the Chileans have a modified AMP program and would a modification like that be an alternative to terminating the program as funds were available?

Answer. The Fiscal Year 2013 President's Budget request recommends terminating the C–130 Avionics Modernization Program (AMP) and initiating a new program titled "Optimize Legacy C–130 Communication, Navigation, Surveillance/Air Traffic Management (CNS/ATM)." The primary difference between the C–130 AMP and the C–130 CNS/ATM program is that the new program retains the navigator position requiring much less avionics integration than C–130 AMP. The new program does not standardize the aircraft cockpit across the C–130H fleet and we anticipate more than a 40 percent reduction in the number of requirements when compared to C–130 AMP. These changes were too significant to modify or de-scope C–130 AMP. A review of similar CNS/ATM solutions on other Air Force mobility aircraft (KC–10, KC–135), and an awareness of CNS/ATM modifications to foreign na-

tions' C–130 aircraft, indicate that CNS/ATM solutions that are less expensive than AMP are currently available. As the Saudi and Chilean efforts were direct commercial sales, the Air Force does not have detailed information on what these modifications entailed or whether or not they would be value-added for the Air Force C–130 fleet. The Air Force is committed to full and open competition for the C–130 CNS/ATM program with planned contract award in Fiscal Year 2014.

KC–46A

*Question.* General Schwartz, as you have mentioned, the development and procurement of the KC–46A is on track for initial delivery in FY16 with the strategic basing process underway. Can you please provide and update on the timeline for key decisions and milestones going forward, particularly as it related to the bedding down plan?

Answer. The next milestone in the KC–46A strategic basing process is the announcement of the basing criteria, which is scheduled to occur in the spring of 2012. The announcement of the candidate bases is scheduled for the summer of 2012. The announcement of the preferred and reasonable alternatives is scheduled for the end of 2012. The final basing decisions will be announced in calendar year 2013.

BOMBERS

*Question.* General Schwartz, as the backbone of the Air Force's nuclear and conventional bomber fleet, what is the Air Force's plan to maintain a reliable and viable B–52 with such drastic cuts?

Answer. The Air Force continues to ensure the B–52 stays relevant throughout its service life (2040) by focusing on bomber sustainment and addressing diminishing manufacturing source issues in the Fiscal Year 2013 President's Budget request. Efforts such as the fielding of Combat Network Communications Technology (CONECT) visual displays and the anti-skid braking system address existing supportability issues. Multiple smaller efforts continue to add B–52 capability including Military Standard 1760 Internal Weapons Bay Upgrade and Mode S/5 identification friend or foe. Funding totals include $202 million for research, development, testing, and evaluation and $250 million for procurement across the Future Years Defense Plan. The B–52 remains the backbone of the Air Force's manned strategic bomber force, actively supporting the continued bomber presence in Guam and maintaining a high state of nuclear mission readiness.

*Question.* General Schwartz, one of the cut programs is the CONECT program. It provides much needed digital communication and mission retasking capability for our warfighters, which is essential for B–52 missions, especially with the added emphasis on the Pacific theater. With this program successfully finishing flight tests, why would the Air Force cut production funding, leaving our crews with a temporary laptop solution that doesn't satisfy the CONECT operational requirements?

Answer. Based on competing budget priorities, the Air Force restructured the Combat Network Communications Technology (CONECT) program to address the sustainability issues within the program, including the replacement of legacy displays. The restructured program also funds conversion of the temporary Evolutionary Datalink system into a permanent modification providing a viable (although less robust) communications capability for the B–52. This decision was made as part of a balanced investment strategy for the Air Force Nuclear Deterrence portfolio. At the time the decision was made, CONECT had not completed the flight test program and the program faced significant cost, schedule, and performance issues. The completion of Milestone-C certification later this year provides the Air Force with an option to reexamine the CONECT program in future budget cycles.

GLOBAL HAWK

*Question.* Secretary Donley, how have the Department's decisions to reduce Global Hawk Block 30 quantities while at the same time increasing requirements (increasing the number of simultaneous sensors required) contributed to the increased system cost of Global Hawk?

Answer. The Air Force decision to terminate the Block 30 program was based upon a reduced requirement rather than an increased requirement. The requirement for the Global Hawk Block 30 aircraft is to execute electro-optical/infrared, synthetic aperture radar, limited moving target indicator, and signals intelligence missions simultaneously. No change to the Block 30 requirement factored into the decision to terminate the program.

In September 2011, the Department of Defense Joint Requirements Oversight Council reviewed recent adjustments in military strategy and determined that con-

ventional high-altitude intelligence, surveillance, and reconnaissance orbit requirements could be reduced. The Air Force further determined that the U–2, which remains viable until at least 2040, was sufficient to meet these reduced force structure requirements. Continued, increased investment in RQ–4 was not warranted given a significant reduction in the Department's budget with an alternative system, the U–2, still operationally viable at considerably lower total cost over the Future Years Defense Plan.

*Question.* General Schwartz, when looking at the Air Force Total Ownership Cost data for U–2 and Global Hawk, the cost per operational hour in 2011 (that is, the cost per hour executing missions) for Global Hawk is lower than the U–2. This seems to be a much more relevant number than cost per flying hour. How does this correlate with the assertions that Global Hawk operating costs are higher?

Answer. The Department of Defense (DoD) conducted an analysis during the Fiscal Year 2013 budget review using data from previous Air Force and DoD efforts. The Air Force Total Ownership Cost database figures in Fiscal Year 2011 show that both the U–2 and the RQ–4 cost $32,000 per hour to operate. However, costs for the U–2 included signals intelligence (SIGINT) sensors. The Air Force did not fly the RQ–4 Block 30 with its SIGINT sensors in 2011. The Air Force will begin flying Global Hawk with SIGINT sensors in April 2012 and expects the RQ–4 flying hour costs to become greater than those for the U–2. Given comparable flying hour costs, and given the large investment required for the RQ–4, the Air Force chose to divest the Block 30 program and save a net of $2.5 billion.

*Question.* General Schwartz, please detail how terminating a new cutting edge platform, Global Hawk Block 30, is less expensive than extending the life of an aging platform, U–2, which would require increased investments in coming years in a fiscally responsible manner.

Answer. The total cost of keeping the Global Hawk Block 30 and continuing the investment to improve the RQ–4 to reach a comparable capability with the U–2 was more expensive than keeping the U–2. As a result, the Department chose to save $2.5 billion across the Future Years Defense Plan (FYDP) in a reduced budget environment since the U–2 is sufficient to meet the requirement and remains viable through 2040.

In September 2011, the Department of Defense Joint Requirements Oversight Council reviewed recent adjustments in military strategy and determined that conventional high-altitude ISR force structure could be modified. The Air Force further determined the U–2 was sufficient to meet these modified force structure requirements. Continued increased investment in RQ–4 was required to field a comparable capability to U–2 and was determined to be unaffordable.

Continued, increased investment in RQ–4 was not warranted given a significant reduction in the Department's budget and an alternative system, the U–2, is still operationally viable at a considerably lower cost over the FYDP.

Additionally, the actual cost per flying hour data, when the U–2 is employed at its normal operational distance, shows the U–2 cost is comparable to the RQ–4 cost. The latest actual cost per flying hour data shows that both platforms are operating at $32,000 per hour.

[CLERK'S NOTE.—End of questions submitted by Mr. Cole. Questions submitted by Mr. Visclosky and the answers thereto follow:]

AIR NATIONAL GUARD

*Question.* Why would the Air Force propose changes to the current force structure ratio of reserve and active duty service members if the performance of present ratio had performed positively? Were there specific instances where performance was not adequate? What is the increased pace of operations that is envisioned that justifies this change?

Answer. The proposed changes to the current force structure ratio are not the result of a performance issue. The new Defense Strategic Guidance, "Sustaining US Global Leadership: Priorities for 21st Century Defense" directs the services to build a leaner, more flexible, and technologically advanced force. To meet budgetary constraints dictated by the Budget Control Act, the U.S. Air Force had to make force structure reductions. These reductions required the U.S. Air Force to examine the amount of force structure remaining to determine the best ratio of Active Component and Reserve Component (Air National Guard and the Air Force Reserve) to meet the warfighting requirements of the new guidance. The Reserve Component trains to the same level as the Active Component. However, the ratio had to be determined based on the "availability rate" of the two components. At a recent Air Force Reserve Senior Leaders Conference, I stated that we place an enormous value

on the experience provided by the Reserve Component, but we don't want to shift the warfighting burden to a part-time force. This burden isn't what the Reserve Component signed up for. As we plan our Total Force mix, we keep the components' contributions and commitments in mind and look to size our Active, Guard, and Reserve forces so they can meet their respective roles.

The new Defense Strategic Guidance requires the Joint Force to be capable of fighting one large scale, combined arms campaign with sufficient combat power to also deny a second adversary and deemphasized large-scale, prolonged military operations. Some of the missions identified in the new guidance include deter and defeat aggression; project power despite anti-access/area denial challenges; conduct stability and counterinsurgency operations; conduct humanitarian, disaster relief, and other operations; etc. Although the U.S. has removed all combat forces from Iraq and the new guidance reduces the steady state requirement for ground forces, we expect Air Force steady state rotational requirements to remain nearly constant, or perhaps increase, under the new strategy. The continuing post rotational post-surge requirement is a key factor in determining the required mix between Active and Reserve Component forces due to differences in sustainable deployment rates and operations tempo.

Sustaining the health of the force means the Air Force is seeking to manage both Active Component and Reserve Component forces at a sustainable level capable of meeting Department of Defense best possible projections of routine requirements for overseas rotational forces, surge forces for crises, and sustained expeditionary operations. The Secretary of Defense's deploy-to-dwell goal is to ensure Active Component forces deploy at a rate of no more than 1:2 (for example, 6 months deployed followed by 12 months at home base) and the Reserve Components at a rate of no more than 1:5. An Active Component/Reserve Component balance that requires either routine Active Component forces deployment more frequently, or involuntary mobilization of Reserve Component forces to avoid over-use of Active Component forces, would add further stress on the Total Force and indicate that the Air Force does not have the proper balance. The Fiscal Year 2013 adjustments made to the Active Component/Reserve Component mix contribute to the Air Force's ability to meet current and foreseeable demand within these deploy-to-dwell goals.

*Question.* For the development of the new force structure ratio, did the Air Force make specific underlying assumptions regarding the rate of deployment that the Guard is capable of achieving? What were these assumptions?

Answer. Yes, the Air Force used specific rate of deployment assumptions for Active Duty, Air Force Reserve Command, and Air National Guard during development of the Fiscal Year 2013 President's Budget request. In accordance with the Secretary of Defense Memorandum, "Utilization of the Total Force," dated January 19, 2007:

[T]he planning objective for involuntary mobilization of the Guard/Reserve units will remain a one year mobilized to five years demobilized ratio. However, today's global demands will require a number of selected Guard/Reserve units to be remobilized sooner than this standard. Our intention is that such exceptions be temporary and that we move to the broad application of the 1:5 goal as soon as possible. Continue to plan your force structure on that basis.

The planning objective for the Active Force remains one year deployed to two years at home station [or a 1:2 ratio].

This guidance has been repeated in numerous subsequent documents, including the 2010 Quadrennial Defense Review, current Guidance for Employment of the Force, and Air Force Instruction 10–401, Air Force Operations Planning and Execution, among others, and is used for all Air Force force structure planning for post-surge operations.

Current Office of the Secretary of Defense, Joint Staff, combatant commander, and Service-developed integrated scenario constructs used for force sizing require that all programmed Air Force fighter, bomber, tanker, and mobility aircraft be used during the surge (1:0 ratio).

*Question.* Within the Air Force proposal to remission or eliminate a number of Air National Guard aircraft, are any of these aircraft transferring to active duty or will they be retired? Should any transfer to active duty, are these actions in compliance with Section 345 of the 2011 National Defense Authorization Act? Has Lt Gen Wyatt made any comments on the possibility of the aircrafts transferring to active duty that will be made publicaly available?

Answer. Based on the force structure reductions identified in the Fiscal Year 2013 President's Budget submission, the Air Force is reviewing the Total Force aircraft inventory fleet to ensure that we divest the oldest, less capable aircraft, while maintaining the newest and most modern aircraft in the Total Force. As such, the Air Force may transfer aircraft between components. If it does, the Air Force will en-

sure it stays in compliance with Section 345. The review includes full participation by the Air National Guard and Air Force Reserve leadership.

[CLERK'S NOTE.—End of questions submitted by Mr. Visclosky. Questions submitted by Mr. Young and the answers thereto follow:]

Savings

Question: The Air Force claims it will save $8.7 billion as a result of its aircraft divestment decisions. The Committee has yet to see a detailed accounting of this figure. Please provide a breakout of the savings, by year and by appropriations, for each aircraft divestment decision.

Answer: The new Department of Defense Strategic Guidance "Sustaining US Global Leadership: Priorities For 21st Century Defense" directs the Services to build a force that will be smaller and leaner, flexible, ready, and technologically advanced. To deliver the capabilities required by this strategy, and remain within funding constraints, the Air Force made difficult choices in all service core functions. While remaining consistent with the new strategy, the Air Force Fiscal Year 2013 President's Budget submission achieves $8.7 billion in savings across the Active and Reserve Components by retiring over 200 aircraft in Fiscal Year 2013 and 286 aircraft over the Future Years Defense Plan. Our programmed force reductions are wide-ranging and affect over 60 installations. The following table provides a breakout by appropriation and fiscal year for the force structure changes. All dollars are in thousands:

| Option | FY13 | FY14 | FY15 | FY16 | FY17 | FYDP |
|---|---|---|---|---|---|---|
| **C-5A Divesture** | | | | | | |
| APPN 1008 | 0 | 0 | -677 | -1434 | -1521 | -3632 |
| APPN 1009 | -1954 | -2912 | -5181 | -5492 | -5821 | -21360 |
| APPN 3010 | 0 | 5000 | 0 | 0 | 0 | 5000 |
| APPN 3400 | 0 | 2 | 5 | 9 | 11 | 27 |
| APPN 3700 | 0 | 0 | -2854 | -5851 | -6000 | -14705 |
| APPN 3740 | -80405 | -124110 | -52234 | -159757 | -220677 | -637183 |
| APPN 3840 | -64655 | -113760 | -163350 | -225699 | -235666 | -803130 |
| APPN 3850 | -5660 | -13513 | -21351 | -27016 | -27827 | -95367 |
| **C-27J Divesture** | | | | | | |
| APPN 1009 | -7678 | -8148 | -8658 | -9118 | -9605 | -43207 |
| APPN 3010 | -223615 | -198447 | -168715 | -92512 | -28899 | -712188 |
| APPN 3600 | -6472 | 0 | 0 | 0 | 0 | -6472 |
| APPN 3840 | -30417 | -63315 | -101474 | -121958 | -142105 | -459269 |
| APPN 3850 | -19608 | -39882 | -41047 | -42264 | -43533 | -186334 |

| Option | FY13 | FY14 | FY15 | FY16 | FY17 | FYDP |
|---|---|---|---|---|---|---|
| **C-130 Divesture** | | | | | | |
| APPN 1007 | 127 | 445 | 1070 | 2093 | 2666 | 6401 |
| APPN 1008 | -1472 | -3640 | -4408 | -4676 | -5736 | -19932 |
| APPN 1009 | -2600 | -3628 | -3482 | -3725 | -3982 | -17417 |
| APPN 3500 | 2035 | 6798 | 15610 | 28427 | 36724 | 89594 |
| APPN 3400 | -3555 | 145 | -3723 | -7614 | 112 | -14635 |
| APPN 3700 | -7313 | -17500 | -20160 | -20671 | -24484 | -90128 |
| APPN 3740 | -35837 | -69986 | -80037 | -90569 | -102673 | -379102 |
| APPN 3830 | 0 | 27000 | 0 | 0 | 0 | 27000 |
| APPN 3840 | -42028 | -37445 | -32009 | -43892 | -52987 | -208361 |
| APPN 3850 | -7394 | -15489 | -16371 | -16921 | -17491 | -73666 |
| **RQ-4 Block 30 Divesture** | | | | | | |
| APPN 3010 | -606118 | -590177 | -421505 | -194631 | -162156 | -1974587 |
| APPN 3400 | -80678 | -132478 | -110553 | -127197 | -127687 | -578593 |
| APPN 3500 | -37780 | -77607 | -79824 | -82650 | -84304 | -362165 |
| APPN 3600 | -146646 | -211771 | -159672 | -262546 | -96354 | -876989 |
| **KC-135 Divesture** | | | | | | |
| APPN 1008 | -30 | -60 | -60 | -70 | -70 | -290 |
| APPN 1009 | -1402 | -1489 | -1583 | -1678 | -1778 | -7930 |
| APPN 3400 | -1871 | -4025 | -5998 | -6164 | -4576 | -22634 |
| APPN 3700 | -1280 | -2640 | -2730 | -2800 | -2870 | -12320 |
| APPN 3740 | -7246 | -13466 | -13698 | -12208 | -15342 | -61960 |
| APPN 3840 | -6105 | -13480 | -13796 | -14248 | -15646 | -63275 |
| APPN 3850 | -4726 | -9640 | -9938 | -10230 | -10537 | -45071 |
| **A-10 Divesture** | | | | | | |
| APPN 1007 | -2235 | -4743 | -5039 | -5355 | -5355 | -22727 |
| APPN 1008 | -591 | -1257 | -1335 | -1418 | -1507 | -6108 |
| APPN 1009 | -6440 | -6843 | -7271 | -7708 | -8169 | -36431 |
| APPN 3010 | -67035 | -92725 | 0 | 0 | 0 | -159760 |
| APPN 3500 | -27073 | -55462 | -57063 | -59174 | -60344 | -259116 |
| APPN 3400 | -13916 | -31349 | -45437 | -57064 | -62571 | -210337 |
| APPN 3700 | -3151 | -6459 | -6625 | -6797 | -6972 | -30004 |
| APPN 3740 | -23780 | -32861 | -31661 | -33203 | -40128 | -161633 |
| APPN 3840 | -49676 | -106835 | -111838 | -130547 | -151090 | -549986 |
| APPN 3850 | -17409 | -35330 | -36328 | -37381 | -38502 | -164950 |
| **F-16 Divesture** | | | | | | |
| APPN 1009 | -2533 | -2692 | -2860 | -3032 | -3213 | -14330 |
| APPN 3840 | -30094 | -40429 | -37960 | -39673 | -42143 | -190299 |
| APPN 3850 | -8180 | -16575 | -17052 | -17554 | -18081 | -77442 |

| Option | FY13 | FY14 | FY15 | FY16 | FY17 | FYDP |
|---|---|---|---|---|---|---|
| **MC-12 Assignment to ANG** | | | | | | |
| APPN 1007 | 0 | 1760 | 1871 | 1988 | 2112 | 7731 |
| APPN 3400 | 0 | -180049 | -314121 | -282820 | -288571 | -1065561 |
| APPN 3500 | 0 | 2650 | -24149 | -24911 | -25282 | -71692 |
| APPN 3600 | 0 | -8958 | -2985 | 0 | 0 | -11943 |
| APPN 3840 | 0 | 113728 | 182275 | 166764 | 170014 | 632781 |
| **C-17 Assignment to ANG** | | | | | | |
| APPN 1007 | 0 | 0 | -639 | -1348 | -1437 | -3424 |
| APPN 1008 | -1367 | -1451 | -1814 | -2216 | -2376 | -9224 |
| APPN 1009 | 2094 | 2211 | 3334 | 4564 | 4794 | 16997 |
| APPN 3010 | 0 | 16000 | 1000 | 0 | 0 | 17000 |
| APPN 3500 | 0 | 0 | -12673 | -25923 | -26568 | -65164 |
| APPN 3400 | 0 | 0 | -2938 | -8432 | -8567 | -19937 |
| APPN 3700 | -8246 | -8452 | -10179 | -11990 | -12303 | -51170 |
| APPN 3740 | -53004 | -88738 | -92831 | -97656 | -97850 | -430079 |
| APPN 3840 | 56997 | 82075 | 125545 | 171030 | 176170 | 611817 |
| APPN 3850 | 11291 | 11541 | 19849 | 24142 | 25113 | 91936 |
| **Extend U-2** | | | | | | |
| APPN 3010 | 34634 | 57029 | 65845 | 25000 | 51900 | 234408 |
| APPN 3080 | 0 | 0 | 0 | 134 | 137 | 271 |
| APPN 3400 | 0 | 110983 | 150072 | 228075 | 347739 | 836869 |
| APPN 3500 | 0 | 0 | 0 | 69036 | 70411 | 139447 |
| APPN 3600 | 23600 | 18700 | 11300 | 12100 | 8600 | 74300 |
| **Establish ANG ISR Group** | | | | | | |
| APPN 1009 | 794 | 843 | 896 | 950 | 1007 | 4490 |
| APPN 3080 | 7000 | 0 | 0 | 0 | 0 | 7000 |
| APPN 3830 | 8500 | 0 | 0 | 0 | 0 | 8500 |
| APPN 3840 | 7758 | 8048 | 8251 | 8653 | 9265 | 41975 |
| APPN 3850 | 3448 | 3514 | 3606 | 3709 | 3821 | 18098 |
| **Divest Senior Scout** | | | | | | |
| APPN 3010 | -7163 | -6440 | -6617 | -6736 | -6857 | -33813 |
| APPN 3840 | -16668 | -16999 | -17375 | -17720 | -18072 | -86834 |
| **Align F-15C Aggressors to (Back-up Aircraft Inventory)** | | | | | | |
| APPN 1007 | 0 | -123 | -246 | -261 | -261 | -891 |
| APPN 3400 | 0 | -16504 | -18581 | -19032 | -19185 | -73302 |
| APPN 3500 | 0 | -1575 | -3088 | -3197 | -3261 | -11121 |

*Dollars are in Thousands

AIR NATIONAL GUARD

*Question.* The combination of aircraft divestments and mission realignments within the Air National Guard will generate a re-stationing and retraining bill. What is your estimate of this cost in fiscal year 2013, and across the current FYDP? Is this cost accounted for in your estimate of $8.7 billion in savings?

Answer. Yes, the Air Force programmed approximately $43 million in Fiscal Year 2013 and $600 million across the Future Years Defense Plan to enable the re-missioning and relocation of aircraft. Minus these costs, the Air Force projects a net savings of approximately $8.7 billion across the Future Years Defense Plan from all our proposed force structure adjustments. Starting in April of this year, the Air Force's major commands, including the Air Force Reserve Command and the Air National Guard, will begin site surveys to identify any facility and non-facility requirements that we may not have anticipated so that they can be addressed in the next budget cycle.

*Question.* How has the Air Force accounted for the Air National Guard's state missions, such as disaster relief, during its divestment decision?

Answer. Air Force force structure reductions were a Total Force effort—Active Duty, Reserve and National Guard—working together to achieve our end state of a ready and sustainable force that can meet our surge and rotational requirements. The Secretary of the Air Force directed the Air Force to realign our forces to better meet this new strategic guidance using the following four principles: ensure the Total Force can fulfill surge requirements; maintain a balance between components that allows the Air Force to fulfill continuing rotational requirements at sustainable rates; retain the recruiting, training and operational seasoning base required to sustain the Total Force's needs into the future; and ensure the Reserve Component remains relevant and engaged in both enduring and evolving missions.

To meet this end, the Air National Guard (ANG) developed five Capstone Principles to help guide this transition: allocate at least one flying Wing with ANG equipment to each state; recapitalize concurrently and in balance with the Regular Air Force; manage ANG resources with ANG people; adopt missions that fit the militia construct; and, build dual-use capabilities (Emergency Support Functions) relevant to the states. Similarly, the Air Force Reserve used the following four principles: ensure aircraft reductions do not negatively impact operational support to Combatant Commands; ensure force structure movements do not create any new Air Force bills; ensure risk is minimized by optimizing crew ratios to exploit expected increases in mission capability rates; and, consider locations that continue to have an Air Force mission due to the presence of another Air Force Component. This Total Force approach allowed us to maintain the right Active/Air Guard/Reserve mix which will allow us to meet our operational demands with a leaner force while taking care of our Airmen. A copy of the "USAF Force Structure Changes: Sustaining Readiness and Modernizing the Total Force" is attached for your reference on our force structure changes.

The Air Force conducted detailed analysis of wartime and disaster response scenarios, including Homeland Defense, consistent with the new DoD strategic guidance. This analysis validated a reduced airlift requirement, leaving the Air Force with excess airlift capacity. As a result, the Air Force was able to reduce the C–130 fleet by 65 aircraft and divest the C–27J fleet. To support the Homeland Security mission, including disaster response, the Air Force meets mission requirements/taskings through the Global Force Management process that prioritizes all combatant commanders' (NORTHCOM, CENTCOM, PACOM, etc.) requirements.

On March 2, 2012, in response to the Council of Governors' (CoG) concerns, Secretary Panetta offered the CoG an opportunity to present an alternative to our FY13 President's Budget (PB) submission. General Schwartz and I met with their designated representatives on four occasions to discuss their alternative proposal and various excursions. We concluded the CoG proposal fell short of meeting the five criteria for an acceptable alternative conveyed to the CoG representatives. As detailed in the attached US Air Force White Paper, those criteria include Combatant Commanders' demand, balance across weapons systems, manpower, cost, and policy considerations.

The Air Force developed and discussed with the CoG's representatives five excursions, each designed to provide the ANG with combat and/or combat enabler missions while remaining consistent with the established criteria. On April 23rd, Secretary Panetta responded to the continued concerns of the governors regarding the impact of the FY13 PB on their ability to meet state missions by requesting congressional support for an adjustment to the DoD's budget submission. His proposal offers a $400 million package that retains 24 C–130s and the associated 1,179 manpower positions in the Air National Guard. In addition, the proposal restores 1,004

agile combat support manpower positions that will be funded by converting two percent of full-time ANG technician positions to part-time ANG positions. Secretary Panetta is aware these additional aircraft are excess to Title 10 requirements, but also is cognizant that the governors have a responsibility for civil support and state disaster response, and has offered this proposal in order to support their concerns.

Attachments:

1. USAF Force Structure Changes: Sustaining Readiness and Modernizing the Total Force
2. USAF White Paper: Proposed Way Forward on Air National Guard Force Structure

March 2012

# USAF Force Structure Changes: Sustaining Readiness and Modernizing the Total Force

## New Strategic Guidance

For the last decade, the United States has undertaken extended operations in Iraq and Afghanistan. As we responsibly draw down from these operations, take steps to protect our Nation's economic vitality, and protect our interests in a world of accelerating change, we face an inflection point. The changing geopolitical environment and our changing fiscal circumstances merited a reassessment of U.S. defense strategy. Out of this assessment, the Department of Defense (DoD) developed a strategy that transitions our defense enterprise from an emphasis on today's wars to preparing for future challenges, protects the broad range of U.S. national security interests, advances the Department's efforts to rebalance and reform, and supports the national security imperative of deficit reduction by reducing defense spending. The resulting strategic guidance provided a set of precepts to guide decisions regarding the size and shape of the force over subsequent budget cycles.

To implement the new strategic guidance, the Joint Force will need to recalibrate its capabilities and make selective additional investments to succeed in the following missions: countering terrorism and irregular warfare, deterring and defeating aggression, projecting power despite anti-access/area denial challenges, countering weapons of mass destruction, operating effectively in cyberspace and space, maintaining a safe, secure, and effective nuclear deterrent, defending the homeland and providing support to civil authorities, providing a stabilizing presence, conducting stability and counterinsurgency operations, and conducting humanitarian, disaster relief, and other operations.

These missions will determine and shape the capabilities required by the future Joint Force, and the Air Force must continue to provide key capabilities in all 10 mission areas. However, the overall capacity, or size of the force, will be based on the requirements that the following missions demand: countering terrorism and irregular warfare, deterring and defeating aggression, maintaining a safe, secure, and effective nuclear deterrent, and defending the homeland and supporting civil authorities. U.S. forces will no longer be sized to conduct large-scale, prolonged stability operations.

The new guidance requires U.S. forces to remain capable of deterring and defeating aggression by any potential adversary. Credible deterrence results from maintaining both the capabilities required to deny an aggressor the prospect of achieving his objectives and from the complementary capability to impose unacceptable costs on the aggressor. Our planning envisages forces that are able to fully deny a capable state's aggressive objectives in one region by conducting a combined arms campaign across all domains – land, air, maritime, space, and cyberspace. Even when U.S. forces are committed to a large scale operation in one region, they

will be capable of denying the objectives of – or imposing unacceptable costs on – an opportunistic aggressor in a second region.

The Air Force employed this guidance to prepare an FY13 budget request that ensures the Air Force meets the capability and force-sizing requirements directed by the new strategic guidance, and is:

- Adaptable and capable of deterring aggression and providing a stabilizing presence, especially in the highest priority areas and missions in the Asia-Pacific region and the Middle East, while still ensuring our ability to maintain our defense commitments to Europe and other allies and partners;
- Ready, rapidly deployable, and expeditionary such that it can project power on arrival;
- Capable of conducting homeland defense and providing support to civil authorities;
- Armed with cutting edge capabilities that exploit our technological, joint, and networked advantage;
- Able to reconstitute quickly or grow capabilities as needed; and
- Manned and led by the highest quality professionals.

To deliver the capabilities required by the new strategic guidance and remain within funding constraints, the Air Force made difficult choices in all core functions, including the decision to divest portions of combat and combat enabler forces. The guiding principle was balance. To retain critical core capabilities and maintain our ability to rapidly respond to mission demands, the Air Force balanced risk to force structure and modernization, while maintaining readiness and people programs across all mission areas. The strategic and fiscal circumstances also provided the Air National Guard (ANG) a unique opportunity to pursue targeted manpower realignments to bolster readiness in key mission areas.

This paper will focus on the decisions we made with respect to divestiture of aircraft, the re-missioning of units, and the realignment of manpower, with a particular emphasis on how these choices affect the ANG and Air Force Reserve. Our programmed reductions follow detailed assessments of future conflict scenarios and enduring rotational deployment requirements and were chosen to maintain capable and lethal forces while preserving ready and sustainable Active and Reserve Components. The Air Force will be smaller, but will remain highly capable, lethal, ready, agile, and deployable.

## Air Force Aircraft Reductions

The Air Force FY 13 Budget Request achieves $8.7 billion in savings across the Active and Reserve Components by retiring over 200 aircraft in FY 13 and nearly 300 aircraft over the FYDP, consistent with the new strategic guidance. Our programmed force reductions are wide ranging and affect over 60 installations. Without the Total Force re-missioning actions described later in the paper, they would have significantly affected 24 units and left eight installations without an Air Force presence. They will have direct impact in 33 states, but in order to support Total Force re-

missioning, the manpower realignment plan built by the Reserve Components will affect additional units in all 54 states and territories.

Our analysis of requirements driven by the new strategy shaped all of our decisions. Our force sizing analysis answered two complementary questions: what is the maximum, or surge, requirement posed by the force sizing model of the new strategy; and what is the steady state, or post-surge, requirement for deployed rotational forces? Because the new guidance requires the Joint Force to be capable of fighting one large scale, combined arms campaign with sufficient combat power to also deny a second adversary, and deemphasized large-scale, prolonged stability operations, our FY13 budget request accepts risk by retiring fighter, mobility, and intelligence, surveillance, and reconnaissance (ISR) aircraft excess to the surge requirements of the new force sizing construct. Although the U.S. has removed all combat forces from Iraq and the new strategic guidance reduces the steady state requirement for ground forces, we expect Air Force steady state rotational requirements to remain nearly constant, or perhaps increase, under the new strategy. This continuing rotational post-surge requirement is a key factor in determining the required mix between Active and Reserve Component forces due to differences in sustainable deployment rates and operations tempo.

Where possible, we attempted to retire all aircraft of a specific type, allowing us to also divest the unique training and logistic support structure for that aircraft. Where that was not possible, we worked to retire the oldest aircraft first, and redistributed aircraft into effective and economical units, eliminating other units when that was most efficient. Where we retained older aircraft, we are taking steps to ensure they will remain viable into the future.

Combat Air Forces

As directed by the new strategic guidance, we accepted risk in our Combat Air Forces by retiring or reclassifying aircraft from seven squadrons: five A-10 squadrons, one F-16 squadron, and one training/support coded F-15 Aggressor squadron. Because of the Department's evolving posture, one of the retiring squadrons is an overseas squadron. We chose to retire more A-10s as a result of guidance to size our forces for one large scale combined arms campaign with sufficient combat power to also deny a second adversary, without conducting a large scale, prolonged stability operation. The A-10 remains essential for combined arms and stability operations and we retain enough A-10s to meet the requirements of the new strategic guidance, but multi-role platforms provide more utility across the range of the potential missions for which we are directed to prepare.

After reductions, we retain 54 combat-coded fighter squadrons and maintain the capabilities and capacity required to meet the requirements of new strategic guidance at increased risk while providing a bridge to the Fifth Generation F-35. Although we transfer five F-15 Aggressor aircraft to attrition reserve status and eliminate one Aggressor squadron flag, we maintain a robust Aggressor training capability. We will relocate our F-16 Aggressor squadron in Alaska from Eielson AFB to Joint Base Elmendorf-Richardson, allowing us to achieve savings in base support at Eielson beginning in FY15.

Mobility Air Forces

We also reduced our mobility capacity in line with the requirements of the new strategic guidance and the parallel reductions in land forces, retiring all 27 C-5As, retiring or canceling procurement of all 38 planned C-27Js, and retiring 65 C-130s. We chose to retire C-5As because of historically lower mission capable rates relative to the C-17 and C-5M. Retiring the entire C-5A fleet provides additional savings in training and logistics support that could not have been achieved by spreading retirements over multiple aircraft types. Divesting the entire C-27J fleet also achieves savings by substituting the lower life cycle costs of the more capable C-130 for the niche C-27J capability. As part of our C-130 retirement strategy, we streamline operations and maintenance by realigning some additional C-130 aircraft to ensure Reserve Component units operate only one C-130 type at any location.

After retirements, we will maintain a fleet of 275 strategic airlifters (52 C-5Ms and 223 C-17s) and 318 C-130s (134 C-130Js and 184 C-130Hs) and our analysis shows that the remaining aircraft are sufficient to meet the airlift requirements of the new strategy, including our commitment for direct support of the Army. We appreciate Congress' support in adjusting the legislated mandatory number of strategic airlifters. Given the changes in strategy and force sizing, we will be seeking a new minimum of 275 aircraft.

We also retire 20 KC-135s and maintain a fleet of 453 air refueling aircraft, sufficient to meet refined requirements. KC-46 development remains on track for initial deliveries in FY16.

Intelligence, Surveillance, and Reconnaissance

Intelligence, surveillance, and reconnaissance reductions divest all 18 Block 30 RQ-4s, generating $2.5 billion in Future Years Defense Program (FYDP) savings by choosing to rely on the proven capability of the mature U-2S aircraft and sensors. The U-2 has superior sensor capabilities now, meets the new Joint Requirements Oversight Council (JROC) force structure requirement, and is viable through 2040. We generate additional savings by eliminating funding for all 11 RC-26s while transferring the more capable MC-12 fleet from the Active Component to the Air National Guard in FY14. We also retire one E-8C aircraft that is damaged beyond economical repair.

## Air Force Manpower Reductions

In correlation to the reductions in our aircraft force structure, we are also adjusting our end strength numbers. Since 2004, our Active, Guard, and Reserve end strength has decreased by over 48,000 personnel. By the end of FY13, end strength will be reduced a further 9,900 from 510,900 to 501,000. This will result in a reduction in Active Duty military end strength from 332,800 to 328,900, Air Force Reserve military end strength will decrease by 900 (increase in 200 full-time; decrease in 1,100 part-time, including 700 associated technician positions) to 70,500, and Air National Guard military end strength will decrease by 5,100 (500 full-time; 4,600 part-time, including 1,400 associated technician positions) to 101,600. Approximately 80 percent of these reductions were driven by force structure changes.

In the Active Component, the reduction of approximately 2,000 military billets is tied directly to the reduction of 41 aircraft in the total aircraft inventory (TAI). The reduction in an additional 1,900 billets is related to the inactivation of a combat communications group and two air control squadrons, the right-sizing or closure of bands, and other miscellaneous actions.

In the Air National Guard billets, approximately 4,700 military billets are tied directly to the decrease in 134 TAI in FY13, and 400 military billets correlate to the inactivation of three air control squadrons. About 2,400 military, including just over 700 technicians, were sourced internally from the Air National Guard (ANG) to support ISR re-missioning for the MC-12W and MQ-1/9. As a separate effort, the ANG realigned nearly 800 military billets, including 325 full-time positions, to bolster readiness in certain mission areas. In the Air Force Reserve, the net decrease in 900 military billets was driven by both the reduction in FY13 of 52 aircraft in the TAI and an increase in the ISR mission.

## Reserve Component Aircraft Reductions and Re-Missioning

The Air Force has enjoyed great success in leveraging our Total Force Enterprise to present our enduring capabilities to the Joint warfighter, and we have successfully met the demand of increased operations tempo over the last two decades through a combination of volunteerism, selective mobilization, and the creation of Active, Reserve, and Guard Associations. The Air National Guard and Air Force Reserve are integrated into all major Air Force mission areas, train to the same high standards as the Active Component, and are invaluable partners in meeting our many and varied commitments. Over the years, we have adjusted the mix between Active and Reserve Components to ensure we maintained a ready and sustainable force and could meet our surge and rotational requirements. However, two decades of military end strength and force structure reductions have shifted the ratio of Active to Reserve Component forces. In 1990, the Reserve Component represented 25 percent of the Total Force end strength; that percentage has increased to 35 percent today. Reserve Component aircraft ownership also increased from approximately 23 percent to 28 percent over the same period.

Our Reserve Components have proven to be a superb investment – providing critical Air Force capabilities through a very challenging time. However, our analysis tells us we have reduced the Active Component to the point that further reductions would limit our ability to respond quickly to multiple crises or sustain long duration commitments without asking our Airmen – Active and Reserve Component – to deploy at rates that cannot be sustained by our Total Force Airmen and their families. We also know that the entire Total Force – Active Component, Air National Guard, and Air Force Reserve – depends on the Active Component to recruit, train, and equip the Airmen of the future. Further Active Component aircraft reductions would require detailed analysis to ensure we do not make the Active Component too small to provide the skilled aircrew, maintenance, and support personnel required to sustain the Total Force. Maintaining the appropriate Active/Reserve mix will remain critical to sustaining Air Force capabilities for forward presence and rapid response, meeting overseas rotational demands with a smaller force, and taking care of our most precious resource, our people.

As we were driven to consider reductions in FY13, we carefully considered the ratio between the Active and Reserve Components and made choices that:

1) Ensured the Total Force could fulfill the Air Force's surge requirements as directed by the force sizing construct of the new strategic guidance;
2) Maintained the balance between Active and Reserve Components required to fulfill continuing rotational requirements at deployment rates and personnel tempos that are sustainable for both the Active and Reserve Components;
3) Made sure the Active Component retained the recruiting, training, and operational seasoning base required to sustain the Active Air Force, Air National Guard, and Air Force Reserve into the future; and
4) Ensured the Reserve Component remains relevant and engaged in both enduring and evolving missions.

The Air National Guard and Air Force Reserve were involved in all analysis and decisions, and employed the following principles and strategies to build Reserve Component aircraft reduction and re-missioning plans.

The Air National Guard's Capstone Principles informed Air Force decisions involving the ANG:

1) Allocate at least one flying unit with ANG equipment to each state;
2) Recapitalize concurrently and in balance with the regular component;
3) Manage Air National Guard resources with Air National Guard people;
4) Adopt missions that fit the militia construct; and
5) Build dual-use capabilities.

The Air Force Reserve employed the following realignment strategies in selecting specific locations for aircraft reductions:

1) Ensure aircraft reductions do not negatively impact operational support to the Combatant Commands;
2) Ensure force structure movements do not create any new Air Force bills;
3) Ensure risk is minimized by optimizing crew ratios to exploit expected increase in mission capability rates; and
4) Considered locations that continued to have an Air Force mission due to the presence of another Air Force Component.

Our Reserve Component is essential to Air Force operations and a large portion of our capability will continue to reside there. However, the reduction of almost 250,000 Airmen from our Active Component over the last 25 years limits our ability to take further reductions without negatively impacting response times and creating unsustainable deployment rates for our Total Force Airmen.

## Total Force Aircraft and Manpower Reductions by Fiscal Year

**FY13 Actions:**

Divests all C-27J aircraft, eliminating aircraft based at or planned for Warfield AGS (Martin State), MD (4 aircraft/349 ANG billets), Kellogg AGS (Battle Creek), MI (4 aircraft/356 ANG billets), Fargo AGS (Hector), ND (4 aircraft/295 ANG billets), Mansfield Lahm AGS, OH (4 aircraft/350 ANG billets), Great Falls, MT (4 aircraft/368 ANG billets), Bradley , CT (4 aircraft/278 ANG billets), and Key Field AGS (Meridian), MS (6 Aircraft/344 ANG billets).

Removes A-10s from Barksdale AFB, LA (retires 21 and transfers 3 aircraft/ 581 Reserve billets), Selfridge ANGB, MI (21 aircraft/808 ANG billets), Ft Smith, AR (20 aircraft/682 ANG billets), Ft Wayne, IN (20 aircraft/670 ANG billets), and an Active Component (AC) overseas location (20 aircraft/548 AC billets).

Removes F-16s from Des Moines, IA (21 aircraft/761 ANG billets) and transfers Active Component F-16 Aggressors from Eielson AFB, AK (19 aircraft/623 AC billets) to Joint Base (JB) Elmendorf-Richardson, AK.

Aircraft retirements and transfers result in net reductions of C-130Hs at JB Elmendorf-Richardson, AK (4 H2 aircraft/243 AC billets/eliminates an Active Association), but overall manpower increases due to F-16 Aggressor transfer. Other retirements and transfers of C-130Hs affect Niagara, NY (3 H2 aircraft/457 ANG billets) and eliminates a Reserve Association for net of reduction of 997 ANG billets; Rosecrans AGS (St Joseph), MO (10 H2.5 aircraft/55 ANG billets); Youngstown-Warren, OH (6 H2 Aircraft/133 Reserve billets; decrease as noted due to net loss of only 2 H2s), Louisville, KY (1 H2.5 aircraft/no manpower reduction due to Backup Aircraft Inventory (BAI) aircraft), Charleston, WV (1 H3 aircraft/no manpower reduction due to BAI aircraft), Cheyenne, WY (1 H2.5 aircraft/no manpower reduction due to receipt of one H3 aircraft), Stratton AGS (Schenectady), NY (4 H2 aircraft/no manpower reductions due to BAI aircraft), Dobbins ARB, GA (7 H2 aircraft/no manpower reductions due to proposed addition of C-130Js in FY14), and Pittsburgh, PA (7 H2 Aircraft/1,449 Reserve billets). The Pittsburgh actions result in the closure of the associated Air Reserve Station at Pittsburgh, PA (closure does not exceed Base Realignment and Closure (BRAC) threshold in accordance with 10 U.S.C. § 2687).

Retires KC-135s from Rickenbacker, OH (6 aircraft/215 ANG billets); Pittsburgh ANGB, PA (4 aircraft/185 ANG billets); Tinker AFB, OK (4 aircraft/35 AC billets/82 Reserve billets); and Altus AFB, OK (3 AC aircraft/manpower adjustments previously announced); as well as three BAI aircraft from Sky Harbor (Phoenix), AZ (1 aircraft/no manpower reduction due to BAI aircraft); Sioux City AGS, IA (1 aircraft/no manpower reduction due to BAI aircraft); and March ARB, CA (1 aircraft/net increase of 25 ANG billets for RPA mission). Reduces KC-135s at McGhee-Tyson, TN (2 aircraft/47 ANG billets) and Gen Mitchell, WI (2 aircraft/43 ANG billets).

Begins retirement of the C-5A fleet at JB San Antonio (Lackland AFB), TX (5 aircraft/559 Reserve billets) and eliminates an E-8C damaged beyond economical repair from Robins ARB, GA (1 aircraft/36 AC billets).

Retires Active Component Block 30 RQ-4s from Beale AFB, CA (18 aircraft/848 AC billets).

Inactivates a combat communications group at Tinker AFB, OK (600 AC billets) and two air control squadrons: one at Eglin AFB, FL (333 AC billets), and one at an overseas location (169 AC billets in FY13 and an additional 169 AC billets in FY14).

While most manpower cuts as a result of force structure reductions will be implemented in FY13, there will be some limited manpower reductions proposed in FY14-17. The appropriate number of manpower billets to be eliminated in FY14-17 is still in the process of being determined and is, therefore, not included in the actions proposed below.

**Proposed FY14 Actions:** Removes C-130Hs from Maxwell AFB, AL (7 H2), Naval Air Station (NAS) Joint Reserve Base (JRB) Ft Worth (Carswell), TX (8 H2) and Minneapolis-St Paul (8 H3), and removes C-130Js from Keesler AFB, MS (10). Continues to retire C-5As at JB San Antonio (Lackland AFB), TX (3) and Shepherd Field AGS (Martinsburg), WV (5). Converts Active Component F-15Cs at Nellis AFB, NV (5) from Primary Aircraft Inventory (PAI) to BAI status. Transfers 42 Active Component MC-12s from Beale AFB to the Air National Guard.

**Proposed FY15 Actions:** Retires remaining Air National Guard C-5As based at Shepherd Field (Martinsburg), WV (6), and additional Air Force Reserve C-5As at JB San Antonio (Lackland AFB) (2). Eliminates funding for all 11 RC-26 aircraft, retiring aircraft based at Ellington Field (Houston), TX (1), Kirtland AFB, NM (1), Tucson, AZ (1), Fresno, CA (1), Fairchild AFB, WA (1), Key Field (Meridian), MS (1), Dannelly Field, AL (1), Truax AGS (Madison), WI (1), Hancock Field AGS (Syracuse), NY (1), Charleston, WV (1), and Jacksonville, FL (1).

**Proposed FY16 Action:** Completes retirement of the Air Force Reserve C-5A fleet by divesting the remaining aircraft at JB San Antonio (Lackland AFB), TX (6). Removes C-130H from Savannah, GA (8 H2) and Little Rock, AR (8 AC H3). Removes C-5Ms from Westover, MA (8).

**Proposed FY17 Actions:** Removes C-130Hs from Niagara, NY (8 H2), Little Rock, AR (3 Reserve H2), Charlotte, NC (2 H3), and Little Rock AR (6 AC H3).

## Total Force Re-Missioning by Fiscal Year

As a Total Force – Active Air Force, Air National Guard, and Air Force Reserve – we have developed a detailed re-missioning plan that realigns continuing missions to preserve 14 of 24 units, maintains an Air Force presence on seven of the eight affected installations, expands Reserve Component participation in our growing ISR mission, and preserves an appropriate Active and Reserve Component force mix. The Air Force FY13 budget request commits approximately $600 million over the FYDP to execute and sustain re-missioning actions that establish new MQ-1/9 Remote Split Operations (RSO) squadrons, transfer the MC-12 fleet to the Air National Guard, thicken Reserve Component ISR and cyber participation, and transfer Active Component C-17s to the Reserve Component.

**FY12 Actions:** Transfers six WC-130 aircraft from Nashville, TN to Luis Munoz, Puerto Rico, replacing retiring C-130Es. Establishes an MQ-1/9 Remote Split Operations (RSO) squadron at

Nashville. Enlarges Nashville's Intelligence Squadron into a Targeting Group and creates a new Cyber/ISR Group.

**FY13 Actions:** Completing a FY12 PB action, transfers eight C-17s from the Active Component to the Air National Guard at Memphis, TN (replacing C-5A aircraft/net reduction of 84 ANG billets). Adds C-130Hs at Youngstown-Warren, OH (4 H2.5 aircraft/net reduction of 133 Reserve billets due to net loss of 2 H2s) and Cheyenne, WY (1 H3 aircraft/no manpower increase due to reduction of one H2 aircraft). Establishes an ISR Group and expands the Network Warfare Squadron at Warfield AGS (Martin State), MD (adds 286 ANG billets); after the C-27 reductions at Martin State, there is a net reduction of 63 ANG billets. Adds KC-135s to Selfridge ANGB, MI (4 aircraft/adds 90 ANG billets). Adds A-10s at Whiteman AFB, MO (3 aircraft); there is no corresponding manpower adjustment at Whiteman because the Reserve unit was already sized to absorb the aircraft.

The transfer of 19 F-16 Aggressors to Joint Base (JB) Elmendorf-Richardson, AK results in an increase of 542 AC billets.

The addition of a planned Active Association at NAS Ft Worth JRB (Carswell), TX adds 86 AC billets.

**Proposed FY14 Actions:** Transfers 42 Active Component MC-12s to the Air National Guard by assigning between nine and eleven aircraft to each of four Air National Guard locations -- Ft Wayne, IN (replacing A-10s), Bradley, CT (replacing C-27s), Key Field AGS (Meridian), MS (replacing C-27s), and NAS Ft Worth JRB (Carswell), TX (replacing C-130s). Creates an Active Association at Beale AFB, CA to conduct MC-12 training and provides an additional deployed Combat Air Patrol forward using up to six Air National Guard aircraft. Final aircraft assignments for the four Air National Guard locations and the Active association at Beale will be determined as part of the Air Force's FY14 budget submission after completion of a program plan and operational concept. Transfers C-130Js to Dobbins ARB, GA (10) (replacing C-130Hs) and C-130Hs to Rosecrans AGS (St Joseph), MO (8 H3) and Great Falls, MT (8 H2) (replacing C-27s).

**Proposed FY15 Action:** Transfers eight Active Component C-17s to the Air National Guard at Shepherd Field AGS (Martinsburg), WV (replacing C-5As).

**Proposed FY16 Action:** Within the Air Force Reserve, transfers eight C-5Ms from Westover ARB, MA to JB San Antonio (Lackland AFB), TX, (replacing C-5As). Replaces C-130H2s at Savannah, GA (8) with C-130H3s. Replaces Active Component C-130H3s (8) at Little Rock AFB, AR with C-130H1 (7).

**Proposed FY17 Action:** Dobbins ARB, GA receives two additional C-130Js for a total of 12. Replaces C-130H2s at Niagara, NY (8) with C-130H3s. Replaces Active Component C-130H3s (6) at Little Rock AFB, AR with C-130H1s (7).

After proposed reductions and re-missioning, Reserve Component end strength will make up 33 percent of Total Force military personnel, a reduction of two percent from the FY12 President's Budget (PB) position. The Reserve Component will own 24 percent of Total Force aircraft, two percent less than their FY12 PB share. Within the Combat Air Forces, the percentage

of total aircraft in the Reserve Component will be 38 percent, four percent less than in FY12. For the Mobility Air Forces, the Reserve Component share shifts from 51 percent to 46 percent.

## Air National Guard Readiness Reset

The FY13 budget request created an opportunity for the Air Force to realign and resource manpower internally within the ANG to support the newly assigned MC-12W and growing MQ-1/9 missions and to resource the highest priority readiness requirements. Our programmed manpower realignment actions affect all 54 states and territories. The total ANG realignments affect 3,133 military billets, of which 1,032 are full-time billets. Of these, 2,364 military billets, including 707 full-time billets, are being realigned to source MC-12W and MQ-1/9 manpower requirements. The remaining 769 military billets and 325 full-time billets are realignments to improve readiness. These actions are part of a multi-year effort to enhance readiness in the ANG.

These proposals to increase and preserve combat readiness support the new strategic guidance and reflect the realities of a smaller force. These initiatives will facilitate a ready, rapidly deployable, and cost-effective ANG on which our Nation can rely. We are realigning personnel into several key readiness mission areas such as aircraft maintenance, ISR, and domestic operations. These efforts will correct several manpower disconnects, rebalance forces, and improve sortie generation rates, thereby improving the Total Force's ability to respond across the spectrum of operations. To improve aircraft utilization rates and readiness, we are increasing maintenance resources by adding full-time maintenance manpower at 18 high-demand flying units. Other efforts to enhance readiness include resourcing the stand-up of a new intelligence targeting group, adding personnel to Distributed Common Ground Stations (DCGS), enhancing civil engineer RED HORSE training, and improving homeland defense capability at 14 units. In total, the manpower realignments improve readiness in 39 units across the ANG.

In addition, we right-sized firefighter, explosive ordnance disposal (EOD), aeromedical evacuation, and combat communications capacity to meet operational requirements. The realignments also maintain the capacity of ANG Contingency Response Groups and support their ability to meet the rapid response requirements of Titles 10 and 32. The readiness reset repurposes personnel at Combat Readiness Training Centers (CRTC) in four states and converts a portion of an F-16 flying training unit's manpower from full-time to part-time. While these actions carry some risk, this repurposing allows manpower to be applied to Distributed Training Operations Centers (DTOC). The DTOCs improve high-fidelity simulation and provide realistic distributed mission training to the Total Force. This repurposing to the DTOCs will improve combat capability of the Total Force while maintaining the flying training unit mission.

Recognizing budget constraints, reprioritized mission sets were targeted for divestment or reduction. The realignment of select combat enabler forces includes the reduction of two air traffic control units, the divestiture of four units supporting air operations centers (AOC)/warfighting components (AFFOR), two combat communications groups, and one engineering installation combat communications squadron. In each case, sufficient forces in each mission area are retained within the Total Force and these reductions reflect our efforts to

repurpose manpower from less frequently used ANG command and control units to higher priority areas. Although we will retain fewer units available to deploy, we will maintain the necessary capacity to ensure that the Total Force can fulfill surge requirements, sustain the essential command and control structure, and maintain the appropriate deploy-to-dwell ratios.

Other realignment actions include shifting some day-to-day space command and control training, standardization and evaluation, and weapons and tactics activities from the ANG to Active Duty units, and divesting excess manpower at units that lost their flying mission after force structure changes. Each of the realignment actions is consistent with strategic guidance to reduce the cost of doing business, reduce the rate of growth of manpower costs, preserve combat training capacity for U.S. and international partners, retain rapidly deployable capabilities, and align the size and composition of forces to be capable of responding to the broadest possible array of missions and activities.

**FY13 ANG Manpower Reductions:** Reduces some functions at CRTCs (95 ANG billets; four states). Converts F-16 flying training unit manpower from 49 full-time billets to part-time and reduces 100 ANG billets at Tucson AGS, AZ. Divests the 216th Operations Support Squadron (123 ANG billets; Vandenberg AFB, CA) and the 114th Range Operations Squadron (122 ANG billets; Patrick AFB, FL). C-27J actions result in the divestment of the 179th Airlift Wing (457 ANG billets; Mansfield Lahm, OH), with the exception of their RED HORSE Squadron. Divests the 187th Aeromedical Evacuation Squadron (87 ANG billets; Cheyenne, WY). Divests the 107th Airlift Wing (540 ANG billets; Niagara, NY). As a result of all force structure changes at Niagara, there is a net reduction of 997 ANG billets there in FY13. Eliminates the 215th Engineering Installation Squadron (123 ANG billets; Paine (Everett), WA); 281st and 201st Combat Communications Group staffs (111 ANG billets; North Smithfield (Coventry), RI and JB Pearl Harbor-Hickam, HI); 107th Air Control Squadron (89 ANG billets; Papago MR, AZ); 121st Air Control Squadron (202 ANG billets; Jefferson Barracks, MO); 141st Air Control Squadron (218 ANG billets; Punta Borlinque, Puerto Rico); four units supporting AOCs/AFFORs (823 ANG billets; Meridian, MS; Otis ANGB, MA; Joint Reserve Base Willow Grove (State College), PA; Bradley, CT), including the 102nd and 103rd Air Operations Group and the 185th Air Operations Group; and terminates the establishment of the 111th Air Operations Group, at JRB Willow Grove, PA, which would have supported 3rd Air Force. Eliminates two air traffic control squadrons, the 258th ATCS and 259th ATCS (195 ANG billets; Alexander Esler (Alexandria), LA and Johnston, PA). Levels JSTARS flying training unit manpower from seven full-time to part-time and reduces four ANG billets at Robins AFB, GA. Divests the 222nd Communications Maintenance Flight (35 ANG billets; Beale AFB, CA); air operations weather positions (108 ANG billets; 25 states); and the 217th Training Squadron (108 ANG billets; Goodfellow AFB, TX). Levels military intelligence manpower (121 ANG billets; 14 states). Divests the 187th Civil Engineering Squadron (54 ANG billets; Dannelly Field (Montgomery), AL) and the 137th Civil Engineering Squadron (54 ANG billets; Will Rogers (Oklahoma City), OK). Divests entomologists (140 ANG billets; 49 states), EOD (157 ANG billets; 16 states), and part-time firefighters (131 ANG billets; five states).

The manpower reductions in the preceding paragraph were mitigated, and in some cases offset, by adding back missions to the impacted units. The reassignment of the MC-12W and MQ-1/9 required the ANG to internally realign manpower to establish these mission sets at their assigned locations.

**FY13 ANG Manpower Re-mission/Additions:** Establishes four ANG units for the MC-12W mission (1,342 ANG billets; Key Field AGS, MS; Fort Wayne AGS, IN; Bradley AGS, CT; and NAS Ft Worth JRB (Carswell), TX). Resources MQ-1/9 RSO units (957 ANG billets; Fort Smith AGS, AR; Des Moines AGS, IA; Kellogg AGS (Battle Creek), MI; and JRB Willow Grove, PA). Realigns manpower authorizations to fill shortfalls at DTOCs (34 ANG billets; Des Moines AGS, IA). Enhances DCGS at the 123rd and 181st Intelligence Groups (177 ANG billets; Fort Smith AGS, AR and Hulman AGS (Terre Haute), IN); targeting units in North Dakota (280 ANG billets; Fargo AGS, ND); 131st Bomb Wing intelligence (6 ANG billets, Whiteman AFB, MO); flight training maintenance (102 ANG billets; 18 states); RED HORSE training (17 ANG billets; Fort Smith, AR); and homeland response force/chemical, biological, radiological, nuclear, and enhanced conventional weapons (CBRNE) emergency recovery force (266 ANG billets; 14 states). Standardizes manpower at three existing remotely piloted aircraft (RPA) units (153 ANG billets; Fargo AGS, ND; March JRAB, CA; and Davis-Monthan AFB, AZ).

## Additional Actions

In addition to specific re-missioning and readiness reset actions, the Air Force has also taken a variety of steps to secure the future of the Air National Guard and Air Force Reserve in a balanced Total Force.

Future Aircraft Flow Down

We remain committed to acquiring the F-35A as our future multi-role fighter. Although delivery of the F-35 has been delayed, it is still the future of both Active and Reserve multi-role squadrons. The Air Force has acquired 12 F-35s to date and plans to acquire over 160 more through FY17. The full-rate production plan is yet to be determined.

We have decided to pursue a scalable Service Life Extension Program (SLEP) for approximately 350 F-16s. Although our oldest F-16s will remain viable through the end of this decade, we plan to begin fielding aircraft with SLEP structural improvements in 2017. The program will ensure the F-16 remains viable and relevant for future Active and Reserve Component multi-role fighter squadrons until the F-35 arrives in greater numbers. We will also upgrade combat avionics for a substantial portion of the SLEP-ed aircraft with aircraft delivery beginning in FY18.

We are committed to developing a detailed aircraft flow down plan that describes how the F-35 and modernized and SLEP-ed F-16s will be integrated into the Total Force and replace aging aircraft. We will build a detailed plan after we have a clearer view of F-35 delivery schedules and have completed Force Composition Analysis studies to determine the optimum Active and Reserve Component unit size and force mix for our remaining multi-role fighter force. As always, the

leadership of the Air National Guard and Air Force Reserve will be active partners in determining this mix.

We are also committed to making sure our 184 remaining C-130H variants remain viable and relevant. We developed the C-130 Avionics Modernization Program (AMP) to ensure our C-130H fleet met basic communication, navigation, surveillance, and air traffic management (CNS/ATM) requirements. We later determined that there are less technically complex approaches to meet these requirements and resolve select obsolescence issues. Therefore, our FY13 budget submission terminates the C-130 AMP. However, we have funded an FY13 new start CNS/ATM program to ensure our C-130H fleet will remain viable and relevant, while generating more than $2.2 billion in savings over the FYDP.

Strategic Basing Process

The Air Force Strategic Basing Process was established by the Secretary of the Air Force in August 2009 to create an open, transparent, and consistent process for selecting preferred Total Force basing options. We will employ the Strategic Basing Process to identify preferred Active and Reserve Component basing locations for new aircraft as they become available as part of our recapitalization and modernization efforts.

BRAC 2005 established Eglin AFB as the Initial Joint Training Site for the F-35A. In July 2010, the Air Force announced preferred alternatives for further basing of the initial 250-300 F-35As, identifying Hill AFB and Burlington ANGB as the initial continental U.S. (CONUS) operational locations and Luke AFB as the next training location after Eglin, accommodating all F-35As currently scheduled for delivery through FY19. The Air Force will announce future preferred and reasonable alternatives approximately three years prior to delivery of aircraft to the next round of bases. Given current F-35 production estimates, the next set of F-35 basing decisions will include domestic and overseas bases and will not be required prior to FY17. Over the next two years, we will determine the optimum size of Active and Reserve Component F-35 units and the total number of required F-35 operating locations.

The Air Force is currently developing requirements for the first two KC-46 bases, and expects to approve basing criteria in Spring 2012, identify candidate installations in Summer 2012, select preferred and reasonable alternatives by the end of calendar year 2012, and make final decisions in 2013. These first two bases will begin receiving aircraft in FY16. We will announce future preferred and reasonable alternatives approximately three years prior to delivery of aircraft to the next round of bases. Given current production estimates, the next KC-46 basing decisions will not be required prior to FY14. We are committed to creating associations at all KC-46 operating locations in the continental United States.

Potential Legislative Changes

In coordination with the Air National Guard and Air Force Reserve, the Air Force and the Department of Defense are reviewing the authorities that might be needed to address the impact of programmed force reduction actions on the affected members of the Air National Guard, Air Force Reserve, and their families.

Air Force Total Force Enterprise and Associations

The Air Force Total Force Enterprise (TFE) management approach provides an inclusive, fact-based, and iterative process designed to maximize combat capability and optimize force structure through a range of innovative organizational constructs and personnel policies that optimize and integrate the capabilities of all Air Force components.

Associations are an integral part of balancing the Total Force to meet the current and future air, space and cyber requirements of the Joint warfighter. Total Force Integration (TFI) associations pair two units, (host and associate) representing two Air Force components, operating together. The host unit is assigned the physical resources for mission accomplishment (aircraft, equipment, facilities) and the associate unit shares those resources. Currently, there are three types of TFI associations: Classic, Active and Air Reserve Component (ARC).

Classic Associations pair units as an Active Component host with a Reserve Component associate which can improve operational synergies and add capacity during surge operations at reduced cost. Active Associations pair a Reserve Component host and an Active Component associate to improve access to aircraft and total rotational capacity by assigning Active Component Airmen in Reserve Component units, allowing the highly experienced Reserve Component to help develop and season maturing Active Component Airmen. ARC Associations pair a Reserve Component host and a Reserve Component associate to deliver operational and organizational efficiencies.

There are currently 100 TFI associations across a variety of weapons systems/functional areas and Air Force Major Commands. The Air Force is planning to add Active Associations at all ARC fighter locations, and Air Mobility Command intends to establish Active or Classic Associations at all continental U.S. KC-46 locations. The Air Force will continue to explore additional opportunities for associations in order to create efficiencies, encourage retention of valuable human capital, and above all, increase Air Force combat capabilities.

New Associations

The Air Force has decided to maintain 18 assigned F-16 aircraft at Air National Guard fighter squadrons to support new F-16 Active Associations at Truax AGS (Madison), WI, Buckley, CO, Joe Foss Field, SD, and Duluth, MN, in addition to the Associations already programmed at Burlington, VT, and Dannelly Field, AL. Although the previously programmed Active Association at Barksdale AFB, LA, is eliminated with the Air Force Reserve Command A-10 retirement, the Active Associations at Whiteman AFB, MO, NAS Ft Worth JRB (Carswell), TX and Homestead ARB, FL will continue as planned. The Chief of Staff of the Air Force has directed the Air Force to develop additional Active Associations at all ARC fighter locations to ensure that the Total Force is able to absorb and season enough young pilots and maintainers to meet future Total Force requirements.

The AF FY13 budget request also establishes C-130J Active Associations at Dobbins ARB, GA starting in FY14, Quonset Point Airport, RI in FY16, and Channel Islands, CA in FY17, as well as an Active Association with a C-130H unit in FY13 at a location still to be determined. Additionally, Classic Associations will be established in intelligence at Fort Meade, MD, Offutt AFB, NE and

Hurlburt Field, FL, program analysis at Wright-Patterson AFB, OH, and cyber at JB San Antonio (Lackland AFB), TX. We have also established a new association with the MC-12W mission transfer to the Air National Guard in FY14. An Active Association will be stood up to operate the MC-12W Flying Training Unit at Beale AFB, using up to six Air National Guard aircraft. The Active Association will also provide one Combat Air Patrol (CAP) of deployed capability.

The Air Force previously funded a RED HORSE Active Association at Beale AFB, CA, as well as Classic Associations in cyber at JB San Antonio (Lackland AFB), TX; aviation foreign internal defense at a location to be determined; security forces at Davis-Monthan AFB, AZ; and intelligence at Wright-Patterson AFB, OH, and JB Langley-Eustis, VA. In all, 21 new Associations (15 net associations) are programmed, and the Air Force will explore additional opportunities for associations in our FY14 budget submission.

Military Personnel Appropriation Budget Activity Code

We are normalizing our approach to how we program ARC Military Personnel Appropriation (MPA) man day funding by improving the way we forecast, plan, program, and fund MPA man day accounts in our budget build process. These inputs will ensure adequate and predictable funding to support the required level of Reserve Component participation. Our normalization efforts include introducing MPA requirements into our corporate planning process earlier and working with the Office of the Secretary of Defense to create a distinct budget activity with a sub-account dedicated to facilitating more flexible Reserve Component operations, increasing opportunities for Reserve Component participation, and tracking MPA within the Air Force Military Personnel Account. If approved, we would expect to include this account in our FY14 budget submission.

Improving Strategic Planning Transparency and Processes

We have embarked on an effort to examine Active Air Force, Air National Guard, and Air Force Reserve composition across all the Air Force's major functions through the Total Force Enterprise Review Process and System Force Composition Analyses. The Total Force Enterprise Evaluation Group reviews and provides oversight of all Total Force Associations and ensures they have met the requirements for effective operations. Force Composition Analyses examine individual weapons systems or processes and make recommendations for an appropriate Active/Reserve Component mix based on analysis of combat requirements, Total Force capacity, and system and manpower costs.

Most importantly, we have strengthened and refined our corporate processes to ensure that the Air National Guard and Air Force Reserve are involved at every step of our analysis and decision making. Air Force senior leaders have directed that the Air Force Reserve and Air National Guard will continue to be fully represented during system Force Composition Analyses and will participate fully in development of the Core Function Master Plans that guide actions to organize, train and equip the Total Force in each core function.

Air Force Reserve Component 2020 Study

We believe the Air Force Reserve Components set the DoD standard for Total Force integration and operational effectiveness, but we must ensure that we continue to improve our performance and processes to maximize our contribution to the Joint Force of 2020 and beyond. The Chief of Staff of the Air Force and Reserve Component leadership are developing terms of reference to guide an independent study that will evaluate our on-going efforts to optimize the Total Force and make recommendations to guide and shape our future efforts. The study team will likely be led by a former Chief of Staff of the Air Force and will include a former Director of the Air National Guard and Chief of the Air Force Reserve.

## Conclusion

We remain fully committed to the essential contributions of the Total Force and have taken proactive steps to:

- Address the impact of force structure reductions in our Reserve Components by re-missioning units with enduring missions and assigning aircraft with extended life spans and improved capabilities;
- Plan for robust use of associations as we field F-35 and KC-46 units;
- Increase the number of associations between existing Active and Reserve units;
- Normalize our management of Reserve Component man days;
- Reset readiness in the ANG and source their MC-12W and MQ-1/9 manpower requirements; and
- Improve the transparency of Total Force planning and develop our Total Force vision for the future.

The future of the Air Force depends on sustaining strong and ready Reserve Components, and we believe the Air Force Total Force sets the standard for integrating Active and Reserve Components to improve efficiency and effectiveness in peace and war. The force reductions proposed in the Air Force FY13 budget request were developed in response to new DoD strategic guidance, informed by reduced funding, and shaped by analysis to ensure that the Total Force will continue to fulfill the Air Force's surge requirements and meet continuing rotational demand. We will ensure that the Reserve Component remains engaged and relevant as the Active Component maintains the recruiting, training, and operational seasoning base required to sustain the Total Force into the future.

**US Air Force White Paper:**
**Proposed Way Forward on Air National Guard Force Structure**

At a February 27, 2012 meeting between senior Department of Defense (DoD) officials and the Council of Governors (CoG), Governors Christine Gregoire and Terry Branstad[1] expressed concern regarding the impact of the President's FY13 budget proposals on the Air National Guard (ANG). In response to these concerns, the Secretary of Defense offered the CoG an opportunity to suggest an alternative approach, which was received by DoD on March 2. The Secretary of the Air Force, Michael Donley, and Chief of Staff of the Air Force, Gen. Norton Schwartz, met with CoG-designated representatives on four[2] occasions to discuss the CoG proposal and alternative excursions. This paper summarizes the relevant aspects of the DoD's and Air Force's original President's Budget (PB)13 decision-making (including ANG involvement), the dialogue following the CoG proposal, and Secretary Panetta's recommendation to Congressional defense committees.

**Strategic Context.** To deliver the capabilities required by the new strategic guidance and remain within the funding allocated by the Department and fiscal goals[3] established by the Budget Control Act, the Air Force made difficult choices in all core functions, including the decision to divest portions of the combat and combat enabler forces. The guiding principle was to ensure readiness for the anticipated range and tempo of national security demands. This required balanced reductions across all Air Force components (Active, Guard, Reserve). To retain readiness—that is, the Air Force's ability to rapidly respond to COCOM mission demands, now and in the future—and to preserve appropriately sized strategic and operational reserve forces, the Air Force balanced risk to force structure and modernization in air, space and cyberspace.

**Active Component/Reserve Component Mix.** DoD assesses these PB13 reductions result in the right balance of USAF Active Component and Reserve Component (AC/RC) forces for the following reasons:

- Projected sustained demand will remain high-on par with recent history.
- RC forces cost as much or more than AC forces when they are used continuously and high optempo for RC is unsustainable.
- The AC cannot absorb further reductions[4] and still support the strategy without requiring AC airmen to deploy at unsustainable rates.
- Therefore, DoD must maintain sufficient AC forces to meet a sustained level of demand.

It is understandable that ANG reductions proposed in the FY13 budget may seem disproportional, but it would have been ill-advised and short-sighted to make proportional cuts to the components or to try to establish an arbitrary mix. The valuable role of the citizen soldier is enduring—and consequently decisions since 1982 have resulted in the overall percentage of the total Air Force strength composed by the ANG and

[1] Co-chairs of the Council of Governors.
[2] Meetings occurred once in person and three times via video teleconference. The CoG was directly represented by the Adjutants General (TAGs) of Washington and Iowa, Maj Gen Tim Lowenberg and MG Tim Orr respectively. Chief of the NGB, Gen Craig McKinley and Director, ANG Lt Gen Harry Wyatt also participated.
[3] The Budget Control Act of 2011 requires a reduction of DoD spending totaling $487 billion over the next ten years, with a $261 billion reduction over the next five years.
[4] In the last 30 years, active Air Force end-strength was reduced by approx. 43 percent while ANG grew 5.6 percent.

the Air Force Reserve increasing from 22 percent to 35 percent. However, had the ANG been proportionally reduced along with the Active Component over this same 30 year period, it would be just above one-half the end strength it is today – 57,700 rather than 106,700. Instead, the Air Force has chosen to make forward-looking, analytically-informed decisions on the AC/RC mix to ensure it will sustain the health of all parts of its Total Force and meet the current and anticipated requirements of the combatant commanders.

**President's Budget FY13 Total Force.** Based on an analysis of scenarios consistent with the Department's strategic guidance, and accepting increased but manageable risk, the Air Force decided to divest 102 A-10s, 21 F-16s, 65 C-130s, 38 C-27Js, 27 C-5As and 20 KC-135s from across the Total Force. These force structure and related personnel reductions account for $8.7 billion of the total $54 billion Air Force reductions. Within that $8.7 billion, $1.7 billion is from the ANG appropriations[5]. The Air Force determined the aircraft types, and the appropriate mix of reductions between AC and RC units, based on the capabilities required within the Total Force structure and the need to maintain a sustainable operational tempo for both active and reserve components[6].

**PB13 Air National Guard.** Specifically, the Air Force proposal would retire 82 fighters, 57 mobility aircraft, and 12 tankers at 15 ANG locations. At 12 of these locations, the Air Force proposed backfilling ANG units with new and/or enduring missions, such as Remotely Piloted Aircraft, MC-12s, or C-130s, thereby limiting the net reductions to ANG end strength to 5,100 personnel in FY13. The ANG participated in Air Force decision making regarding these force structure changes and recommended the locations where these changes would occur and those locations recommended for backfills and re-missioning.

**Deployment Rates and Health of the Force.** Sustaining the health of the force means the Air Force is seeking to manage both AC and RC forces at a sustainable level capable of meeting Department of Defense best possible projections of routine requirements for overseas rotational forces, surge forces for crises, and sustained expeditionary operations. The Secretary of Defense's deploy-to-dwell goal is to ensure AC forces deploy at a rate of no more than 1:2 (for example, 6 months deployed followed by 12 months at home base) and the Reserve Components (ANG and the Air Force Reserve) at a rate of no more than 1:5. An AC/RC balance that requires either routine AC forces deployment more frequently, or involuntary mobilization of RC forces to avoid over-use of AC forces, would add further stress on the Total Force and indicate that the Air Force does not have the proper balance. The FY13 adjustments made to the AC/RC mix contribute to the Air Force's ability to meet current and foreseeable demand within these deploy-to-dwell goals.

**Council of Governors' Proposal.** The CoG proposed to buy back 18 F-16s and transfer 72 aircraft from the Active Air Force to the ANG, including 54x F-16s, 10x KC-135s, and 8x C-130s. Air Staff analysts, including

[5] Of note, fully restoring Air National Guard force structure would require more than reinstating these Air National Guard appropriations, since much of the cost of Air National Guard force structure is borne by the active duty budget. In total, a combined $4.4 billion in Air National Guard and Active Duty appropriations across the FYDP would be required to restore and sustain all of the Air National Guard force structure reduced in the FY13 President's Budget.
[6] In the constrained PB13 fiscal environment, the Air Force's ongoing commitment to fully support enduring joint capabilities in other air, space and cyber missions affected resources available for aviation force structure and was an integral part of Air Force program considerations.

members of the ANG, examined the Council of Governors' proposal in detail. Based on criteria the Secretary of the Air Force approved and conveyed to the CoG representatives, the proposal was evaluated for impact in these five categories:

- Demand: Meets foundational (Presence, Security Force Assistance and other activities) and Combatant Commanders' requirements in the new strategy
- Weapons Systems: Meets force sustainment / readiness, overseas presence requirements, required response times and sustainable State-side/Overseas weapon systems balance
- Manpower: Meets requirements for Total Force training, absorption, sustainment / readiness, development, to ensure the long-term health of the personnel enterprise and preserve the all volunteer force, the citizen soldier and the continuum of service construct
- Cost: Must be at least cost neutral by fiscal year and incorporate deployed and home station costs and same level of detail as original PB13 reductions
- Policy: Meets deploy to dwell and mobilization guidance that support the long term health of the force

The proposal did not meet any of the five criteria. Specifically, the CoG proposal retained combat aircraft unnecessary to meet the defense strategic guidance, decreased overall Air Force ability to train pilots, produced unacceptable impacts to specific combatant commanders[7], reduced Total Force capacity to meet worldwide rotational demands, had adverse impacts on the sustainability of the force, and imposed additional cost.

The CoG proposal was presented with a sourcing option that suggested fighter fleet leveling and overseas F-16 and C-130 transfers to the ANG. The Air Force and ANG teams considered that sourcing option, as well as a second Air Force sourcing option not involving overseas F-16s or other 'first to fight' F-16 specialized units[8]. While the Air Force assessed that this proposal could still meet surge requirements, and had the benefit of covering ANG locations uncovered in PB13, it also found that either sourcing option had important drawbacks:

- Due to the limited number of AC F-16 locations, transfer of F-16s to the ANG would cause a reduction in overseas presence that would need backfill by rotational forces at significant cost.
- Shifting active duty fighters to the ANG would raise the total RC fraction of the combat air forces from 38 to 43 percent, increasing the likelihood that the current operational tempo will become unsustainable for both AC and RC forces.
- Reducing the size of AC F-16 units from 24 to 18 aircraft in order to source the added F-16 ANG squadrons would lead to an inefficiently sized and less ready force, since smaller units are more costly per training hour and less flexible and capable for deployment purposes.
- The two remaining CONUS combat-coded AC F-16 locations (Hill AFB, UT and Shaw AFB, SC) would have their missions negatively impacted by these transfers[9].

[7] US European Command and US Africa Command
[8] In particular, F-16 Block 50 Suppression of Enemy Air Defense (SEAD) units
[9] Shaw AFB operates F-16 Block 50 SEAD aircraft that require specialized training and are highly tasked, and Hill AFB involves an Active-Reserve Association that would be significantly jeopardized.

Concerning the C-130 force, the CoG proposal sought to retain the C-130 unit at Carswell and implied sourcing it by reducing the active duty C-130 squadron in Europe from 14 to 8 aircraft. As the only active duty C-130 squadron in Europe, this unit is heavily tasked for EUCOM and AFRICOM missions and would require rotational augmentation from CONUS at additional cost to meet its mission requirements. Fully 58 percent of the tactical airlift fleet is already in the RC; further transfer would increase strain on the force.

The CoG also proposed restoring 10 KC-135s reduced from the ANG units at Rickenbacker (+6) and Pittsburgh (+4). The most feasible source was McConnell AFB, KS, but reductions there would further unbalance the mix for heavily-tasked KC-135s and adversely impact the efficiency of McConnell units.

Overall, DoD estimated the cost of the original CoG proposal at $50-60 million in FY13 and $500-800 million across the FYDP, which did not meet either the CoG assertion or SecAF criterion for a cost-neutral solution.

**Further Dialogue.** After discussing the analysis with the TAGs who represented the interests of the CoG, the staffs developed and analyzed five additional options. All of these options attempted to provide the ANG with combat and/or enabler missions sourced from various locations, to include reallocation of assets within the ANG. Based on consistent concerns expressed by individual Governors over time regarding lift for civil support and disaster response, and the Air Force's desire to provide force structure with utility to meet state missions, one option presented to the Council of Governors' representatives would have restored 24 C-130 aircraft in 3 ANG squadrons and added the associated 1,179 ANG manpower positions. This proposal would have also restored some 1,004 additional Agile Combat Support ANG manpower positions, funded by converting 2 percent of full time ANG technician positions to part-time ANG positions. The result of this option would have been for a total plus-up of 2,183 ANG positions over the FY13 PB, yielding an ANG end strength of 103,383.

The Air Force presented this proposal to the Council of Governors, despite knowing it did not meet the five criteria discussed above, in an effort to address the Council's concerns. These aircraft would have been excess to Air Force requirements for tactical airlift and, in the approach taken, would have resulted in an additional cost of approximately $400 million across the FYDP to the Air Force, plus a $173 million cost to the ANG to restore additional Agile Combat Support positions. The proposed distribution for these aircraft would have provided for continuing ANG missions at locations most impacted in the proposed FY13 President's Budget.

The CoG representatives did not accept this option. In a 19 March letter to the Secretary of the Air Force, the CoG Co-Chairs reiterated their original approach and solicited an additional offer.

**Way Ahead.** While there are inherent difficulties in predicting the future, the Air Force's force mix decisions have been informed by the Air Force and DoD's best analysis of the new strategic direction. With an Active Air Force as small as it has ever been since after WWII, DoD cannot further reduce the AC and still meet the needs of the new DoD strategy. Accordingly, the AC to RC transfers recommended by the CoG are not seen as viable by either the Air Force or by DoD.

In light of DoD's understanding that a key issue with the Air Force's FY13 PB reductions was the lead responsibility of the Governors for the public safety of their citizens in disasters and emergencies, the Secretary of Defense has recommended to the appropriate committees of the Congress that they consider

a proposal that would maintain an additional 24 ANG C-130[10] aircraft above the FY13 PB request. While in previous discussions the CoG indicated this was not the full solution it was looking for, DoD sees this option as a reasonable compromise that addresses the states' expressed concerns about airlift while ensuring DoD's ability to meet its operational and fiscal commitments. As congressional intent with regard to this proposal becomes clear, the Air Force and ANG will work collaboratively, as they did during the CoG process, to finalize the FY13 ANG force structure laydown consistent with operational considerations, fiscal constraints and ANG Capstone Principles[11]. A letter conveying the Secretary of Defense's recommended position was sent on April 23, 2012 to the leaders of the congressional defense committees and the co-chairs of the CoG.

**Future Discussions with the Council of Governors.** The capabilities and characteristics of the Air Force AC and RC were exhaustively examined during the formulation of the FY13 PB. As open and inclusive within DoD as those processes were, the environment in which we operate is becoming more challenging. In this context, DoD sees great benefit in soliciting the perspectives of the National Guard Bureau and the CoG.

Accordingly, the Secretary of Defense and the Air Force leadership believe that opportunities exist to strengthen the processes by which Governors and DoD exchange views on National Guard budget and force structure issues. One means to this end should be that the CoG and DoD seek to adopt a Statement of Principles to guide the establishment of a sustained process with the CoG to exchange views, information and advice on state civil support requirements. Such principles would need to be consistent with and fully supportive of the authorities and responsibilities of all parties involved.

The CoG has an upcoming working session, May 22-23, to reach consensus on proposals regarding Joint Action Plan implementation for consideration at the next plenary CoG meeting. The Air Force supports DoD's recommendation that CoG and Federal representatives also leverage this opportunity to develop a sustained process by which to exchange views, information, and advice on State civil support requirements.

[10] Including the 1,179 ANG manpower positions required to operate them.

[11] The Air National Guard's Captsone Principles are: 1) Allocate at least one flying unit with ANG equipment to each state; 2) Recapitalize concurrently and in balance with the regular component; 3) Manage ANG resources with ANG people; 4) Adopt missions that fit the militia construct; and 5) Build dual-use capabilities.

*Question.* What is the optimal ratio of active to reserve component forces? Is this based on any comprehensive analysis?

Answer. The optimal ratio of Active to Reserve Component forces is a function of a myriad of variables that change over time, including a) sourcing for continuous presence versus surge demands; b) responsiveness of the force based on complexity of the task or operation; c) sustainability of the Active and Reserve Component operations tempos; d) compliance with deploy to dwell policy as it differentiates between the Active and Reserve Components; e) maintenance of the Active Component recruiting, training, and operational seasoning base required to sustain the Regular Air Force, Air National Guard, and Air Force Reserve; and f) the relative cost of manning and equipping for specific Active and Reserve Component units and capabilities. The optimal ratio balances both personnel and aircraft. On the personnel side, after the proposed force reductions and mitigations of Fiscal Year 2013, Air Force Reserve Component end strength will make up 33 percent of Total Force military personnel, a reduction of two percent from the Fiscal Year 2012 numbers. For the mobility air forces, the Reserve Component's share shifts from 51 percent to 46 percent. In order to maintain and enhance combat capability, the Air Force intends to grow the number of Total Force Integration Associations from 100 to 115. This will enable the seasoning of our regular Air Force personnel while improving the combat capacity of our Reserve Component. On the aircraft side of the equation, within the combat air forces, the Reserve Component will have 38 percent of total aircraft which is only four percent lower than Fiscal Year 2012. The Fiscal Year 2013 Active and Reserve Component mix is the appropriate mix to maintain the Air Force's combat capability.

*Question.* The Air National Guard would realign 3,150 billets under this plan. Is there any precedent for such a realignment?

Answer. The Air National Guard (ANG) has historically realigned billets to source new missions. For example, the ANG realigned over 3,800 positions to comply with the 2005 Defense Base Closure and Realignment Commission's directed actions. The ANG also realigned over 6,100 positions due to subsequent Total Force Initiative actions enacted in Fiscal Year 2008.

## GLOBAL HAWK

*Question.* How much money has the Air Force Invested in the Global Hawk Block 30 program through fiscal year 2011, including RDT&E and procurement?

Answer. The total funding for Global Hawk Block 30s through Fiscal Year 2011 is broken out in the table below.

| ($ in millions/Then year) | Block 30 total costs thru FY11 |
|---|---|
| RDT&E | $809.20 |
| Procurement | 2,223.40 |
| Total | 3,032.60 |

*Question.* Has the Air Force engaged with the Navy on the possibility of transferring Block 30 airframes for use in the Broad Area Maritime Surveillance (BAMS) program?

Answer. The Fiscal Year 2013 President's Budget request provides for recoverable storage of the Block 30 aircraft at the Aerospace Maintenance and Regeneration Group. The Air Force is open to alternative disposition options pending congressional approval of the Fiscal Year 2013 President's Budget request. The Navy is working options to receive Block 30 systems in response to a Defense Acquisition Executive information request.

## FIGHTER ATTACK

*Question.* What is the current Air Force tactical fighter shortfall? Would there be a shortfall during any year of the FY13–17 FYDP proposed by the Air Force

Answer. The Air Force has sufficient tactical fighter aircraft to meet the President's new Defense Strategic Guidance. Previous projected shortfalls were based on a strategy sized to conduct long term stability operations and assumed a lower level of risk. Under the new defense strategy, the Air Force re-assessed fighter force structure requirements and assumed a higher level of risk.

*Question.* The Air Force estimated it needed a fighter aircraft mix of approximately 1,200 primary mission aircraft inventory and 2,000 total inventory to execute

the National Defense Strategy with moderate risk. The Committee understands the current respective numbers to be 1,100 and 1,900. How did the new strategy drive down the numbers by 100 aircraft?

Answer. The new strategy states the force "will no longer be sized to conduct large-scale, prolonged stability operations." This, along with decreased overall ground force size in the Army and Marine Corps, led to the decision by the Department of Defense to take additional risk in fighter force structure. Our risk analysis using the smaller force structure led us to favor multirole capabilities that provide operational flexibility across the spectrum of conflict. The Air Force reduced its fighter force structure by approximately 100 4th-generation fighters as part of its effort to meet Budget Control Act 2011 fiscal guidelines.

*Question.* What would be the year-to-year inventory of Air Force fighter aircraft under the Air Force's proposed FY13–17 FYDP?

Answer. Air Force fighter aircraft include the A–10C, F–15C/D, F–15E, F–16C/D, F–22A, and the F–35A. The Air Force total fighter inventory over the Fiscal Year 2013–2017 Future Year Defense Plan as proposed in the Fiscal Year 2013 President's Budget request is as follows:

FY12: 2,035 (Baseline)
FY13: 1,927
FY14: 1,949
FY15: 1,971
FY16: 1,990
FY17: 1,989

NOTE: Totals include F–35A quantities based on the latest F–35 production schedule and Air Force beddown plan dated March 9, 2012. Beginning in Fiscal Year 2017, F–35A deliveries begin to replace legacy fighter aircraft at approximately a one-for-one rate.

### MOBILITY AIRCRAFT

*Question.* According to the Defense Budget Priorities and Choices document released by the Department of Defense on January 26, "we do not need to retain the airlift capacity to support two large, simultaneous and rapidly developing ground campaigns." The Air Force is proposing to retire or divest 27 C–5As, 65 legacy C–130s, and the entire fleet of C–27s. Are the airlift requirements driving these divestment decisions based on any new analysis? If not, is such an analysis forthcoming?

Answer. The divestiture of airlift assets is based upon a new analysis of the new Department of Defense Strategic Guidance, both internal and external to the Air Force, and an existing analysis consistent with this guidance. Internal Air Force modeling of the new strategic guidance informed the reduction in inter-theater airlift and indicated that a fleet with a capacity of 30.4 million-ton-miles per day (MTM/D), a reduction from 32.7 MTM/D, was sufficient with manageable risk. Since the forces are no longer sized to meet two near-simultaneous large scale campaigns, the analysis also allowed for reductions in the intra-theater airlift and direct support mission fleets while still honoring the committed support to the Army and homeland defense. The Office of the Secretary of Defense conducted an independent analysis of the new strategic guidance and validated the Air Force divestiture decisions.

The Mobility Capability Requirement Study 2016 (MCRS–16) analyzed requirements of the previous strategy and called for a peak capacity of 32.7 MTM/D. One of the study's scenarios (Case 3) was approved by the Office of the Secretary of Defense as sufficiently consistent with the new strategic guidance to inform our force structure and indicated that a capacity of 29.1 MTM/D was adequate.

Analysis of additional scenarios consistent with strategic guidance and approved by the Office of the Secretary of Defense requires slightly more capacity than MCRS Case 3. Our Fiscal Year 2013 President's Budget request for mobility air fleet provides a capacity of 30.4 MTM/D, which meets this anticipated demand with a small margin in reserve.

### C–130

*Question.* What additional costs will be borne by the Air Force as a result of terminating the C–130 Avionics Modernization Program (AMP), since the Air Force will be retaining different legacy C–130 configurations as well as the navigator crew position?

Answer. The current termination liability for C–130 AMP is $5.1 million. The Air Force also took into consideration the loss of mission personnel "cost savings" of $482 million in base year dollars. The 2010 Selected Acquisition Report identified no other life cycle costs savings by continuing with C–130 AMP. The report also

identified an expected cost increase in both unit level consumption ($513.4 million base year dollars) and sustaining support ($157.7 million base year dollars) for C–130 AMP modified aircraft over the current C–130 combat delivery fleet.

*Question.* The fiscal year 2013 budget request does not include any advance procurement (AP) funds for C–130Js programmed in fiscal year 2014, which may include a multiyear procurement request. Why didn't the Air Force request AP for C–130Js in FY13? Do you require these funds, and if so, how much per aircraft?

Answer. The Fiscal Year 2013 President's Budget request did not include advance procurement because it was the Department's position in Fiscal Year 2012 that it is not required. In keeping with this position, the Air Force did not include it in Fiscal Year 2013. In the event that a C–130J multiyear contract is pursued in Fiscal Year 2014, advance procurement will be included beginning in Fiscal Year 2014 for Fiscal Year 2015 aircraft. The Fiscal Year 2014 aircraft will be fully funded. In this situation, advance procurement will be $10 million per aircraft.

## F–22

*Question.* What has been the impact of the F–22 hypoxia-type events on the mission availability of the F–22, as well as pilot training and certification?

Answer. Following the stand down that began on May 3, 2011, the Air Force implemented the F–22A Return to Fly plan on September 21, 2011 in order to reconstitute combat capability as rapidly as possible. The Air Force tailored reconstitution plans to meet individual wing needs based on squadron experience mix, area of responsibility specifics, external support availability, and the local environment. We reconstituted deployable combat capability after four weeks, operational test capacity after two weeks, and training production after eight weeks.

The F–22 life support system issues have not been attributed to the Onboard Oxygen Generating System (OBOGS) or any other subsystem and the root cause has yet to be identified. Since Return to Fly, as of June 23, 2012, there have been 15,759 sorties flown with 11 unexplained incidents for a 0.07 percent rate. The Air Force has implemented measures to protect the crews and gather appropriate data to narrow the possible root cause, while maintaining combat capability. On May 15, 2012, the Secretary of Defense directed additional measures to further ensure F–22 safety of flight and enhance the safety of our pilots while preserving our ability to meet mission requirements in support of our national security objectives.

These additional measures will have a negligible impact on unit readiness and operational capability, as well as pilot training and certification. Although pilots are required to remain within proximity of potential landing locations during training sorties, they are able to effectively train and maintain readiness for their assigned missions, and the F–22's operational capabilities remain unparalleled. These measures also will have no impact on the ability of F–22s already deployed overseas to execute their intended missions. The deployed F–22s are still able to promote regional security in the Gulf region and strengthen military-to-military ties while remaining within proximity of potential landing locations. In the Pacific theater, the Secretary of Defense has decided to delay the use of F–22 aircraft to fill theater security posture requirements due to the greater distances from divert bases during deployment to this region compared to the Central Command area of responsibility. The Secretary of Defense will reassess the Pacific posture based on monthly Air Force senior leader updates.

## MQ–9 Reaper

*Question.* The testimony states "We are actively managing our procurement rate of MQ–9s to efficiently increase RPA fleet size while allowing for necessary aircrew training." Please provide more detail on RPA aircrew training throughput. When will the Air Force have the aircrews to match MQ–9 Reaper production? Are additional resources included in the FY13 budget to increase aircrew throughput?

Answer. The Fiscal Year 2013 MQ–9 procurement rate of 24 aircraft per year is sufficient to achieve and sustain 65 combat air patrols (CAPS) by the third quarter of Fiscal Year 2014, assuming continued use of viable MQ–1 aircraft.

The Air Force is on track to produce the aircrews to meet this operational requirement and match planned MQ–9 Reaper production by the third quarter of Fiscal Year 2014. To restore the aircrew training capacity interrupted during the 2011 Afghanistan fighting season surge, a Secretary of Defense approved plan limited the total Air Force MQ–1/9 CAPs to a maximum of 57 through November 2012. In order to reconstitute training capacity, the Air Force expanded the number of Total Force Remotely Piloted Aircraft formal training units (FTU). In Fiscal Year 2012 there will be one MQ–1 and two MQ–9 active duty FTUs at Holloman AFB, NM, one Air National Guard MQ–1 FTU at March ARB, CA, and one Air National Guard MQ–

9 FTU in Syracuse, NY. In addition to the FTU training capacity, "just-in-time" MQ–1 and MQ–9 launch and recovery training to support operational deployment requirements will continue at Creech AFB, NV. Finally, additional resources were added to the Fiscal Year 2013 President's Budget request to increase aircrew production by 70 initial qualification MQ–9 aircrews over the Fiscal Year 2012 numbers and maintain 30 MQ–1 to MQ–9 conversions.

CVLSP/NUCLEAR SECURITY

*Question.* Does the Air Force have a long-term solution for replacing or modernizing the UH–1N helicopter fleet now that the CVLSP has been terminated?

Answer. The Air Force is taking an acquisition pause to explore more cost effective strategies to meet the nuclear security and continuity of government missions. We are considering all alternatives to address these mission requirements, and no decisions have been made at this time.

AIR NATIONAL GUARD AND A–10 RETIREMENTS

*Question.* Did the Air Force mandate a "one flying mission per state" standard for its FY13 plan?

Answer: The Air Force aligned its forces to better meet the new Defense Strategic Guidance using the following four principles: ensure the Total Force can fulfill surge requirements, maintain a balance between components that allows us to fulfill continuing rotational requirements at sustainable rates; retain the recruiting, training and operational seasoning base required to sustain the Total Force's needs into the future; and ensure the Reserve Component remains relevant and engaged in both enduring and evolving missions.

To meet this end, the Air National Guard (ANG) developed five Capstone Principles to help guide this transition: allocate at least one flying wing with ANG equipment to each state; recapitalize concurrently and in balance with the Regular Air Force; manage ANG resources with ANG people; adopt missions that fit the militia construct; and, build dual-use capabilities (Emergency Support Functions) relevant to the states. Similarly, our Air Force Reserve Command used the following four principles: ensure aircraft reductions do not negatively impact operational support to Combatant Commands; ensure force structure movements do not create any new Air Force bills; ensure risk is minimized by optimizing crew ratios to exploit expected increases in mission capability rates; and, consider locations that continue to have an Air Force mission due to the presence of another Air Force Component. This Total Force approach allowed us to maintain the right Active/Air Guard/Reserve mix which will allow us to meet our operational demands with a leaner force while taking care of our Airmen.

*Question.* Is there an A–10 basing study? If not, what criteria were used in determining basing?

Answer. The reduction of A–10 aircraft is driven by the need to reduce excess force structure as identified in the new Defense Strategic Guidance and was not driven by a basing study. The new guidance states that U.S. Forces will no longer be sized to conduct large-scale, prolonged stability operations. Analysis based on scenarios consistent with the Defense Strategic Guidance resulted in a reduced requirement for tactical combat aircraft and a preference for multi-role fighters to provide the most flexible capability within each scenario. As a result, A–10 retirements were selected in lieu of other combat aircraft and the Air Force made the difficult choice to retire five A–10 squadrons comprised of 102 A–10 aircraft. Previous reductions in fighter force structure shifted the Total Force ratio toward Reserve Component forces, and Air Force decisions in the Fiscal Year 2013 President's Budget request rebalanced that ratio to create a more sustainable force structure over the long term.

In conjunction with National Guard Bureau leadership, the Air Force considered the Air National Guard Capstone Principle (previously approved by TAGs) of maintaining at least one Air Force flying unit in each state. As such, the Air Force chose the 188th Fighter Wing, Fort Smith, Arkansas, as one of three ANG A–10 unit closures because the base, along with those in Michigan, has other manned ANG flying units in addition to the A–10 units selected for divestment. Additionally, the proximity of Arkansas' Razorback Range (less than 10 miles from Fort Smith) and Hog Military Operation Area, coupled with joint training opportunities, make Fort Smith a very attractive location for remotely piloted aircraft (RPA) joint training. The divestiture of the A–10s afford an opportunity for the Air Force to assign Fort Smith a RPA mission and take advantage of range capabilities to facilitate joint training.

*Question.* Why did the Air National Guard bear the brunt of the cuts to A–10 flying units?

Answer. Revised Strategic Guidance states that U.S. Forces will no longer be sized to conduct large-scale, prolonged stability operations. Analysis based on scenarios consistent with the Strategic Guidance resulted in a reduced requirement for tactical combat aircraft and a preference for multi-role fighters to provide the most flexible capability within each scenario. As a result, A–10 retirements were selected in lieu of other combat aircraft and the Air Force made the difficult choice to retire five A–10 squadrons comprised of 102 A–10 aircraft.

Previous reductions in fighter force structure shifted the Total Force ratio toward Reserve Component forces, and Air Force decisions in the Fiscal Year 2013 President's Budget request (20 A–10s from Active Duty, 61 from the Air National Guard, and 21 from the Air Force Reserves) rebalanced that ratio to create a more sustainable force structure over the long term. Maintaining the appropriate mix of forces between the Active and Reserve Components is critical to sustaining Air Force capabilities for forward presence, rapid response, and high-rate rotational demands with a smaller overall force.

*Question.* Did the Air Force follow their established procedures for A–10 basing decisions? Was the process deliberate, repeatable and transparent, with defined roles and responsibilities?

Answer. The change to the 188th Fighter Wing was not a basing decision but a force structure realignment decision. The Air Force's goal was to reduce force structure based on the new Defense Strategic Guidance. The Air Force formed a general officer-led team of Active Duty and Reserve Component experts that determined force structure changes at various locations. Each course of action was assessed using specified criteria to include manpower composition, location of the installation, Reserve Component presence in the state, and how well a replacement mission is suited for a given location (e.g., military construction needed and range and airspace availability). The team's recommendations were reviewed by Air Force leadership and ultimately approved or disapproved by the Secretary of the Air Force and Chief of Staff of the Air Force. Before backfill missions were identified, 24 squadron-level units were in jeopardy of being eliminated and 8 installations would have been left without an operational Air Force mission. After backfill missions were identified, 10 squadron-level units were eliminated and only one installation was left without an operational mission.

*Question.* When making basing decisions, did the Air Force consider energy costs and sustainability? If so, what weight was given to the significant energy savings of the 188th Fighter Wing?

Answer. As the largest consumer of operational energy in the Department of Defense, the Air Force considers the impact of energy on basing decisions. However, the changes for the 188th Fighter Wing are not a basing decision but a force structure realignment decision. This force structure realignment decision was made in conjunction with National Guard Bureau leadership, the Air Force considered the Air National Guard's first Capstone Principle, "allocate at least one flying unit with Air National Guard equipment to each state," when deciding which A–10 bases would be affected. Of the five states with Air National Guard A–10 units, two have no other flying unit and so reductions came from the three states, including Arkansas, that have other flying units.

*Question.* Was the Senate Armed Services Committee's guidance to consider distance to operational training areas followed in the A–10 basing decision? If so, what weight was given to the significant taxpayer savings achieved due to the transit time from the 188th Fighter Wing to its training ranges?

Answer. When determining A–10 divestitures, Air Force assessed various criteria to include manpower composition, location of the installation, Reserve Component presence in the state, and how well a replacement mission is suited for a given location (e.g., military construction needed and range and airspace availability). The team's recommendations were reviewed by Air Force leadership, and ultimately approved or disapproved by the Secretary and Chief of Staff of the Air Force. Arkansas' Razorback Range and Hog Military Operation Area make Fort Smith a very attractive location for remotely piloted aircraft joint training, providing an enduring mission capability to Fort Smith while facilitating training with our Joint warfighters.

*Question.* Were the Special Operations Forces training needs and their operational tempo considered in the A–10 basing plan? If so, what weight was given to the joint force multiplier capabilities of the 188th Fighter Wing?

Answer. The change for the 188th Fighter Wing was not a basing decision, but, rather a force structure realignment decision. Working with our Guard and Reserve leaders, we used a balanced approach to adjust our Total Force end strength while maintaining the ability to execute strategic guidance. The Air Force provides full spectrum support to all Joint warfighters. Special operations forces training involves

a variety of weapon systems, and the Air Force will continue to provide required support while accounting for the divestiture of A–10s from Fort Smith.

*Question.* Does the re-missioning of the 188th Fighter Wing, and losing its unique training relationship with SOF, support the SOF in accordance with the Senate Armed Services Committee's direction?

Answer. Analysis based on scenarios consistent with the Defense Strategic Guidance resulted in a reduced requirement for tactical combat aircraft and a preference for multi-role fighters to provide the most flexible capability to successfully prosecute each scenario. The Air Force will continue to provide the necessary training capability required by Special Operations Forces. United States Special Operations Command is aware of the divestiture of A–10s at Fort Smith and has not expressed any concerns with operational training impacts.

*Question.* Did the Air Force consider JTAC training requirements? If so, what weight was given to the significant JTAC training production and partnership of the 188th Fighter Wing?

Answer. The new Department of Defense Strategic Guidance, "Sustaining U.S. Global Leadership: Priorities For 21st Century Defense," directs the Services to build a force that will be smaller, leaner, flexible, ready, and technologically advanced. As a result, the Air Force is reducing its size to support one large-scale combined arms campaign with sufficient combat power to deny a second adversary. With the divestiture of Fort Smith's A–10s, the Air Force will maintain sufficient capacity to produce and train Joint Terminal Attack Controllers to support the new Defense Strategic Guidance.

*Question.* The Secretary of Defense has emphasized the need to retain capability to quickly reconstitute greater combat forces if events overtake the new strategy. Does the Air Force intend to put the A–10s it proposes to retire into Type 1000 storage?

Answer. The Air Force programmed Type 1000 storage for the A–10 force structure reductions, allowing the Air Force to restore aircraft as dictated by national strategies. The Air Force continues to review the final divesture plan for the A–10 and may store a portion of the aircraft at a different storage level, enabling the Air Force to reclaim spare parts and improve the readiness of the remaining A–10 fleet.

[CLERK'S NOTE.—End of questions submitted by Mr. Young.]

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