

**DEPARTMENT OF DEFENSE APPROPRIATIONS  
FOR FISCAL YEAR 2013**

**WEDNESDAY, JUNE 13, 2012**

U.S. SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,  
*Washington, DC.*

The subcommittee met at 10:30 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Daniel K. Inouye (chairman) presiding.

Present: Senators Inouye, Leahy, Harkin, Durbin, Feinstein, Mikulski, Kohl, Murray, Reed, Cochran, Hutchison, Collins, Murkowski, Graham, and Coats.

**DEPARTMENT OF DEFENSE**

**OFFICE OF THE SECRETARY OF DEFENSE**

**STATEMENT OF HON. LEON E. PANETTA, SECRETARY OF DEFENSE  
ACCOMPANIED BY HON. ROBERT F. HALE, UNDER SECRETARY OF DEFENSE,  
COMPTROLLER**

**OPENING STATEMENT OF CHAIRMAN DANIEL K. INOUYE**

Chairman INOUYE. This morning, I would like to welcome the Honorable Leon E. Panetta, Secretary of Defense, and General Martin E. Dempsey, Chairman of the Joint Chiefs of Staff, to testify on the administration's budget request for fiscal year 2013.

Gentlemen, you assumed these positions during a very challenging moment in history. Our economy, our country is facing a budget deficit, and you have been tasked with significantly reducing the Department of Defense's (DOD) budget plans in an effort to cut down spending.

These budget reductions come at an occasion when we are fighting a war in Afghanistan and the counterterrorism threat worldwide. At the same time, the world is changing rapidly, and DOD is being called upon to respond to threats ranging from cyberspace, weapons proliferation, rising powers, and instability in key regions, such as we have witnessed with the Arab Spring.

DOD's fiscal year 2013 budget request totals \$604.5 billion that this subcommittee oversees. This is a decrease of \$28.8 billion over last year's enacted budget, mainly due to the drawdown of operations in Afghanistan and Iraq.

However, over the next decade, the Budget Control Act of 2011 (BCA) sets limits for DOD, which is \$487 billion less than what the Department had planned to spend.

In order to meet the new fiscal realities, you have produced a defense strategy to help guide these budget reductions. This strategy moves from having a capability to fight two major theater wars, to instead defeating a major adversary in one theater while denying aggression or applying unacceptable costs on another aggressor.

In addition, it shifts the military's focus to increase emphasis on the Pacific and Middle East regions. Furthermore, it commits the Department to institutionalize capabilities to deal with what were once considered nontraditional or asymmetric threats, such as increasing counterterrorism capacity, enhancing cyber operations, and countering antiaccess threats.

Most importantly, the strategy reaffirms the administration's support of the All-Volunteer Force and maintaining the readiness of this force as a vital component of our national security. The defense strategy does not, however, take into consideration another component of the Budget Control Act known as "sequestration".

As you know, beginning on January 2, 2013, if a deficit reduction agreement is not reached, DOD will take its first increment of an across-the-board reduction of nearly \$500 billion over the next 10 years.

Gentlemen, I look forward to having a candid dialogue this morning on this issue, as well as others I have highlighted.

We sincerely appreciate your service to our Nation, and the dedication and sacrifices made daily by the men and women of our armed services.

We could not be more grateful for what those who wear our Nation's uniform and those who support and lead our military do for our country each and every day.

Mr. Secretary, General, your full statements will be made part of the record, and I wish to now turn to the Vice Chairman, Senator Cochran, for his opening remarks.

#### STATEMENT OF SENATOR THAD COCHRAN

Senator COCHRAN. Mr. Chairman, I'm pleased to join you in welcoming our distinguished panel of witnesses this morning to review the President's budget request for the Department of Defense, and to give us an overview of the needs and challenges facing our national security interests.

We thank you very much for your willingness to serve in these important positions. They really are complex and couldn't be more important.

We appreciate the dedication and the years of experience that you bring to the challenge as well, and we expect to have an opportunity today to find out some of the specific details that need to be brought to the attention of the Senate.

Thank you very much.

Chairman INOUE. I thank you very much. May I now call upon the Secretary.

#### SUMMARY STATEMENT OF HON. LEON E. PANETTA

Secretary PANETTA. Thank you, Mr. Chairman. Senator Cochran, and members of the subcommittee.

It is a distinct privilege and honor to have the opportunity to appear before this subcommittee of the Senate Appropriations Committee.

First and foremost, let me express my personal thanks to all of you for the support that you provide our men and women in uniform and the Department.

I've had the honor of working with many of you in other capacities, and I just want to thank you for your patriotism in providing very important public service to this country, but from my point-of-view right now, providing the support that we absolutely need at the Department of Defense in order to keep this country safe.

#### DEFENSE BUDGET

I'm here to discuss the President's budget request for fiscal year 2013. I also want to comment as well on the problems associated with sequestration that faces us in January 2013, and mention also some of the budgetary challenges that we still face in fiscal year 2012 as a result of fuel costs and other contingencies that we're facing.

With regards to the fiscal year 2013 budget request, this was a product of a very intensive strategy review that was conducted by senior military and civilian leaders of the Department under the advice and guidance of the President.

The reasons for the review are clear to all of us. First and foremost, we are at a strategic turning point after 10 years of war, and obviously, a period when there was substantial growth in the defense budgets.

Second, we are now a country that is facing very serious debt and deficit problems. And the Congress did pass the Budget Control Act of 2011 which imposes spending limits that reduce the defense base budget by \$487 billion over the next decade.

And I've always recognized, based on my own background, having worked on budget issues, that defense does have a role to play in trying to get our fiscal house in order.

For that reason, we looked at this as an opportunity to develop a new defense strategy for the future, not to simply have to respond to the budget requirements that were here, but to do it in a way that would provide a strong defense for the country in the future.

The defense strategy that we developed does reflect the fact that as we end the war in Iraq and draw down in Afghanistan, we are at a turning point that would have required us, frankly, to make a strategic shift, probably under any circumstances.

The problem is that unlike past drawdowns, where the threats that we confronted receded, after wars, after the Vietnam war, after the fall of the Soviet Union, the problem is we continue to face very serious security challenges in the world of today.

We are still at war in Afghanistan. We still confront terrorism even though there's been significant damage to the leadership of al Qaeda. The reality is, we confront terrorism in Somalia, in Yemen, in North Africa.

We continue to see the proliferation of weapons of mass destruction. We continue to see threats from Iran and North Korea. We continue to have turmoil in the Middle East. We see the rising

powers in Asia that represent a challenge in terms of stability in that region as well.

And there are growing concerns about cyber intrusions and cyber attacks. We have to meet all of these challenges, and at the same time, meet our responsibility to fiscal discipline.

I don't think we have to choose between our national security and our fiscal security. But, at the same time, this is not an easy task.

To build the force we need for the future, we developed strategic guidance that consists really of five key elements that were the elements that guided us in terms of the budget recommendations we made.

First of all, we know that the military is going to be smaller, and it's going to be leaner in the future. But it has to be agile, and it has to be flexible. It has to be quickly deployable. Yet, it also has to be technologically advanced.

Second, because of the world we live in, and where we confront some of the most serious problems that face us, we have to rebalance our global posture and presence to emphasize the Asia-Pacific region and the Middle East. Those are the two areas where we confront the most serious challenges.

Third, we have to build for the rest of the world that we deal with, we have to build innovative partnerships and strengthen key alliances and partnerships elsewhere in the world, so that we maintain a presence in Latin America, Africa, Europe, and elsewhere.

Fourth, we have to ensure that we have a force that can confront and defeat aggression from any adversary, anytime, anywhere.

And, last, this can't just be about cutting the budget. It also has to be about investments—investments in new technology and new capabilities, as well as our capacity to grow, adapt, and mobilize as needed.

In shaping this strategy, we did not want to repeat the mistakes of the past. Our goals were the following: Number one, maintain the strongest military in the world. That's what we have now. That's what we want to have in the future.

We do not want to hollow out the force, where you maintain a large force, less spending, and the result is that we weaken everything at the Defense Department by our failure to be able to address the needs of that kind of force.

And that was a mistake that's been made in the past. We don't want to make that mistake again today or in the future.

That means we have to take a balanced approach to budget cuts. We have to look at every area of the budget and put everything on the table. And it also means that we do not want to break faith with the troops and the families, particularly, the troops that have been deployed time and time and time again.

As a result of these efforts, the Department, both our military and civilian leaders, strongly unified behind the recommendations that we presented. Consistent with the Budget Control Act, this budget reflects that in the next 5 years, we'll achieve savings of almost \$260 billion, with 10-year savings of \$487 billion.

The savings come from four areas: One, efficiencies; two, force structure; three, procurement reforms; and, last, compensation.

Let me walk through each of these areas. First, on efficiencies. Efficiencies yield about one-quarter of the targeted savings that we have in this package. On top of the \$150 billion in efficiencies that were proposed in the fiscal year 2012 budget, we've added another \$60 billion, primarily from streamlining support functions, consolidating information technology (IT) enterprises, rephasing military construction programs, consolidating inventory, and reducing service support contractors.

As we reduce force structure, we also have a responsibility to be cost efficient in terms of the support for that force. And that's the reason that the recommendation has been to authorize another base realignment and closure process for 2013 and 2015.

And as someone who has gone through base realignment and closure (BRAC), I realize how controversial this process is for the members and for the constituencies.

And yet, we do need, if we're going to bring the force down, we have got to find an effective way to achieve infrastructure savings. And that's the reason that recommendation was made.

Efficiencies are still not enough to achieve the necessary savings. Budget reductions of this magnitude, almost half of \$1 trillion, require significant adjustments to force structure, procurement investments, and compensation as well.

We achieve those in the context of the elements of the new strategy that I discussed, so let me just walk through each of those.

First, we obviously have a force that is smaller and leaner, but it has to be more agile and technologically advanced. We knew that coming out of the wars, the military would be smaller. And 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're implementing force structure reductions consistent with this new strategic guidance. It will give us a total savings of about \$50 billion over the next 5 years.

So, those recommendations are to gradually re-size the Active Army. We're at about 560,000 now. We would bring that down over 5 years to 490,000, about a 70,000 reduction over that period.

It's a force that would be flexible, would be agile. It would be ready. It would be lethal. We would still maintain 18 divisions, 65 brigade combat teams, and 21 aviation brigades.

We would do the same with the Marine Corps. We're at about 202,000 in the Marine Corps. We would bring them down to 182,000 over the next 5 years. That's a reduction of about 20,000.

Again, they would still remain the strongest expeditionary force in the world. They would have 31 infantry battalions, 10 artillery battalions, and 20 tactical air squadrons.

#### AIR FORCE AND NAVY INVENTORY

We would also reduce and streamline the Air Force's airlift fleet. In addition, the Air Force would eliminate seven tactical air squadrons, but we still would retain a robust force of 54 combat-coded fighter squadrons.

The current bomber fleet would be maintained. We obviously have the Joint Strike Fighter in production, and we're also going

to develop a new generation bomber that we look forward to in the future.

We also have a fleet of 275 strategic airlifters and 318 C-130s along with our refueling tanker capabilities.

The Navy would retire seven lower priority Navy cruisers. And the reason they focused on that is because these cruisers have not been upgraded with ballistic missile defense capability. They're old. They need repairs. And so that was an area that they decided to try to achieve savings.

That would still maintain a force in the Navy of 285 ships, 11 carriers, 9 large deck amphibians, 82 cruisers and destroyers, and 50 nuclear-powered attack submarines. And we would achieve a naval number of about 300 ships by 2020.

Second, in rebalancing our global posture to emphasize Asia-Pacific and the Middle East, we made clear that we've got to protect capabilities needed to project power in Asia-Pacific and in the Middle East.

To this end, the budget, as I said, maintains the current bomber fleet, maintains our aircraft carrier fleet, maintains the big deck amphibious fleet, and it restores Army and Marine Corps force structure, particularly in the Pacific.

We're looking at, we've already provided for a rotational deployment of Marines in Darwin in Australia. We're looking at doing the same thing in the Philippines as well as elsewhere.

And the same thing is true with regard to a strong presence in the Middle East. Because of the threats in that region, we have maintained a strong presence of troop strength in that area as well.

We're building innovative partnerships and trying to strengthen our alliances throughout the world. And the way we are doing this is by developing this innovative, rotational presence where troops will go into an area, exercise with them, provide guidance and assistance, develop alliances, develop their capabilities, and build key alliances and partnerships for the future.

That's the message I delivered to the Pacific on this last trip. It's well received. I delivered the same message to Latin America. It's well received. These countries want to develop their capabilities.

This is not a question of the United States going around basically exerting our own power and telling these countries we'll defend them. They've got to develop their capabilities to be able to secure themselves for the future. And that's what this proposal provides for.

Fourth, we ensure that we can confront and defeat aggression from any adversary, anytime, anywhere, and that, obviously, goes to the force structure that would sustain a military that's the strongest in the world, capable of quickly and decisively confronting aggression wherever and whenever necessary.

In the 21st century, our adversaries are going to come at us using 21st century technology. That's the world we live in. And we've got to be able to respond with 21st century technology.

So, we must invest. We've got to invest in space. We've got to invest in cyberspace. We've got to invest in long-range precision strikes. We've got to invest in unmanned vehicles. We've got to invest in special operations forces. We've got to invest in the latest

technologies to ensure that we can still confront and defeat multiple adversaries.

And the last area is to protect, obviously, and prioritize key investments, and have the capacity to grow and adapt and mobilize. I talked about some of the areas that we want to invest in. This budget provides almost \$12 billion of investment in science and technology, \$10.4 billion in special operations forces, about \$4 billion in unmanned air systems, and about \$3.5 billion in cyber.

#### NATIONAL GUARD AND RESERVE UNITS

The last point I would make is we have got to maintain a strong Reserve and a strong National Guard that can respond if we have to mobilize quickly. That's been a key to our ability to mobilize over these last 10 years.

And today, I have to tell you, when you go out to the battlefield, you can't tell the difference between Active Duty and National Guard and Reserve units. They're out there. They're fighting. They're developing great experience, great capabilities. I don't want to lose that for the future. I want to be able to maintain that.

The last area I will mention is obviously an area that is extremely important. It's fundamental to our strategy, which are our people. That, frankly, is the biggest strength we have in the United States.

For all the weapons we have, for all the technology we have, frankly, it's the men and women in uniform that are the strongest weapon we have for the future.

And so, we want to sustain the family assistance programs, the programs for wounded warriors, the basic support programs for our troops and their families. But at the same time, I've got to focus on some savings in the compensation area.

This is an area that's grown by 90 percent. And, frankly, we have got to be able to find some cost constraints in that area. So it's for that reason, that, you know, when it came to military pay, we provide pay raises these next 2 years, but we try to limit those pay raises in the out years in order to provide some limits.

#### HEALTHCARE COSTS

We also do the same thing with TRICARE costs. And I recognize that that's sensitive, and controversial, but healthcare costs us almost \$50 billion a year at the defense budget. I've got to do something to control healthcare costs in the future.

We've also looked at the idea of a retirement commission to look at retirement provisions for the future. We'd like to grandfather, obviously, benefits for those that are presently in the force, but we do need to achieve savings in this area as well for the future.

So, that's the package. This is not easy. It's tough, and we need your support. We need your partnership in trying to implement this strategy. I know these cuts are painful, and the fact is, they impact on all 50 States.

But there is no way you can cut a half of \$1 trillion out of the defense budget and not have an impact on States. That's just a reality if you do it right.

So the key here is to try to do this in a way that relates to a defense strategy. That's important. The committees that have

marked up our budget, in many ways, they've accepted the recommendations we've made for investment changes, and we appreciate that.

But some of the committees have also made changes with regard to our recommendations that we're concerned about. Some of the bills seek to reverse the decisions to eliminate aging and lower priority ships and aircraft.

My concern is that if these decisions are totally reversed, then I've got to find money somewhere in order to maintain this old stuff, which has me literally in a situation where I've got to hollow out the force in order to do that.

We've got to be able to retire what is aged and what we can achieve some savings on.

The same thing is true, there's been some proposals to basically not provide for the measured and gradual reductions in end-strength that we've proposed for the Army and the Marine Corps.

Again, if I have a large force, and I don't have the money to maintain that large force, I'm going to wind up hollowing it out because I can't provide the training, I can't provide the equipment.

So that's why, if we're going to reduce the force, then I've got to be able to do it in a responsible way.

The last point I would make is with regard to overhead costs in military healthcare and in compensation.

Again, I understand the concern about that, but if I suddenly wind up with no reductions in that area, I've got to reach some place to find the money to maintain those programs. And that too, somebody's going to pay a price for that.

There's no free lunch here. Every low-priority program or overhead cost that is retained, will have to be offset in cuts in higher priority investments in order to comply with the Budget Control Act.

I recognize that there's no one in this subcommittee that wants to hollow out the force or weaken our defense structure. So I would strongly urge all of you to work with us to reach a consensus about how we achieve our defense priorities recognizing your concerns.

Our job is to responsibly respond to what this Congress has mandated on a bipartisan basis with regard to reducing the defense budget. And I need to have your help and your support to do this in a manner that preserves the strongest military in the world.

#### SEQUESTRATION

Let me just say a few words about sequestration. Obviously, this is a great concern. The doubling—I mean, this would result in a doubling of cuts, another \$500 billion, that would have to be cut through this kind of formulaic, meat-axe approach that was designed into that process.

And it would guarantee that we hollow out our force and inflict severe damage on our national defense. I think you all recognize that the sequester would be entirely unacceptable. And I really urge both sides to work together to try to find the kind of comprehensive solution that would detriquer the sequester, and try to do this way ahead of this potential disaster that we confront.

I know the members of this subcommittee are committed to working together to stop the sequester, and I want you to know



that we are prepared to work with you to try to do what is necessary to avoid that crisis.

The last point I would make is on fiscal year 2012. We have some additional needs that have developed during fiscal year 2012. Just to summarize a few.

With regard to fuel costs. Because of the increase in fuel costs, we're facing almost another \$3 billion in additional costs with regard to that area. Obviously, if the price goes down, that will provide some relief, but right now, that's the number that we're facing.

We've also had the closure of these ground lines, the so-called ground lines of communication (GLOCs) in Pakistan. And the result of that is that it's very expensive because we're using the northern transit route in order to be able to drawdown our forces and also supply our forces.

I think the amount is about \$100 million a day—a \$100 million a month because of the closure of those GLOCs.

Iron Dome, a system that we're trying to provide for the Israelis, is another additional cost that we would like to be able to provide. And also, we have had to provide additional forces in the Middle East because of the tensions in the gulf.

And so because we've increased both our naval and land forces there, those are additional costs as well.

So we've got some unbudgeted needs that we would ask for your support. I'll present to you an omnibus reprogramming request, and we hope to work with you to resolve these issues in the current fiscal year and do what the American people expect of all of us to be fiscally responsible in developing the force we need, a force that can defend the country and defend our Nation and support the men and women in uniform that are so important to the strongest military in the world.

These last 2 weeks, I had the opportunity to travel throughout Asia Pacific, and I consulted with a lot of our key allies and partners. I think they're very receptive of the strategy that we're proposing and are enthusiastic, certainly about our engagement in the region.

#### PREPARED STATEMENT

And I think I've been able to reassure our allies and partners, that we have a strategy-based approach to dealing with national security. I come from this institution of the Congress, and I have great respect for you and for this institution.

And I look forward to a partnership here to try to develop the approaches that are going to be necessary if we're going to meet our responsibilities to national security and fiscal responsibility at the same time.

Thank you.

[The statement follows:]

#### PREPARED STATEMENT OF LEON E. PANETTA

Chairman Inouye, Senator Cochran, and members of the subcommittee. I appreciate the opportunity to appear before you to discuss the President's fiscal year 2013 budget. I also want to address the looming problems associated with sequestration as well as our budgetary situation in fiscal year 2012.

But let me begin by first thanking you for your support for our servicemembers and our military families, including your responsiveness to the urgent needs of our

men and women in the battlefield over the last decade of war. Our brave men and women, along with the Department's civilian professionals who support them, have done everything asked of them and more.

#### DEFENSE STRATEGY REVIEW

The fiscal year 2013 budget request for the Department of Defense (DOD) 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 for overseas contingency operations (OCO).

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, the Congress passed the Budget Control Act of 2011 (BCA), 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 United States 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 the commitments made at Lisbon and reaffirmed last month at the North Atlantic Treaty Organization (NATO) summit in Chicago. 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 and North Africa;
- 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.

#### STRATEGY TO FISCAL YEAR 2013 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 and to do our share of deficit reduction, recognizing that no country maintains its military might if its economy is weakened. We are determined to not break faith with troops and their families, to not “hollow out” the force, to take a balanced approach to budget cuts, and to put everything on the table. 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 have presented to the Congress. Consistent with title I of the Budget Control Act, this budget reflects \$259 billion in savings over the next 5 years and \$487 billion over the next 10 years compared to the budget plan submitted to the Congress last year. Under the 5-year budget plan, the base budget will rise from \$525 billion in fiscal year 2013 to \$567 billion in fiscal year 2017. 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 one-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 fiscal year 2012 budget proposed more than \$150 billion in efficiencies between fiscal year 2012 and fiscal year 2016, and we continue to implement those changes. This budget identifies about \$60 billion in additional savings over 5 years. Across the military services, new efficiency efforts over the next 5 years include:

- The Army proposes to save \$18.6 billion through measures such as streamlining support functions, consolidating information technology (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 5 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 5 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 is requesting that the Congress authorize the base realignment and closure (BRAC) 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 to 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.

#### *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 intelligence, surveillance, and reconnaissance (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 5 years.

These adjustments include:

- gradually resizing the Active Army to 490,000, eliminating a minimum of eight brigade combat teams (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; and
- 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 year 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 6 percent compared to the enacted level in 2012, even though the overall base budget will decline by 1 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.

*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; and
- restores Army and Marine Corps force structure in the Pacific after the draw-down 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 fiscal year 2013, and a total of \$3.9 billion over the next 5 years, for enhancements to radars, sensors, and electronic warfare capabilities needed to operate in these environments.

Other key power projection investments in fiscal year 2013 include:

- \$300 million to fund the next generation Air Force bomber (and a total of \$6.3 billion over the next 5 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 fiscal year 2013 for the procurement of an additional 26 F/A-18E/F Super Hornet aircraft;
- \$1 billion in fiscal year 2013 for the procurement of 12 EA-18G Growler aircraft, the Navy's new electronic warfare platform that replaces the EA-6B; and
- \$38 million for design efforts to construct an Afloat Forward Staging Base planned for procurement in fiscal year 2014. This base can provide mission support in areas where ground-based access is not available, such as countermine operations, Special Operations, and ISR.

*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 United States presence elsewhere in the world.

To that end, this budget makes key investments in NATO and other partnership programs, including:

- \$200 million in fiscal year 2013 and nearly \$900 million over the next 5 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 fiscal year 2013, and \$47.4 billion over the next 5 years, to develop and deploy missile defense capabilities that protect the U.S. homeland and strengthen regional missile defenses;
- \$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 fiscal year 2012 legislation;
- \$401 million for the Medium Extended Air Defense System (MEADS). These funds are necessary to complete the Proof of Concept program that was agreed to between the United States, Italy, and Germany. Completing the Proof of Concept fulfills an important obligation to our international partners, lays the groundwork for strengthened NATO air defense, and will provide demonstrated technologies to enhance U.S. air defense capabilities in the future.

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; and
- 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.

*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 fiscal year 2017 joint force will consist of:

- an Army of more than 1 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 fiscal year 2018), 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; and
- 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.

*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 fiscal year 2013 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–19 combat air patrols with a surge capacity of 85 by fiscal year 2016. 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 strongly believes that congressional action is needed on cyber legislation and is supportive of the bipartisan legislation introduced by Senators Lieberman, Collins, and Rockefeller; and
- 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 Future Years Defense Plan (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 2 years for affordability and management reasons; and
- \$0.8 billion in savings from delaying selected Army aviation helicopter modernization for 3 to 5 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 noncommissioned officers. 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 10 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 5 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 5 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 decisionmaking 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 fiscal year 2013 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 servicemembers and their families.

One of the guiding principles in our decisionmaking 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 3 percent.

This budget contains a roadmap to address the costs of military pay, healthcare, 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 servicemembers. 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 healthcare—a cost 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 healthcare fees, copays, and deductibles to be phased in over 4 to 5 years. None of the fee proposals in the budget would apply to active-duty servicemembers, survivors of servicemembers who died on Active Duty, or retirees who retired due to disability. Most of the changes will not affect the families of Active-Duty servicemembers—there will be no increases in healthcare fees or deductibles for families of Active-Duty servicemembers. 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 copays in a manner that increases incentives for use of mail order and generic medicine; and
- indexing fees, deductibles, pharmacy copays, and catastrophic caps to reflect the growth in national healthcare costs.

These changes are important. I am therefore disappointed that the Authorization Committees did not support the proposed TRICARE fee initiatives that seek to control spiraling defense healthcare costs. We also feel that the fair way to address military retirement costs is to ask the 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 fiscal year 2013 request of \$88.5 billion. That funding level represents a decrease of \$26.6 billion from the fiscal year 2012 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 fiscal year 2013 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 fiscal year 2013, 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 United States surge force to redeploy by the end



of September 2012, leaving 68,000 United States troops in Afghanistan at that time. The fiscal year 2013 OCO request assumes a continued level of about 68,000 troops in Afghanistan. While future changes in troop levels may be implemented during fiscal year 2013, 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, counterproliferation, maritime security, and air defense. This funding is critical for the United States to strengthen its long-term partnership with Iraq. Additionally, to ensure that United States 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 subcommittee, the fiscal year 2013 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.

As the fiscal year 2013 budget request has worked its way through the relevant Committees, I am pleased to note that many of our changes have been sustained. In particular, most Committees have accepted a number of the investment changes we recommended, which are consistent with our new defense strategy and the budgetary limits imposed by the Budget Control Act.

However, some Committees of Congress have not supported certain choices that are critical to the long-term viability of a defense strategy that lives within the constrained resources of the Budget Control Act. For example, some Committee bills are seeking to reverse decisions to eliminate aging and lower priority ships and aircraft. If these decisions are totally reversed, it would be harder to invest in newer, multipurpose, and higher priority platforms for the future, and we would be burdening the services with excess force structure that would risk hollowing out the force.

There has also been opposition to the measured and gradual reductions in end strength we have proposed for the Army and Marine Corps. The Department has made it clear that we prefer a smaller ready force to a larger force that lacks sufficient training and equipment to perform the mission assigned to it. If we are prevented from making the full-planned reductions in the size of our ground forces, that's what we'll get.

Similarly, some bills would reverse our efforts to slow overhead costs, particularly by slowing the growth of military healthcare costs. By making it harder to get these costs under control, the Congress is making it more difficult to balance and maintain investments in readiness and equipment, which is essential to the overall health of the All-Volunteer Force.

In reversing difficult decisions and restoring funds to those areas that achieve necessary savings, the Congress risks upending the careful balance we have sought to achieve in our strategy.

There is no free lunch here. Every low-priority program or overhead cost that is retained will have to be offset by cuts in higher priority investments in order to comply with the Budget Control Act.

I know that this subcommittee does not want to hollow out the force. Therefore, I would strongly urge the Congress to work with us to reach a consensus about our defense priorities, recognizing your concerns. Obviously, our job is to responsibly respond to what this Congress mandated, on a bipartisan basis, with regard to reducing the defense budget. 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.

Now that we have seen the sacrifice involved in reducing the defense budget by almost half \$1 trillion, I want to remind the Congress 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 could hollow out the force and inflict severe damage on our national defense. All of us recognize that sequester would be entirely unacceptable, and both sides and both chambers in the Congress must work urgently to find a compromise that will allow us to head off this disaster.

I know that the members of this subcommittee are committed to working together to stop sequester, and to ensuring that our men and women in uniform have the resources they need to perform the hard work of defending this country.

FISCAL YEAR 2012 BUDGET SITUATION

On that note, let me close by pointing to some difficult budgeting problems for fiscal year 2012 that will require your help and support to solve. Our fiscal year 2012 budget was prepared several years ago. Changes in funding needs since then have resulted in shortfalls and excesses in particular areas.

To start, we have a significant shortfall in fuel funding for fiscal year 2012. The situation will improve if fuel prices remain at current lower levels, but the shortfall will still be substantial.

There are also additional Army manpower costs due to greater Reserve mobilizations than expected, Navy OCO operating costs that are higher due to the need for more ships than planned for Afghanistan support, Air Force flying hours that exceeded projections, and Army OCO transportation costs that are higher due to closures of ground lines of communications (GLOC) in Pakistan.

In terms of excesses, we know that our budgets for the Afghan Security Forces Fund (ASFF), both for fiscal year 2011 and for fiscal year 2012, are higher than are needed to provide full support to the Afghanistan National Security Forces.

We need the Congress to permit us to realign funds to meet our shortfalls. As a start, on June 1 we asked for authority to move \$1 billion from the category for ASFF funding to the defense working capital fund. This will enable us to maintain cash reserves while paying higher fuel costs.

Thank you for approving our request which represents a first step toward resolving our fiscal year 2012 budgetary problems. Remaining issues will be addressed by an omnibus reprogramming request which we plan to submit for your review around the end of June.

As part of our efforts to confront fuel costs and also enhance our war-fighting capabilities, we are looking to make our installations and operations more fuel efficient and to diversify our energy sources, including with alternative fuels. I oppose efforts by the Congress to limit the Department's options for using alternative fuels. These efforts could deprive commanders of the flexibility they need to meet tactical and operational needs and make us more exposed to potential supply disruptions and future price volatility of petroleum products.

I will work closely with you to resolve these issues for the current fiscal year, and 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 force that supports our men and women in uniform, and a force that is, and always will be, the strongest military in the world.

Over the past 2 weeks, I had the opportunity to travel extensively throughout the Asia-Pacific region, where I consulted with key Allies and partners and explained our new defense strategy both publicly and privately. I was struck by the enthusiasm and the support for America's continued engagement in that region, and the reassurance that our Allies and partners felt by the strategy-based approach we are taking to our national security.

This trip has convinced me that we are on the right track, but I recognize that we are still at the very beginning of a long-term process that will unfold over the next decade and that we must continue in future budget requests.

With our fiscal year 2013 budget, we have laid the groundwork to build the military we need for the future. But we need to work with the Congress to execute this strategy, and that means implementing the proposals we have presented this year, and pushing ahead with the hard work of maintaining the strongest military in the world and meeting our fiscal responsibilities.

Chairman INOUE. Mr. Secretary, I thank you for your candid and painful testimony. May I now call upon General Dempsey.

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

General DEMPSEY. Thank you, Chairman, Senator Cochran, and distinguished members of the subcommittee: Thank you for this opportunity to discuss the President's defense budget proposal for fiscal year 2013.

This budget represents a responsible investment in our Nation's security. It maintains our military's decisive edge, and it sustains

America's global leadership. Moreover, it keeps faith with the Nation and the true source of our military strength which is, of course, America's sons and daughters who serve in uniform.

I'd like to open with a few words about them and their accomplishments. In just this past year, our soldiers, sailors, airmen, and marines further crippled al Qaeda. They brought to a close more than 20 years of military operations in and over Iraq.

They continued the steady transition of security responsibility in Afghanistan. They helped protect the Libyan people from a regime's brutality, and they helped Japan recover from a tragic natural disaster.

They also worked professionally and quietly behind the scenes defending against cyber threats, sustaining our nuclear deterrent posture, and working with allies and partners around the globe to build capacity and prevent conflict.

They didn't just do it last year. They've been doing it year after year after year. During a decade of continuous combat, our service men and women and their families have persevered and prevailed.

It is a genuine pleasure and honor to serve with each and every one of them. They remain a great source of pride for our Nation. We need to keep faith with them just as they work to keep faith with the Nation.

#### DEFENSE BUDGET

One way to do this is by making sure our defense budget is informed by a real strategy. This past January, we released a new defense strategy that reflects the lessons of war and anticipates a more competitive security environment in the future.

It also acknowledges the realities of the new fiscal environment. It sets priorities for investment and it establishes a strategic focus. This budget resources that strategy.

It ensures we retain our conventional overmatch while divesting capabilities not required in the Active Force or at all. It takes advantage of emerging capabilities as the Secretary said such as Special Operating Forces, intelligence, and cyber.

It restores versatility and readiness. Overall, it's an important stepping off point on our path toward the joint force we assess we will need in 2020, a military that is always ready to provide options for the Nation.

Keeping faith also means appropriate compensation for our troops. This budget proposes modest reforms to military pay and benefits. However, it does not place the burden of budget cuts on the shoulders of our men and women in uniform.

There are no freezes or reductions in pay, and there is no decrease in the quality of healthcare received by our active-duty members and medically retired wounded warriors.

That said, we can't ignore some hard realities. We need practical reform to deal with escalating personnel costs, particularly in healthcare. We must make our healthcare system more sustainable. Otherwise, we risk both the quality and the continuity of care. We can ensure its viability in ways that are fair and modest.

Last, keeping faith also means managing risk to our interests and to our institutions. To be sure, we are assuming some risk in this strategy. All strategies in all budgets that resource them have

to accept some risk. That risk is not in what we can do, but in how much we can do and how often.

The budget helps buy down that risk by investing in our people and in the joint capabilities we need most. We have achieved balance in this budget.

Keep in mind, please, that this is a budget for a joint force. It should not be thought of as a set of separate service budgets but as a comprehensive and carefully devised set of choices; choices that reflect the right mix among force structure, modernization, readiness, pay, and benefits.

Different choices will produce a different balance. So before giving us weapons we don't need, or giving up on reforms that we do need, I'd only ask you to make sure it's the right choice, not for our Armed Forces but for our Nation.

#### SEQUESTRATION

Sequestration is absolutely certain to upend this balance. It would lead to further end-strength reductions, the potential cancellation of major weapon systems, and the disruption of global operations.

We can't yet say precisely how bad the damage would be, but it is clear that sequestration would risk hollowing out our force and reducing its military options available to the Nation.

We would go from being unquestionably powerful everywhere to being less visible globally, and presenting less of an over match to our adversaries. And that would translate into a different deterrent calculus, and potentially therefore, increase the likelihood of conflict.

#### PREPARED STATEMENT

In closing, I offer my sincere thanks to this subcommittee and to the entire Congress of the United States. 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 will serve, I know you share my pride in them. I look forward to your questions.

[The statement follows:]

#### PREPARED STATEMENT OF GENERAL MARTIN E. DEMPSEY

Chairman Inouye, Senator Cochran, and distinguished members of the subcommittee: It is my privilege to update you on our Armed Forces and 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. We have new defense guidance that sets strategic priorities. And we are 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.

Our U.S. Forces in Iraq completed their mission in December. More than 20 years of military operations in and over Iraq came to a 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 the face of the United States in Baghdad. To be sure, Iraq still faces challenges to its 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. The Taliban are less capable, physically and psychologically, than they were 2 years ago. Afghan and International Security Assistance Forces (ISAF) have wrested the initiative and momentum from them in much of the country. The Taliban, however, remain determined and continue to threaten the population and the Government. Combat will continue.

Key to long-term stability in Afghanistan is the development and sustainability 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 ever-more-capable Afghan local police, are steadily assuming responsibility for Afghan security. The process of transition began last July, and after nearly completing the second of five "tranches" of transition, Afghan security forces are now responsible for the day-to-day security of almost one-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 withdrew more than 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 75 percent of the Afghan population. They are on track to meet the goal of assuming lead for security in mid-2013 and full responsibility for security throughout Afghanistan 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.

The recent North Atlantic Treaty Organization (NATO) Summit in Chicago affirmed an international commitment to dealing with these challenges. Together, we will work to strengthen Afghan institutions through the end of 2014. And 2015 will mark the beginning of a decade-long commitment to solidify our relationship with and support to the Afghan Government and people.

Our military has been vigilant and active in other areas and with other missions to keep America and our allies safe. We decimated al Qaeda and pushed this terrorist network decidedly closer to strategic defeat. We supported NATO in its United Nations (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 a 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 2 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 that may have atrophied. And, we will have to do all of this in the context of a security environment that is different than the one we faced 10 years ago. We cannot simply return to the old way of doing things, and we cannot ignore 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 healthcare. 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. We must reverse the disturbing, continuing trend of increasing suicides. 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 in January. 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 5 years and a total of \$487 billion over the next 10 years. This savings does not portend 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 broad and decisive military options will diminish.

It is worth addressing head-on some of the major changes we are planning. These changes must be viewed in the context of our evolving force. They represent a comprehensive package of decisions that strike a careful 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 makes 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.

Of these, cyber represents both a potent capability and real vulnerability. The threats emanating from cyberspace have evolved faster than many could have imagined. This budget allows for us to expand many of our nascent cyber capabilities and to better protect our defense networks. Similarly, bipartisan cyber legislation under consideration in the Senate 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 on cyber with agencies across the Government and with our allies and partners.

While some additional capabilities for our Joint Force will be needed, others will not. The budget divests some outdated ships, planes, and equipment, particularly single-function systems. Each year that we delay retiring unneeded systems adds several years of additional costs. And, it hampers our ability to achieve the desired mix of military capabilities.

Moreover, 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 more than 202,100 to 182,100 by the end of fiscal year 2016. Some of this reduction was planned several years ago when the Congress authorized temporary end strength increases to support our operations in Iraq and Afghanistan.

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 assigned mission. We will be realistic about the organizations we keep, while also maintaining our ability to reconstitute and mobilize forces. This means retaining capacity in our Reserve components and our industrial base. 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 quality of healthcare 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.

To control the growth of healthcare costs, we are also recommending changes to TRICARE. These adjustments include modest, new or phased-in increases in healthcare fees, copays, and deductibles largely for our retirees—but not our active-duty servicemembers. These increases would help ensure TRICARE remains one of the finest medical benefits in the country. Each year we delay addressing rising healthcare costs puts further strain on readiness and modernization which are critical to the health of the future force.

The result of these changes 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—even where it is contested—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.

Overall, these 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 in the world.

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. But like all strategies, it also accepts some risk. 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 believe they are acceptable. In fact, we will face greater risk if we do not change from our previous approaches. I am convinced we can properly manage this risk by ensuring we keep the force in balance, invest in new capabilities, and preserve strong Reserve components.

Our ability to manage this risk would be undermined by changes to the budget that disrupt its carefully crafted balance. Sequestration would do this. It could have serious effects on our readiness and disrupt essential programs and contracts. We cannot predict precisely how bad the damage would be, but it is clear that sequestration would reduce the military options available to the Nation.

## CONCLUSION

In the upcoming year, our Armed Forces will build on the past year's achievements, adapt to emergent challenges, seize new opportunities, and provide for our common defense. We will continue to face threats to our security, whether from aggressive states or violent non-state actors. Our Joint Force will be ready, 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's 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, multiyear plan they support. We ask the Congress to support this budget while working to avoid the deep cuts that sequestration would impose.

I thank this subcommittee, 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.

Chairman INOUE. Thank you very much.

Mr. Secretary, your description of sequestration I believe is a candid, but frightening one. You've indicated that you would reduce training at a time when you should be increasing training.

It would mean deferral of maintenance of equipment, and it's getting pretty bad. You have fewer purchases of aircraft and ships. There's something else you didn't mention, and I'd like to have your comment on that.

This sequestration, coupled with projected discretionary defense spending, could add 1 percent to the national unemployment rate from job losses in Government, military, and the private sector within the defense industrial base.

Does that description make sense?

Secretary PANETTA. Mr. Chairman, I think that is the estimate that we've seen in terms of the impact that would have.

Now, you know, again, I just stress, look, the Defense Department is not a jobs program. It's a program to defend the Nation. But clearly, that kind of sequestration cut across the board would have a serious impact not only on men and women in uniform but on our personnel and the contractors who serve the Defense establishment.

Chairman INOUE. When you speak of deferral of maintenance of equipment, can you give us something beyond that?

## SEQUESTRATION

Secretary PANETTA. Yes, let me have Bob Hale, our comptroller, speak to that.

Mr. HALE. Mr. Chairman, we haven't done a detailed plan, but I think one of the options we would have to look at is cutbacks in depot maintenance and that would mean we would push out the availabilities of ships, for example, or planes.

We would try to do it in a sensible manner, but I think it inevitably would delay some of the maintenance activities. I can't give you details, but I think that's an almost inevitable result of sequestration.

Secretary PANETTA. I mean, the way the formula works under sequestration is it takes a percentage across the board out of every area of the Defense budget. And it means that, you know, it's almost about a 20-percent cut in a weapon's system.



It would be a 20-percent cut with regard to training equipment. It would impact on every area of the Defense budget. That's the way it was designed. It was designed as a meat axe. It was designed to be a disaster, because the hope was, because it's such a disaster, that the Congress would respond and do what was right.

And so I'm just here to tell you, yes, it would be a disaster.

Chairman INOUE. Now, the across-the-board cut that you've indicated will not impact upon pay and health programs. Anything else?

Secretary PANETTA. It would.

Mr. HALE. The President has the authority, Mr. Chairman, to exempt military personnel. He'll have to decide whether he does that. If that were the case, then it won't affect military personnel.

But the other accounts would have to be cut by larger amounts so that the total remains the same. It would affect our ability to pay healthcare. It's in a separate account. And as the Secretary said, it gets its meat-axe share of this cut, and we would face a serious problem of potentially not being able to pay all our TRICARE bills, for example.

General DEMPSEY. Mr. Chairman, could I add something?

Chairman INOUE. Please do.

General DEMPSEY. Because it's important also to note that overseas contingency operations (OCO) is now subjected to sequestration. That would roughly be about \$8 billion. And of the \$88 billion or so, \$88.5 billion that we've requested to sustain our operations globally, mostly in the gulf region.

But we have to fund that. So that money will have to be taken, will have to come to you for some reprogram activity to move money from base to cover those war-related costs.

That in combination with the potential freeze in the manpower account, in other words, exempting manpower, means that a service chief, and I was a service chief, can only go back to find this money to about three places, training, maintenance, and modernization.

That's it. There's no magic in the budget at that point. And those three accounts will be subjected to all of the cuts mandated by sequestration.

Mr. HALE. May I add one more point, Mr. Chairman?

I would not look at reprogramming as a way to solve this problem. We have some legal limits. Unless you change them on the amount we can reprogram, and we wouldn't have the authority to offset all of those changes, at least not readily, in OCO, without some major changes.

So we could do some, but they'll be very little flexibility if this goes into play or into effect as it's currently designed.

Chairman INOUE. Thank you very much.

Before I call upon my colleagues, I'd like to note that because of the good attendance, we will have to limit the questioning period to 5 minutes.

With that, Senator Cochran.

SHIPS

Senator COCHRAN. Mr. Chairman.

Let me ask you, Mr. Secretary, what your impression is of the need for amphibious ships?

We've heard that the Navy and Marine Corps have determined a minimum force of 33 amphibious warships is the limit of acceptable risk in meeting the amphibious force requirement.

What's your assessment of the risk that we are assuming, if any, with our current shipbuilding plan as proposed and requested for funding by the Department?

Secretary PANETTA. I'll ask General Dempsey to comment as well.

But one of the things I'm really trying to do is to maintain our industrial base in the Defense Department. If we lose more shipyards, if I lose, more of the industry that supports our Defense Department, it makes it very difficult to mobilize in the future.

And so my goal is to try to design a budget here that maintains the shipyards that we have, that maintains the industrial base that supports our defense system.

On the amphibs, the reason they're important is because of the agility issue that I talked about, because we are going to have a smaller force. These ships allow us to be very agile, to be quickly deployable, to be able to move quickly if we have to.

And that's the reason that we want to maintain those as part of our Defense structure.

General DEMPSEY. And just to add, Senator, the number that you cited as based on the existing war plans and a particular phase in which the amphibious warship capability is under most stress.

And what we're doing as a result of our defense strategy is we're opening up our operation plans in concept format (CONPLANs) or our operation plans (OPLANs) to look at the assumptions we made, and to see if we can adjust the way we conduct operations in order to mitigate that risk.

And at this point, the commandant and I are content that the budget proposal and the number of amphibs in that budget proposal are adequate to the task. But it means we'll have to adjust the way in which we conduct operations.

Senator COCHRAN. Well, there's a suggestion that the current 30-year shipbuilding plan projects an inventory that will fall to 28 ships in fiscal year 2015.

And I wonder, General, if this is below the level required by the Department, and whether or not this is an increase in the assumption of risk? Do we need to revise that upward? What do you suggest we do when we review the requirements being submitted by the Marine Corps and the Navy?

General DEMPSEY. What I'd ask to do, Senator, is take that question for the record, because there is a bit of it that would cross over into classified information related to war plans, but I'd be happy to answer that for you.

[The information follows:]

Each year, the combatant commanders submit force requirements to my staff, which include capabilities that reside in all Services. Some of these requirements routinely exceed the Services' capacity to meet them. Within the Navy, this includes not only demand for amphibious platforms, but also aircraft carriers, cruiser/destroyers, coastal patrol boats, and frigates. The strategic risk associated with these capacity shortfalls is balanced among the combatant commanders based upon Secretary of Defense policy and guidance, which reflect the National Military Strategy.

Specific to the issue of amphibious ship capacity, the Navy remains committed to providing 30 operationally available amphibious ships to meet Naval amphibious ship demand. With some risk, 30 amphibious landing ships can support a two-Marine Expeditionary Brigade (MEB) forcible entry operation. This force accepts risk in the arrival of combat support and combat service support elements of the MEB, but this risk is appropriately balanced with the risk in a wide range of other important warfighting requirements within today's fiscal limitations.

Navy can achieve this operational availability goal by sustaining an inventory of about 32 amphibious ships in the mid- to long-term. The 32-ship amphibious force being procured to meet this need will optimally be comprised of 11 landing helicopter assault (LHA/D), 11 landing platform/dock (LPD) 17 and 10 landing ship, dock (LSD). To support routine forward deployments of Marine Expeditionary Units (MEUs), the amphibious force will be organized into nine, three-ship CONUS-based Amphibious Ready Groups (ARGs), and one four-ship ARG based in Japan, with an additional big-deck amphibious ship available to support contingency operations worldwide. Two LSDs will be taken out of commission and placed in reserve status allowing Navy to reconstitute an 11th ARG as required in the future, or to build up the number of ships in the active inventory, if necessary.

Senator COCHRAN. Thank you. Thank you, Mr. Chairman.

Chairman INOUE. Thank you very much. Senator Leahy.

Senator LEAHY. Thank you, Mr. Chairman.

Secretary Panetta and General Dempsey and Mr. Hale, thank you for being here. I appreciate the chance we had to talk before the hearing.

One thing I didn't mention then was something you're well aware of, that during the last 10 years, we've depended more than ever on our Guard and Reserve.

And, Secretary Panetta, I appreciate what you said during your testimony. I know we could never have supported two simultaneous wars without men like you.

General Dempsey, anytime I've visited areas where we're in combat, you don't see a difference between the Active Guard and Reserve. They're all out there doing their job, putting their lives on the line.

#### AIR FORCE BUDGET

I think your strategies echo this reality from the President's guidance in the last Quadrennial Defense Review (QDR). As a result, it surprised many of us in the Congress, including Senator Graham and I as co-chairs of the Guard caucus, when the Air Force presented a fiscal year 2013 budget plan that disproportionately cut the Guard.

I know there will be cuts and we all understand that, but it appeared here that you were going after your least expensive manpower to save money. That did not make a lot of sense, especially since manpower costs are more and more of the defense budget as you said.

So I don't know how you shrink the Guard and maintain a ready and capable force. So my question is, does DOD stick with its earlier strategies to increasingly depend on the Guard and Reserve, or is there an alternative?

Because the Air Force budget does not appear to follow that idea.  
Secretary Panetta.

Secretary PANETTA. Senator, you know, again, what the Air Force was asked to do is based on the new strategy, try to develop an approach that provided a kind of multimission support for the force.

And, as a result of that, made decisions with regards to some areas that could be reduced in order to achieve obviously the savings that we were required to achieve.

I recognize, you know, the controversy involved here because it impacts on constituencies, it impacts on the Guard.

Senator LEAHY. I'm afraid it impacts on readiness too. That's my biggest concern.

Secretary PANETTA. Yes, I understand that.

But, you know, obviously, we don't want to take it out of the Active Force because that is a force that's there ready to deploy quickly.

What I've suggested is to try to see if there's a way that we can work to provide some restoration. So I think I suggested putting some additional 130s back in place to try to assist some of these areas with regards to the impact that might be there.

Let me just say this for the record. I'm fully prepared to work with this subcommittee and to work with the staff of this subcommittee to try to see if there's a way to do this that can minimize the impact, but at the same time, hopefully achieve some of the necessary savings that we have to do in order to achieve it.

Senator LEAHY. I hope you will. And you've worked with Senator Graham and me in the past on these issues. I know we can again.

On another matter related to the budget, I was one of those on the subcommittee who opposed the Iraq war from the very start. President Obama also did. I opposed it because I didn't think it was the right decision for our national security. And we basically ran that war on a credit card.

Now we're making decisions how we address the national deficit. It is not just sequestration. We voted earlier, the majority of us did, that sequestration should happen only if we were unable to reach consensus on deficit reduction.

The understanding was we would put everything on the table. But now we find people who are calling for more military action in other parts of the world. At the same time, they do not want to consider any way of paying for it, unlike what we've always done in the past.

What would be the impact of going to war again without committing to pay for that war with upfront taxes, something we did not do in either Iraq or Afghanistan, for the first time in the history of the country?

Secretary PANETTA. Well, obviously, if we repeated the mistake of not paying for the war that we decide to engage in, whatever that might be, the result would be that you would simply add more to the deficit and to the debt of this country for the future. You just put that burden on our kids for the future.

And, you know, look, I think we always have to be careful when you make the decision to put our men and women in uniform into harm's way. That's number one.

But number two, if that decision is made, then I think for the sake of the country, it's important that we recognize the costs that are involved and that, frankly, all of us bear some responsibility to pay those costs if we're willing to engage in war.

Senator LEAHY. Thank you very much. Thank you, Mr. Chairman.

Chairman INOUE. Thank you.

Senator HUTCHISON.

Senator HUTCHISON. Thank you, Mr. Chairman. And thank you for your service, all three of you.

#### NORTH ATLANTIC TREATY ORGANIZATION

Secretary Panetta, since the end of the cold war, North Atlantic Treaty Organization (NATO) has grown from 16 to 28 members, and yet we know that the threat of a Soviet invasion into Europe has virtually disappeared, with only five alliance members spending the obligatory standard of 2 percent of their Nation's gross domestic product (GDP) on defense.

And several countries as we know refused to participate in combat assignments or limit what they will do.

We're contributing 23 percent of the military construction (MILCON) for NATO which is approximately \$254 million this year alone. And then virtually the same amount of percent of expenditures for operations of NATO.

My question is, are you looking at the NATO alliance and determining if it is serving the function for which it was intended, and if there is a commensurate effort by all of the members? Or whether, perhaps, we are paying more than our fair share for what we are getting in return?

Secretary PANETTA. Senator, you've raised a legitimate concern here, you know, with regards to the responsibility of NATO nations to assume a greater responsibility for developing their capabilities and improving their defense posture.

One of the things that came out of the NATO meeting in Chicago was developing greater capabilities for NATO with regards to missile defense, intelligence, surveillance, and reconnaissance (ISR), with regards to other areas, to try to ask them to assume greater responsibilities in those areas.

But I also think as I stated to my fellow defense ministers, we have great concerns because of the budget situation that faces many of those nations in Europe that one of the dangers here is that they'll constantly go back to defense and seek further savings there, which I think would be dangerous.

Right now, for example, when it comes to a NATO deployment, Libya is a good example, I think we provided probably about 60 percent of the support for the forces that went into Libya. Now they tell me that if we were to engage, the United States would probably have to pick up 80 percent of that responsibility.

You know, that's not something that really makes clear to those nations the responsibility they have to be able to develop their own capability. So I think it's very important to continue to stress to those countries that they have to continue to invest in their basic security.

There are some countries that are doing that. There are some countries that are investing well over 2 percent of their GDP in the defense budgets. We commend them for that.

But other countries have to recognize that the last thing that we need right now is for them to do further cuts in the defense budgets that they have because that will put more of a burden on our shoulders in the future.

Senator HUTCHISON. Well, let me just take Germany as an example. And Germany is certainly going through the hard times, and we understand, and they're burdened with regard to the rest of Europe.

But on our side, representing our interests, Germany, in military construction, Germany contributes 7 percent to the infrastructure costs that we would make in their country, as compared, for instance, to Japan, which provides at least 40, and sometimes more, percent.

Germany has refused to contribute any resources into Libya. In Afghanistan, they limit what they will do, and their number of troops has been around 5,000.

Now, the army is planning this year to spend 7 percent of its military construction budget in Germany, that's on top of the NATO part. It will be about \$243 million this year, to build Landstuhl, which is fine, that's a priority of ours. I'm for that.

But the other half, a \$113 million, is for new schools, elementary and high schools. Now, obviously, if our troops are there, we need to furnish the schools that are good.

But my question is, the troops that are there. Are we overspending the military construction for the amount of troops that we have there?

And are we looking at the future on whether, in fact, it might be the rotational forces that you mentioned, is more of the strategy in the Pacific, that maybe we would start doing that in Germany and other places and cut back on this enormous military construction cost?

Secretary PANETTA. I'll ask General Dempsey to comment on this as well.

But we're doing exactly that. We're bringing two brigades home from Europe. One of the things we intend to do is to emphasize more of the rotational presence that we have there, and to be able to do exercises.

We do have some important infrastructure there. It's very important to our deployments to the Middle East and to the war zone, and that's the reason some of that is continuing.

But I think you're right. I think we've got to increase our rotational deployments. We've got to ask them to make a greater contribution to the infrastructure needs to do this.

At the same time, let me make very clear, the NATO alliance is extremely important to our ability to deal with some of the challenges in the world. We can't do it alone.

We've got to be able to have alliances like NATO, be able to work with us in confronting the many challenges that we face in the world.

General DEMPSEY. Yes, we're out of time, Senator.

But what I would offer is a briefing to you on what we consider to be the enormous and important benefits of being part of that alliance. And I know some of them are self-evident.

But we've got initiatives, Baltic Skies, allied ground system, the activities in Kosovo, things that are kind of behind the scenes that we really need to expose to you so that you understand the reason we're still so deeply integrated into the NATO command structure.

And acknowledging your point about their investment and the fact that it's declining. But let's, if I could, take that one as a task.

Senator HUTCHISON. I appreciate it, and thank you, Mr. Chairman.

I do just hope we're looking at an equalization of effort according to the return that we're getting. Thank you.

Chairman INOUE. Thank you.

Senator Mikulski.

Senator MIKULSKI. Thank you very much, Mr. Chairman. Secretary Panetta, General Dempsey, and Mr. Hale.

First of all, we want to welcome you, and we want to thank you for your service.

Mr. Panetta, you came to the House of Representatives in 1976. We came together. We were part of the bicentennial year. And the way we're going, we're going to be here for the tricentennial.

And, General Dempsey, you graduated from West Point just about the time Secretary Panetta and I were getting started in the Congress.

But you two represent close to 70 years, 35 years in each military and through a variety of exemplary civilian posts. So we thank you for your dedication and your service to the country.

And, Mr. Hale, your being here, shows what is often overlooked when we talk about national security, the role of the civilian work force in supporting our military, its commanders, and the Secretary of Defense and the Commander in Chief. So we want to thank the civilian work force.

#### CYBER

I want to raise some questions about new priorities and new threats, acknowledging that Maryland has really a strong military presence from the Naval Academy to Walter Reed, Naval Bethesda, helping those with the wounds of war, to Fort Meade, our new cyber command, the 10th Fleet, Pax River, Andrews, Aberdeen, Cyber Detrick, we're really proud of the presence here.

But I want to go to the issues of cyber. Mr. Secretary, you've said publicly, and even at our debriefings, that you viewed cyber as the potential digital Pearl Harbor.

And, General Dempsey, you, and again, at meetings, briefings and our cyber exercise, talked about the great sense of urgency. Could you talk about what you mean when you say a digital Pearl Harbor?

Do you feel that, as you indicate on page 6 in your testimony, Sir, you have the right money? And do you also have the authorities that you need to do to protect the Nation?

You have here, in addition to the Appropriations chair Senator Inouye and Ranking Member Cochran, but you have the chair of the Intelligence Committee, you have one of the co-authors of the Lieberman-Collins bill.

So we want to make sure that we don't have a digital Pearl Harbor. So could you elaborate on what you meant? Do you have what you need? And should we have a greater sense of urgency in getting some things done, and what would you say they'd be?

And, General Dempsey, I'd like your comments as well, Sir.

Secretary PANETTA. Senator, I appreciate the question.

I think there has to be a greater sense of urgency with regards to the cyber potential, not only now, but in the future.

I think this is a, obviously, it's a rapidly developing area. The reality is that we are the target of, you know, literally hundreds of thousands of attacks every day. It's not only aimed at Government; it's aimed at the private sector.

There are a lot of capabilities that are being developed in this area. I'm very concerned that the potential in cyber to be able to cripple our power grid, to be able to cripple our Government systems, to be able to cripple our financial systems, would virtually paralyze this country.

And, as far as I'm concerned, that represents the potential for another Pearl Harbor, as far as the kind of attack that we could be the target of, using cyber.

For that reason, it's very important that we do everything we can, obviously, to defend against that potential. I feel very good about our capabilities in terms of defending our systems with the help of the National Security Agency (NSA) and their great technological capabilities.

I do think that authorities, and the ability to try to not only, it's not only in the defense sector, it's in the civilian sector, that we have to improve this. And I think that's the area where we have to deal with the additional authorities.

And I think the Lieberman-Collins bill is one that addresses that, and we support the Congress enacting that in order to try to facilitate that capability.

General DEMPSEY. I would just add, Senator, that we've seen the world go from distributed denial of services, you know, just hackers overwhelming a Web site, to incredible intellectual property theft and technology theft, to now destructive cyber.

It's in the open press. And that has all happened in a matter of a few years. And this particular domain, the cyber domain, is changing rapidly.

And so to your question about sense of urgency, I can't overstate my personal sense of urgency about that.

Second, I'd like to pile on to the Secretary in support of the pending legislation that encourages information sharing and takes a good necessary but only first step.

And then, third, I'll tell you on the issue of authorities. The President does have the authorities he needs. What we need to develop are some rules of engagement, if you will, because these things occur at network speed.

This is not something where we can afford to, you know, convene a study after someone has knocked out the east coast power grid. So, we're working on that.

Senator MIKULSKI. So, I know my time is up, but what you say is that you feel that there's enough money in the DOD approach to meet the protection of the .mil.

What gives you heartburn and concern is the protection of .com. Secretary PANETTA. That's right.

Senator MIKULSKI. And as you develop rules of engagement, the Congress now has to really have a sense of urgency at developing the legislative framework, starting with Lieberman-Collins, in the protecting of .com.



Does that sound right?

General DEMPSEY. If I could just, maybe just sharpen that a bit. I don't have any intention of, you know, the .com would include your personal email address. I'm fine with you doing what you do in your own personal email domain.

But I'm concerned about the defense industrial base, and I'm concerned about the critical infrastructure of this country. That's where we should focus our efforts.

Senator MIKULSKI. Thank you very much.

Mr. Chairman, I know my time is up. I have other questions related to military medicine, and if I could, one final note.

#### COMFORT

Mr. Secretary, I wouldn't be the Senator from Maryland if I didn't raise the ship, the *Comfort*. Today's the beginning of our sail, tall ships coming into Baltimore Harbor.

As ancient ships come in, we're saying goodbye to the hospital ship, the USNS *Comfort*. I take no comfort in that. Could you take a look at it and see if I could keep the *Comfort*, or Maryland can keep the *Comfort*.

Thank you.

Chairman INOUE. Thank you very much.

Senator Durbin.

Senator DURBIN. Thank you very much, Mr. Chairman. Mr. Secretary, General Dempsey, and Mr. Hale.

#### BUDGET

Mr. Chairman, you recalled your time in the House of Representatives, and at one point you chaired the House Budget Committee, and I was one of your loyal acolytes.

You set the stage in our budget deliberations for us to reach a balanced budget, which I'm very proud of that achievement, and I know it wasn't easy.

I asked the Appropriations Committee staff to compare spending when our budget was in balance to where it is today, in three categories, using constant dollars, and here's what they came up with.

Going back to 2001, in domestic discretionary spending, there has been zero increase in spending. When it comes to entitlement spending, there has been 30-percent increase in spending since we were in balance.

With the budget we are proposing, the base budget, not the OCO, but the base budget we're proposing for the Department of Defense, it will be a 73-percent increase over what we were spending when we were in balance in constant dollars.

I might also say to you though I think the sequestration clearly hits hard, maybe too hard, and too fast, at the end of the day under sequestration, Defense would end up with the same percentage of the gross national product (GNP) that it had when the budget was in balance.

So my question to you is one to take a step back, perhaps from your role, and go back to your history with the budget. What is a fair number for us when it comes to the defense of this country and security?

I know we need every dollar it takes to be safe. But if we are going to cut back in healthcare and education to provide more money on the military side, isn't that going to have an impact on the men and women who volunteer to serve in our military, and whether they are qualified to serve?

Secretary PANETTA. Well, first and foremost, you know, with regards to the defense budget, I do believe we have to play a role. And the fact is that we're going to be cutting half of \$1 trillion from the defense budget over the next 10 years.

#### SEQUESTRATION

Senator DURBIN. Under sequestration.

Secretary PANETTA. And this is part of—

Senator DURBIN. In addition to sequestration.

Secretary PANETTA. And then if you add sequestration to that, you're looking at another chunk, \$500 billion, on top of that.

So, I think, defense, it does have to play a role. At the same time, I think we have a responsibility, obviously, to protect the strongest military in the world, and to help defend this country.

On the larger issue, Senator, you know this as well as I do, and I think every member of this subcommittee knows it, you're dealing with a very serious deficit issue and debt issue. And you can't keep going back to the same well to try to resolve those issues.

You can't keep going back to domestic spending. You can't keep going back to the discretionary side of the budget in order to solve a multitrillion dollar problem that faces this country.

I mean, if you're serious about taking this on, it's what we had to do, frankly, beginning in the Reagan administration, that's what we did in the Bush administration, it's what we did in the Clinton administration.

If you're serious about taking this on, you got to put everything on the table. You've got to look at mandatory spending. You've got to look at revenues. You also have to look at, you know, how you cap domestic discretionary.

But you're not going to solve this problem with the domestic discretionary budget. You're just not.

Senator DURBIN. May I ask you this question?

#### DEPARTMENT OF DEFENSE CONTRACTORS

When we brought—in the Simpson-Bowles Commission, when we brought the experts in to talk about the Department of Defense and where we might save money, the most startling testimony came when we asked about private contractors who work for the Department of Defense.

The basic question we asked is, how many are there? And the answer was, we don't know. We really don't know.

Estimate somewhere, you know, maybe Governmentwide, some 7 million. There are 2 million Federal civil service employees, to give you some context here.

And when you look at the dollar amounts that are being spent in the Department of Defense for contractors, as opposed to the civilian work force at the Department of Defense, and those in uniform, it is substantially higher.

For many of us, this outsourcing just became a passion, and people stopped asking the most basic question: Is this serving the Nation well? Is it saving us money?

I notice that you are in-sourcing more. You're bringing some jobs back into the Department of Defense. And in your earlier testimony, you said you need to reduce the service support contractors.

So it seems to me that there has been documented waste when it comes to these service contracts. When it comes to the contracts for big ticket items, I will tell you the cost overruns on the F-35 equal 12 Solyndras.

I haven't heard too many press conferences on those, but it's an indication to me that there is money to be saved there, and I know that you would take that personally and want to do it.

How much is built into your cost savings and cuts when it comes to this potential overspending on contractors and cost overruns on projects?

Secretary PANETTA. Well, obviously, on the efficiency front, this is an area of principal focus. We did \$112, or \$125 million last year?

Mr. HALE. On service contracts.

Secretary PANETTA. On efficiencies.

Mr. HALE. \$150 billion.

Secretary PANETTA. \$150 billion last year with regards to those efficiencies. We're adding another \$60 billion on top of that. A lot of that is aimed at trying to reduce the contractors, and to try to gain greater efficiencies there.

Look, I'd be the last one to say that we can't find those savings in the Defense Department budget. We can, and that's what we did.

But the goal is not simply to whack away at it without tying it to a strategy about what kind of defense system do we need for the future in order to protect the country.

As long as we can tie it to that strategy, as long as we can make sense out of how we achieve these savings, then we can achieve, as I said, the \$500 billion in savings that we've been asked to do by the Congress, and we can achieve and be more efficient in the future.

But don't think that Defense alone is going to solve the bigger problem that you're facing in this Congress and in the country.

Chairman INOUE. Senator Harkin.

Senator HARKIN. Thank you very much, Mr. Chairman. Mr. Secretary, welcome back.

#### DISCRIMINATION

I have two kind of disparate issues I wanted to cover with you.

One, last November, we had a short conversation about what I was hoping to be perhaps the next step in breaking down the discrimination against people with disabilities in our country.

And that was allowing people with disabilities to serve in our Armed Forces. We had a unique case of a young man who had gone through Reserve Officers Training Corp (ROTC) in California, had done extremely well in all of his tests, all of his scores and stuff, but was denied entry into the military because he was deaf.

And I reported to you at that time perhaps having a pilot program, of bringing people in to the military, who could add to the defense of this country, who would be exemplary employees, but they might not be able to be the Chairman of the Joint Chiefs of Staff. They may not be a pilot in the Air Force or other things they might not be able to do, but they can do a lot of other things.

And so, since that time, I must tell you that we've had some problems with the Department of Defense in moving ahead on this. You even requested, Mr. Secretary, a briefing on this from people down below, but nothing is happening.

I can tell you that my staff has tried to work on this since the first of this year. Numerous phone calls and meetings have been cancelled. We could never get any response on this about setting up such a pilot program until a couple of days ago when they found out that I was going to ask you about this, and we now have a meeting set up next week, which is fine, I understand all that.

I'm just saying that I know that you were going to look at that. I just think this is one place where again, we've got to break down some of these barriers. There's a lot of people with disabilities that want to serve their country, can serve in the Air Force, Army, Navy, Marines.

They may not be able to do exactly everything that people can do, but they can do within their abilities. They can provide a lot of support. And then I would just ask you, please, once again, to really take a look at this and set up a pilot program.

And, if you can't do it, Mr. Secretary, if you can't do this, if something is prohibiting you from doing that, let me know, and we'll try a legislative approach on it.

Secretary PANETTA. No, I appreciate your leadership on this issue. You've led on this issue for a long time during your career here on the Hill, and I respect it, but, more importantly, I agree with you.

And for that reason, you know, I think we can try to set up a pilot program. I mean, look, right now, when we have wounded warriors, and let me tell you, wounded warriors come out of there with new legs, new arms, and sometimes they're back at duty, and they're doing the job, and they're doing it well.

Senator HARKIN. Exactly.

Secretary PANETTA. So if we can do it for wounded warriors, I think we can reach out and do it for others as well that can be part of it. So you have my assurance, we'll look at something.

Senator HARKIN. I appreciate it. Especially looking at some of these young people that are coming through schools right now and stuff who have a lot of abilities and want to serve.

That was one. The second one had to do with another issue that I briefly raised with you. In Afghanistan, the Department of Defense has been involved in a program of spurring small businesses in Afghanistan.

Obviously, you get people off of the drug business and stuff. And one of that was in the carpet industry. The Afghan law, there's an Afghan labor law. There's U.S. law. There's International Labor Organization (ILO) Convention 182 about child labor, using child labor in this thing.

## INSPECTION SYSTEM

We asked that you work with the Department of Labor, our Department of Labor, on this to incorporate, to use a nongovernmental organization (NGO), in terms of monitoring this and setting up an inspection system, an independent, third-party inspection and verification system to make sure that no U.S. taxpayers' dollars are used to support businesses that employ children in the worst forms of child labor.

Now, we've had some progress in that, but as we tend now, as we're going to turn this over to them, we're not setting up a mandatory verification system, and that bothers me.

So, in other words, we were kind of doing a pretty good job, but now that we're handing it over in our agreement, we're not making an agreement to make sure that they adhere to the independent third-party verification system there.

I know it's a small thing. You got a lot on your plate, Mr. Secretary. You're talking about all of our budgets and stuff like that, but to me, this is just again, one of those areas where we can do a lot of good while also supporting an industry in Afghanistan.

And, again, I would ask you to look at those contracts that we have to safeguard that verification, and that third-party verification system in Afghanistan.

Secretary PANETTA. I know we're aware of your concerns in this area. Let me ask Bob Hale to comment on that.

Mr. HALE. Senator Harkin, I think you're referring in part at least to some contracts through the Task Force for Visits and Stability Operations.

Senator HARKIN. That's the name.

Mr. HALE. They did do some delays trying to make sure that there were appropriate safeguards on child labor. It's a difficult area to work in, a country that has different rules and standards than we do.

Senator HARKIN. No, there's an Afghan law.

Mr. HALE. Say again?

Senator HARKIN. There's a law in Afghanistan. We just want them to adhere to their own law, that's all.

Mr. HALE. Okay. I hear you. They are aware of the concerns, and I think they have made some steps in the right direction, but I promise you, I'll go back and make sure that we're doing all we can.

Senator HARKIN. Thank you. If you could just give me a point person to work with in your office down there, because my staff and I know this pretty well, and we know what needs to be done in terms of that verification. That's the big sticking point.

Mr. HALE. Okay. We'll do that.

Senator HARKIN. Thank you. Thank you, Mr. Chairman.

Chairman INOUE. Thank you very much.

Senator COLLINS.

Senator COLLINS. Thank you, Mr. Chairman.

First, let me thank my colleague from Maryland for bringing up the very important issue of cyber security. She along with Senator Feinstein, Senator Lieberman, Senator Rockefeller, and I have been working very hard and agree that it's absolutely critical that

we set standards for critical infrastructure, and that that has such important consequences.

And I very much appreciate the endorsement of our efforts that I heard this morning. I also appreciate, Mr. Secretary, your urging as to act sooner rather than later to avert what would be the disastrous consequences if sequestration were allowed to go into effect.

I think it would be a huge mistake for us to wait until the lame duck, that's too late, and we do need to tackle that issue now. We really do.

And I think it would help if you provide us with even more detail, and I know the Armed Services Committee has asked for that.

#### SHIPBUILDING

Let me turn to another issue that refers to our priorities. As I review the Department of Defense's budget, I'm very concerned that the ship building account is significantly undervalued.

Shipbuilding represents a mere 2.2 percent of the budget requested by the Department of Defense. Sixteen ships were eliminated or delayed outside the 5-year budget window.

And just to put this in perspective, our country currently spends as much on interest payments on the national debt every month than we do for shipbuilding in the entire year.

Further, the executive branch as a whole spends slightly more than the equivalent of the entire shipbuilding budget, \$15 billion a year, on Federal agency travel and conferences.

Now, I know the administration's trying to address travel and conferences, but that really says something about our priorities.

I'm concerned that the combatant commanders have testified repeatedly about the increasing importance of the maritime domain and their areas of responsibility.

I recently returned from a conference in Southeast Asia, and I know Secretary Panetta, you were over there as well, in which I heard about China's aggressiveness in the South China Sea, and its maritime claims, its harassment of vessels from the Philippines, for example.

The importance of our Navy and to our ability to project power, particularly with the pivot to the Asia Pacific region, cannot be overstated.

So I'm concerned that the budget projects only 285 ships by fiscal year 2017 when every study I've seen, whether it's within the Department or outside of the Department, independent reviews, have said that we need a minimum of between 300 and 315 ships.

And the fact is that while our ships are increasing in their ability, that quantity still counts, if you're going to try to project power.

So I would ask you to address my concern and how the Department settled on 285 ships when virtually every study calls for 300 to 313.

Secretary PANETTA. Senator, I appreciate the concerns that you've indicated.

And what I asked the Navy to do, and the Navy Chief to do, is to make very certain that we have the ships we need in order to project the power we have to project in the Pacific, in the Middle East and elsewhere, and be able to do that effectively.

And their recommendation was that based on, you know, the number of ships that are in line to come on, the ones that we are already producing, that to do this and do this in a way that meets our needs, that the 285 ship approach is a good baseline, and we're ultimately going to move to 300 ships by 2020.

You know, we're maintaining 11 carriers. We're going to maintain, you know, a number of the amphibs. We're going to maintain our destroyer and our key fleets. With regards to the Pacific, we're obviously going to maintain a strong submarine force as well.

And I'm convinced based on the Navy Chief's recommendations, that we can do this, you know, obviously meeting our fiscal needs here, but we can do this in a way that protects a strong Navy for the future.

Now, I'm willing to keep going back and looking at those numbers to make sure that we're in the right place, because I share the same concern. If we're going to have a strong presence in the Pacific, if I'm going to have a strong presence in the Middle East, I have got to have a Navy that's able to project that.

And right now, I think everybody I've talked to in our shop and in the Joint Chiefs says, we've got the force we need to be able to make that happen.

General DEMPSEY. Senator, I know we're over time, but I really feel obligated to comment on this, because I mentioned in my opening statement that the budget we submitted is a joint budget.

It's not the individual service budgets kind of bundled together. We really worked this as a joint team.

We were faced with the Budget Control Act, \$487 billion. And so every service paid a bit of that bill. I will tell you the Navy paid least of all because we prioritized exactly the issue you're talking about.

But, you know, quantity counts, not only at sea, it counts in the air, and it counts on the land.

Senator COLLINS. Thank you, Mr. Chairman.

Chairman INOUE. Thank you.

Senator Feinstein.

Senator FEINSTEIN. Thank you very much.

Welcome, Mr. Secretary. It's good to see you. I've known you for a very long time. I was sitting here thinking. Your first appearance before the Intelligence Committee when you became Director of the Central Intelligence Agency (CIA), you were somewhat tentative, somewhat reserved.

And today, I saw you at full volume. Totally in control. So, it's been quite an evolution.

Let me begin by thanking you for the help you gave us on our intelligence congressional delegation (CODEL) to Afghanistan. It's very much appreciated.

#### GROUND LINE OF COMMUNICATION

I wanted to see what I might be able to talk with you a little bit about on the ground line of communication (GLOC) subject. You were good enough to facilitate a meeting with General Allen, and the four of us had an opportunity to spend some time.

He was most impressive. And I think we learned a great deal. And one of the things that came up was the incident in November.

And it became rather clear to me that there were mistakes made on both sides.

And General Allen, much to his credit, has taken at least I think it's six or seven steps to remedy some of the problems. Here enter the GLOCs.

You raised the question of the GLOCs. It is my information that Pakistan wants most of all some civilian announcement that mistakes were made on our side. And I think mistakes were made on their side as well as I've looked into this.

And that the GLOC problem could be solved. As a matter of fact, I think there was a meeting on the 11th, a day or so ago, unless it was cancelled. And so, they are prepared to rather dramatically lower the cost.

But the apology is all important. As we have discussed, and I think the position is, that the national security of this Nation is best served if we can develop a positive relationship with Pakistan.

And both you and I and others know what the road has been. And that there might be an opportunity to make a change in that direction, particularly with the new head of the Inter-Services Intelligence (ISI), as well as some other things.

So my question of you, and I guess my lack of understanding, is why there can't be some form of statement that in essence says, if it's believed, I happen to believe it, that mistakes were made on both sides.

And, of course, the United States apologizes for any mistakes that we made, and we have taken steps to correct that and see that it will never happen again.

Secretary PANETTA. Senator, I appreciate your concern, and you understand these issues by virtue of your chairmanship of the Intelligence Committee and the dealings that we've had to have with Pakistan.

You're right. I mean, it's a complicated relationship, but it's also a necessary relationship by virtue of our security needs in that area.

This is an issue that is still under negotiation. There are discussions that continue with regards to how we can resolve this. The issue you discussed is one of those areas. I think General Allen, the United States, has made clear that mistakes were made and they were made on our side. They were also made on the Pakistani side.

And that we expressed condolences for the mistakes that were made. We've made that clear, and we certainly have continued to make clear the mistakes that were made.

I think the problem is that, at this point, they're asking not only for that, but there are other elements of the negotiation that are also involved, that have to be resolved.

So that alone, isn't the only issue that's being discussed and that needs to be resolved in order to get the GLOCs opened.

Senator FEINSTEIN. All right. Thank you for that answer.

Do you believe that the Afghan military will be fully ready to take over come 2014?

#### AFGHAN ARMY

Secretary PANETTA. I was just there in Afghanistan on this last trip and had a chance to meet with Minister Wardak.



Every time I go there, I get the opportunity to see the Afghan army and the improvements in terms of their operations. There's no question, right now, they're at about 346,000. They're going to go to 352,000. They're way ahead in terms of achieving the target that they want to achieve.

They are doing an incredible job in terms of maintaining security, particularly in the transition areas that we've provided. I think that they are improving.

Our goal over these next 2 years is to continue to train, continue to assist them in their capabilities. And I have to tell you that I am confident that we're going to be able to complete all of the transition in the areas that we have as part of General Allen's plan.

That we can do this because we have the Afghan army in place, but also because we continue to have ISIF in places well to provide the support necessary. So I think the combination of an Afghan army that's able to do the job plus the kind of enduring presence that we need to have there as well in order to assure that the training and assistance continues.

I think that combination does make clear that they're going to be able to govern and secure themselves at that point.

Senator FEINSTEIN. Thank you very much. I know that my time is up.

Chairman INOUE. Thank you very much.

Senator Coats.

Senator COATS. Thank you, Mr. Chairman.

Just two things I would like to raise in the time that I have.

One is, Mr. Secretary, as CIA Director, you had operational control over the bin Laden raid. As you know, three of us on this Committee also serve on the Senate Intelligence Committee which Senator Feinstein chairs.

And we've been alarmed, I think it's fair to say, with this recent spate of leaks that have occurred. We are working together in a bipartisan way to try to address this.

But one of the areas of concern is over the question of this accommodation with Hollywood filmmakers regarding the bin Laden raid. It's been alleged that the name of one of the participants in that, one of our uniformed participants in that, has been made public.

We are wondering, the question is whether other details have been shared about that. This comes on the heels of a series of devastating leaks that have compromised very sensitive operations, put peoples' lives at risk.

Devastating negative consequences going forward in working with sources, et cetera, et cetera. You're well aware of all that.

I guess my question here is simply the role of the Department of Defense relative to this Hollywood situation and other situations where your forces are involved.

And I think it's just fair to say, the Chairman would agree, that we're looking at every possible avenue to try to minimize, mitigate, eliminate these types of leaks.

And so working with you and your people in your Department I think is going to be helpful as one of the areas that we're going to need to work with in a comprehensive way of trying to get a handle on this.

I'm really not asking you for details regarding all this. We all love to go see these Hollywood movies. They're exciting and so forth.

CLASSIFIED OPERATIONS

But to the extent that information is shared relative to classified operations and personnel to make the movie a little more exciting and realistic and so forth and so on, contributes to the problems that we have.

And so I think we want to make sure that each department, whether it's the agency or whether it's the intelligence community or whether it's the Department of Defense is aware of the fact that we need to thoroughly investigate all this and put in place measures which will prevent this from happening in the future.

Whether you want to comment on that or not, I'll leave that to you.

Secretary PANETTA. Thank you. Thank you, Senator.

Look, let me first say as a former Director of the CIA, I deplore the unauthorized disclosures of classified information.

Senator COATS. I know you do.

Secretary PANETTA. I think that this is something that does have to be fully investigated, and it has to be very clear that this is intolerable if we're going to try to protect the defense of this country. We've got to be able to protect those who are involved in clandestine operations.

Having said that, I also want to make clear that, you know, no unauthorized disclosures were provided to movie producers or anybody else. What we do have is we do have an office at the Pentagon that almost every day deals with people that want to do something about, you know, either a movie or a book or an article or something related to our defense.

And we want to make sure that the information that they do use is accurate. And we do assist them with regards to the accuracy of that information. But I can assure you, I've asked that question, in this instance, nobody released any information that was unauthorized.

Senator COATS. Well, I hope you would join us in a thorough review of procedures just to make sure that our policies are straight on this.

Secretary PANETTA. We will. Absolutely.

Senator COATS. Thank you.

And, General Dempsey, you and I were posted to Europe during the same timeframe, and I do agree with Senator Hutchison that, you know, with this rebalancing and global posture and with our financial fiscal issues, we have to be very careful with taxpayers' money.

And I think she raised some legitimate questions in terms of infrastructure and MILCON money going to that. By the same token, I'd just like to get your take and make sure that we're not rebalancing too far.

I mean, as you look across this arc of terrorism and arc of threats starting in Pakistan and Afghanistan and coming across to Iran and Israel and Syria, the Arab Spring, all those countries involved

and so forth, everything from the Khani network to Al-Shabaab in Somalia.

I mean, there are a lot of threats out there. And the question is, some of these threats require a rapid response.

And Germany has always been a place where we have facilities to house and train those people who can be that rapid response to emergency situations and as well as just normal operations.

Have we gone too far? Or, I mean, are we on the cusp of leaving too much too fast?

And then when you also add the NATO component in terms of our need to continue to utilize and keep that organization dynamic and vibrant and effective as a partner. What is your take on all that?

General DEMPSEY. Well, as you know, Senator, former Ambassador, I've had 12 years of service in NATO, and so I tend to see the world in many cases through our North Atlantic Alliance.

And, in fact, I think that's legitimate because it is the track record of this country that when we enter into conflict, the first people we turn to to be partners with us in that regard are the members of the North Atlantic Alliance.

Second, you know, we shouldn't discount the benefit of being there to also build partners, build their capacity. And we do that at places like Hohenfels and Grafenwoehr and elsewhere.

And I think that building their capability makes it certain that we won't always have to be in the lead, even if sometimes there is some political reluctance that has to be overcome to do that.

I mention the Allied Ground Surveillance System which is a SMART defense initiative. I didn't mention the European phase, adaptive approach, ballistic missile defense cooperation. We've just gone through a NATO command structure review and shrunk the number of headquarters from about 12 to about 6.

So, I mean, I will just tell you that I tend to be very strong on our relationship with NATO, notwithstanding the Senator's concerns about the investment.

Senator COATS. Thank you, Mr. Chairman.

Chairman INOUE. Thank you very much.

Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

Thank you both for your service. I think we have a vote on so I'll try to cover as much ground as possible.

#### SEQUESTRATION

Mr. Secretary, if we do not change the sequestration dilemma, if we don't do something about it before the election as a Congress, when can we expect layoff notices to hit?

Secretary PANETTA. Well, obviously, industries make that decision, but under the law, I think they've got, they got to do it at 60 days.

General DEMPSEY. The Worker Adjustment and Retraining Notification (WARN) Act, anywhere from 60 to 90 days.

Secretary PANETTA. Yes, 60 to 90 days before it takes effect.

General DEMPSEY. So, September.

Senator GRAHAM. Will you have to lay off any civilian employees as a result of the sequestration?

Secretary PANETTA. I suspect that if in fact it ultimately takes effect, we're going to have to do the same thing, sure.

Senator GRAHAM. Well, would you do the same thing, 60 to 90 days before? I would urge you to do it sooner rather than later.

Secretary PANETTA. We have to. We have to.

Senator GRAHAM. Well, I just want you to make it real to us.

It seems like the biggest bipartisan accomplishment we've had in recent memory is to destroy the Defense Department. It's not something I'm very proud of, and it's going to take bipartisanship to undo this.

So the sooner you can tell us about the number of jobs to be lost and how it will affect our Defense base, I think the better for the Congress as a whole.

Now, you're telling us about TRICARE. You're telling us you have a budget problem. When is the last time TRICARE premiums have been adjusted for the retired force?

General DEMPSEY. 1993.

Secretary PANETTA. 1993.

Senator GRAHAM. Okay.

Now, members of this subcommittee and I know we all love our retired military members, and I hope to be one one day, but isn't it unsustainable for you, if we do not bring this program into some kind of a sustainable footprint, you're having to compete with retiree healthcare against modernization, against benefits for today's force, against the ability to fight and win wars; is that correct?

Secretary PANETTA. I mean, as I said, we're paying \$50 billion now in the healthcare arena, and if we don't control those costs, it's going to eat up other areas that are vital for our defense.

Senator GRAHAM. So, you're telling the Congress, it's unsustainable.

Secretary PANETTA. Exactly.

Senator GRAHAM. You're having to make choices between the retired healthcare costs and fighting this war and future wars.

Secretary PANETTA. That's correct.

Senator GRAHAM. And I hope we can find a way to be fair to the retired force, but also to maintain a sustainable military budget.

When it comes to retirement, you're talking about reshaping retirement benefits in the future not for people who exist today, right?

Secretary PANETTA. That's correct.

Senator GRAHAM. Because if you retire at 38, you get half pay for the rest of your life. Maybe that's something we need to revisit. I want to be generous, but I want it to be sustainable.

That's the message to the Congress, right?

Secretary PANETTA. That's correct.

Senator GRAHAM. Okay. And your message about sequestration is, I'm doing my best to handle \$450 to \$500 billion. If you want to double that, you're going to destroy the best military we've ever had.

Is that simply put?

Secretary PANETTA. That's right.

Senator GRAHAM. Okay.

## GROSS DOMESTIC PRODUCT

Now, GDP spending on the military. What's been the historical average for the last 45 years of GDP spent on the military?

General DEMPSEY. Back to the last 20 years, maybe 4 or 5 percent.

Senator GRAHAM. Okay. It's 5.5 percent over the last 45 years. General DEMPSEY. You knew the answer.

Senator GRAHAM. September 11, 2001, it was 3 percent. Today, it ranges from 4 percent to 5.78 percent. In World War II, it was 5.72 to 42 percent. The Korean War was 8.25 to 18 percent. Vietnam, 7.65 to 10.86.

I would argue to my friends on both sides of the aisle, that you're right. We're not going to get out of the debt by lowering the military spending alone.

I'm all in for reforming the way we spend money. Costs plus contracts seem to be a bad idea. Do you agree?

Secretary PANETTA. That's correct.

Senator GRAHAM. The longer it takes, the more you make. The more it costs, the longer it takes for the contractor, the more they make.

You're looking at doing a fixed-price contract for future weapons acquisitions, right?

Secretary PANETTA. That's right.

Senator GRAHAM. Where everybody's got skin in the game. Go down that road. I applaud you tremendously for doing that.

Aid to Pakistan. Do you consider the Foreign Ops budget a benefit to the military? The Foreign Operations account, the State Department's role in the world.

Secretary PANETTA. Yes.

Senator GRAHAM. Okay. Would you recommend to us to stop aid to Pakistan right now?

Secretary PANETTA. I'd be very careful about, you know, just shutting it down.

What I would do is look at conditions for what we expect them to do.

Senator GRAHAM. What about Egypt?

Secretary PANETTA. No, I would not, I think, at this point in time, support that—

Senator GRAHAM. Could you and General Dempsey write me a letter recommending to the Congress what we should do about our aid programs to the Pakistani military, the Pakistani Government, to the Egyptian military and to the Egyptian Government?

Secretary PANETTA. Yes.

Senator GRAHAM. Okay.

The last thing I want to talk to you about very briefly is you said something that just kind of went over everybody's head I think. That there's a Pearl Harbor in the making here.

You're talking about shutting down financial systems, releasing chemicals from chemical plants, releasing water from dams, shutting down power systems that could affect the very survival of the Nation.

What's the likelihood in the next 5 years that one of these major events will occur?

Secretary PANETTA. Well, you know, all I can tell you is that—

Senator GRAHAM. Is it a high probability or low probability?

Secretary PANETTA. All I can tell you is that, technologically, the capability to paralyze this country is there now.

Senator GRAHAM. Is there a growing will to use that capability by our enemies?

Secretary PANETTA. I think the more this technology develops, the more the will to potentially use it is going to dictate the will.

Senator GRAHAM. Would you say there is a high probability, that the capability, and the will?

Secretary PANETTA. I think there's a high risk.

Senator GRAHAM. Okay. Thank you both for your service.

Chairman INOUE. Thank you.

Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman. I will be brief. Gentlemen, thank you.

#### AIR FORCE IN ALASKA

Secretary Panetta, you have mentioned that this budget needs to relate to the full-defense strategy. We certainly understand that with the attention to Asia and the Pacific. We think that Alaska plays a large and a significant role. We have, historically.

But we think going into the future, that that role actually accelerates. There has been a proposal by the Air Force to move the F-16 Aggressor Squadron from Eielson. We've raised many, many questions.

Unfortunately, it seems that there are more questions that are being raised after we receive some of the information from the Air Force.

We just got the site activation task force review that was assigned to look at the feasibility of this move. The concern that we have is in addition to additional questions being raised, you've got a situation where the other forces are, I think, are impacted.

You've mentioned that this needs to—this budget needs to be a balance between all forces. We're looking at the impact to the Guard which has the 168th Refueling Wing, and how it will be impacted if Eielson is put to reduced hours.

We look at the incredible Army training ranges that we have up north that could be comprised. At J-Bear, we've got some very serious housing issues that need to be assessed.

We are in a situation now where we are trying aggressively to get some very concrete answers from the Air Force on this. We have determined that this proposal is going to cost us this next year \$5.65 million in fiscal year 2013, which does not fall in line with the President's budget.

The very direct question that I have to you, Secretary Panetta, General Dempsey, is whether or not you will encourage the Air Force to abandon this plan for Eielson Air Force Base in 2013.

Take this proposal back to the drawing board, give it the thorough, very comprehensive vetting that it must have, to ensure that in fact we are operating with the focus, the vision towards the Asia Pacific, and that this truly does reflect the new defense strategy.

Secretary PANETTA. I will have General Dempsey respond to this as well.

Let me make clear that, you know, the Air Force was looking for, obviously, ways to save money because of the responsibility to respond to the Budget Control Act.

There are F-15s located at Eielson. There's F-15s located at Elmendorf, and they felt that it was better to try to unify those.

I just want you to know, and I've shared this with your colleague as well, that we have no intention of closing down Eielson. It's a very important base for us. It's important in terms of air refueling. It's important in terms of the role that we want to be able to play with regards to the Pacific.

And so nothing that is being recommended here in any way is intended to impact on Eielson itself as a future base for the Air Force.

General DEMPSEY. I'll just add.

I know that you and Senator Begich are in contact with the Air Force. I won't commit to going back and talking the nut of their plan. I will commit to you to go back and make sure I understand their plan better. And then, I'll engage with you on it personally, you and Senator Begich.

Senator MURKOWSKI. Well, I appreciate that.

I do recognize though that part of the proposed savings that the Air Force is looking to is demolishing several buildings within Eielson. The replacement value of these is about \$150 million.

So it puts it in a situation where it would appear to be a back-door BRAC, and that is the concern, the consideration.

So again, if I can ask you to do a very comprehensive review, work with us, General Dempsey, I will look forward to your conversation.

Mr. Chairman, I thank you. And I will conclude my comments with just a direct appeal. The focus, as we look at the infrastructure is all very keen, but it always comes down to our human assets.

#### SUICIDE

I remain very, very troubled with the high level of suicide that we are seeing with our military, also with our veteran population. I think most are staggered to learn that we're actually seeing more deaths due to suicide than we are actually out in theater in Afghanistan.

How we deal with this reflects on how we are as a Nation and our commitment to those who serve us. So I know you are focused on that, but I felt compelled to raise it here.

Secretary PANETTA. Senator, I thank you for pointing that out.

I'm very concerned by the high rate of suicides. Talking with the Service Chiefs, they share that concern. And, as a matter of fact, highlighted the fact that they were seeing, you know, a higher rate in suicide than they had seen in the past.

And what I've asked all of them to do, plus the undersecretaries that are responsible for this, is to immediately look at that situation and determine what's behind it, what's causing it, and what can we do to make sure it doesn't happen.

Chairman INOUE. Thank you very much.

Senator Murray.

But before you do, we'll be leaving because there's a vote pending.

Senator MURRAY [Presiding]. Okay. Thank you very much, Mr. Chairman. I appreciate that.

Mr. Secretary, I want to continue the thought process of Senator Murkowski. I, too, am very alarmed by the suicide rate among our servicemembers and our veterans.

New analysis is showing us that every day in 2012 one of our servicemembers committed suicide, and as you just commented, outpacing combat deaths. In our veteran population, we know a veteran commits suicide every 80 minutes, every 80 minutes.

Now, I think we can all agree on two things. First of all, our servicemembers and their families have risen to the challenge. They have done everything this country's asked of them throughout the wars in Iraq and Afghanistan. We're all eternally grateful.

Second, the Pentagon and the Department of Veterans Affairs (VA) are losing the battle on mental and behavioral health, conditions that are confronting a lot of our servicemembers, loved ones and as we just talked about, resulting in such extreme things as suicides.

Secretary Panetta, our servicemembers and veterans can't get needed treatment or access to needed resources without correct diagnosis. As you know, this has been a major problem for soldiers in my home State of Washington.

#### POST-TRAUMATIC STRESS DISORDER

At Madigan, to date, more than 100 soldiers and counting, have had their correct post-traumatic stress disorder (PTSD) diagnoses now restored after being told they were exaggerating their symptoms, lying, and accused of shirking their duties.

So, understandably, a lot of our servicemembers' trust and confidence in the disability evaluation system has been seriously shaken in the wake of these events.

As you know, I have continually raised concerns about the consistency and accuracy of behavioral health evaluations and diagnosis within the entire disability evaluation system and have offered my recommendations on how to improve the system.

And, as you also know, the Army has now taken some critically important steps forward in beginning to address these concerns.

Secretary McHugh has announced a sweeping, comprehensive Army-wide review of behavioral health evaluations and diagnosis back to 2001 to correct the errors of the past and to make sure our servicemembers get the care and services that they need and that they deserve.

But I wanted to ask you today, because this is not just an Army disability evaluation system; this is a joint Department of Defense and VA program, covers all the services. So I wanted to ask you why the Department has not taken the lead in evaluating and making improvements to the entire system.

Secretary PANETTA. Senator, we are.

What I've asked is the other service chiefs' view, implement the same approach that the Army's taking here.

Senator MURRAY. To go back to 2001 and review all cases?

Secretary PANETTA. That's correct.



Senator MURRAY. Throughout the entire system?

Secretary PANETTA. That's correct.

Senator MURRAY. Okay.

So they are all following the Army's lead now, and we will be told the evaluations and the progress of that.

Who's heading that up?

Secretary PANETTA. Our Under Secretary for Personnel and Healthcare. That's the individual that you need to contact.

Senator MURRAY. Well, I would very much like to be kept informed as I'm sure all of our Members of Congress would. I think this needs to be transparent and clear.

We need to make sure that people are accessing the system, getting back if they need it, and the only way to do that is to be clear, open, and honest with everyone.

So I didn't know that we were looking at all the other Services, and I'd like more information and to be informed on that as soon as possible about how that's taking place and what the timetable is, and how that's going to occur.

Secretary PANETTA. I appreciate your leadership on this, Senator, and I'm not satisfied either.

I think, you know, the misdiagnosis that took place, what's happening in this area between, look, we're doing everything we can to try to build a better system between the Pentagon, the Department of Defense, and VA.

But there are still huge gaps in terms of the differences as to how they approach these cases, how they diagnose these cases, and how they deal with them. And, frankly, that's a whole area that we've just got to do much better on.

Senator MURRAY. Well, you can't imagine what it's like to talk to a soldier who was told he had PTSD. His family was working with him, and then when he went through the disability evaluation system was told he was a liar, or a malingerer. He was taken out of it, and then he went out into the civilian world, not being treated.

#### DISABILITY EVALUATION SYSTEM

That is a horrendous offense. You know, I'm chair of the Veterans Affairs Committee, and I recently held a hearing on the joint disability evaluation system. And I just have to tell you, I am really troubled by what I'm hearing.

Enrollment is continuing to climb. The number of servicemembers' cases meeting timeliness goals is unacceptably low. The amount of time it takes to provide benefits to a servicemember who is transitioning through the system has risen each year since we began this.

In response to these problems, we heard from DOD and VA together about how 5 years after, 5 years after the Walter Reed scandal, and this program was piloted, they're just now beginning to map out business processes to find room for improvement.

You know, that's just unacceptable. The public, all of us, really believe that this was being taken head on, that we were dealing with it. At 5 years out, unacceptable numbers that we're seeing.

So I wanted to ask you what you are doing at your level to deal with this, 5 years into this program, and we're still hearing state-

ments from Army leaders about how the disability evaluation system is fundamentally flawed, adversarial, disjointed.

Tell me what we're going to do.

Secretary PANETTA. Let me do this.

Secretary Shinseki and I have been meeting on a regular basis to try to do what we can to implement improvements. And, very frankly, we're not satisfied either by the progress that's being made here.

Part of it is bureaucratic, part of it is systems, part of it is just the complicated and——

Senator MURRAY. You can't image what it sounds like to hear that.

Secretary PANETTA. Pardon me?

Senator MURRAY. It's bureaucratic. I mean, if you're in this system, that's not the word you want to hear.

Secretary PANETTA. Yes, okay.

And, you know, I see it every day. I'm in charge of a very big bureaucracy. And the fact is that sometimes just the bureaucratic nature of large departments prevents it from being agile enough to respond and do what needs to be done.

And so a large part of this is just making sure that people are willing to operate out of the box, and do what needs to be done in order to improve these systems.

What I would offer to you is let Secretary Shinseki and I sit down with you and walk through the steps we're taking to try to see if we can try to shake the system and make it do a better job.

Senator MURRAY. Mr. Secretary, I really appreciate that commitment.

I know you have not been there the entire 5 years, but I will tell you this, we've been told for 5 years that DOD and VA are sitting down on a regular basis addressing this.

Secretary PANETTA. I know. Yes.

Senator MURRAY. And I'm talking to soldiers that are stuck in this disability evaluation system. There are bureaucratic delays. The people that are supposed to be helping them, they're training them because they've been in the system longer than the trainers who are supposed to come in and work with them.

Their families are facing, you know, horrendous challenges as they try and figure out what the future brings, months on end. You know, people at the top are saying this is fundamentally flawed. You ought to hear what the people at the bottom who are in it are saying.

Secretary PANETTA. Yes.

Senator MURRAY. So I totally appreciate your saying that to me today, but sitting down and talking with Secretary Shinseki is something we've been hearing for a long time. We need some recommendations. We need to move forward. We need this to be a top priority at the Pentagon.

As we transition now out of Afghanistan, this is not going to get more simple.

Secretary PANETTA. I agree with you. No, you're absolutely right.

## POST-TRAUMATIC STRESS DISORDER AND BEHAVIORAL HEALTH CASES

Senator MURRAY. Add to that, the complexities of now going back and reviewing all of these PTSD and behavioral health cases, you have people who are in the IDs system right now who are saying, what's going to happen to me while you go back and review all these people?

Are we putting more personnel in to deal with this? Or, now am I going to take another back seat as we deal with that? This is complex. It's hard. It's problematic, but it needs every single effort from top to bottom.

Secretary PANETTA. Listen, I share all of your frustrations, and my job is to make sure that we don't come here with more excuses, but we come here with action. I understand.

Senator MURRAY. And I truly appreciate that comment, and I want to work with you. All my efforts are at your disposal. We do a fantastic job of training our men and women to go into the service. We still today have not gotten this right after this war in making sure that they transition back home.

We have families and soldiers and airmen throughout the Service who are really stuck in a process that they shouldn't be stuck in. We've got to get this right, and we got to get it right now, and we need every effort at it.

And I will sit down with you the minute you tell me you are available, but I want more than a meeting.

Secretary PANETTA. Okay. I agree.

## ADDITIONAL COMMITTEE QUESTIONS

Senator MURRAY. Okay. All right. I believe, is Senator Shelby on his way?

I understand that Senator Shelby is on his way. We have a second vote. I have to get back for that. If I would just ask you gentlemen patience for him to return so that I can return for the second vote, I would appreciate it.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

## QUESTIONS SUBMITTED TO SECRETARY LEON E. PANETTA

## QUESTIONS SUBMITTED BY SENATOR TOM HARKIN

*Question.* Mr. Secretary, the Department of Defense (DOD) has become increasingly concerned over the past few years regarding our military's dependence on petroleum-based fuels. These concerns relate to both the ready availability of fuels during times of conflict and to the increasing costs of such fuels.

For example, it's been reported that the Pentagon spent \$17.3 billion on petroleum in 2011, a 26-percent increase from the previous year with practically no change in the volume purchased.

It has also been reported that for every \$0.25 increase in the price of jet fuel, the DOD must come up with an extra \$1 billion annually.

Relative to future supplies and prices, we can all see that global fuel demands will continue to increase steadily as the economies of the BRIC nations—Brazil, Russia, India, and China—and similar nations grow and demand more fuel for transportation and industrialization.

Obviously, some of our leaders in the Pentagon see these future threats as well, and I commend the Department of the Navy for signing a memorandum of understanding (MOU) with the Department of Energy (DOE) and with United States Department of Agriculture (USDA) for the development of commercial biofuels produc-

tion capabilities. I understand that under this MOU, the DOD intends to fund multiple drop-in biofuel production facilities under the Defense Production Act.

Could you please speak to DOD's long-term strategy for assuring future fuels supplies and the role that you believe domestic biofuels can and should play in that? More specifically, could you comment on the role that this joint Navy/DOE/USDA procurement activity plays in DOD's longer term fuels security strategy?

Answer. In DOD's "Operational Energy Strategy," our goal is to ensure our forces have the energy they need to protect the Nation. The "Strategy" rests on three principles:

- reducing demand;
- diversifying supply; and
- building the future force.

Reducing demand, or getting more military output for our energy input, is the top energy security priority for the Department. Ninety percent of the Department's investment in operational energy improvements in fiscal year 2013 will go toward these sorts of energy efficiency and performance gains. Improved energy efficiency not only benefits the Department's bottom line, but more importantly, helps produce forces that are lighter, more mobile or flexible, and have greater range or endurance. Building an energy-efficient future force means that the Department needs to integrate operational energy considerations into the full range of planning and force development activities.

The second principle of diversifying supply is where domestic biofuels and other similar efforts are important. The Department needs to diversify its energy sources in order to have a more reliable and assured supply of energy for military operations. We are going to have ships, planes, and vehicles designed to use liquid fuels for decades to come so we have an interest in the ability of drop-in biofuels to, over the long term, provide the Department with new, sustainable, and reliable sources of the fuel we need to accomplish the defense mission. We are looking for fuels that are compatible with existing equipment and storage infrastructure, exploring where and how biofuels will be available and affordable to our forces, and leveraging the expertise of other Federal agencies where appropriate.

The Army, Navy, Air Force, and Marines have been certifying aircraft, ships, tactical vehicles, and support equipment to use alternative liquid fuels. Such activities represent a relatively small but important investment in drop-in alternative fuels—less than 0.6 percent of the more than \$15 billion the Department spent on petroleum fuel last year. This investment ensures that our equipment can operate on a wide range of alternative fuels, which is important to ensuring our military readiness over the long term.

To aid the Military Services in this effort, on July 5, 2012, the Department of Defense Alternative Fuels Policy for Operational Platforms was released. The policy, which was required by the National Defense Authorization Act (NDAA) for fiscal year 2012, states that the Department's primary alternative fuels goal is to ensure operational military readiness, improve battlespace effectiveness, and further flexibility of military operations through the ability to use multiple, reliable fuel sources. It makes clear that all DOD investments in this area will be subject to a rigorous, merit-based evaluation. The policy also lays out clear guidance for our future fuel certification efforts, field demonstrations, and ongoing purchases. Of note, the policy formalizes what is already the practice for all the Services: That DOD will not make bulk purchases of alternative drop-in replacement fuels, outside of certification and demonstration activities, unless they are cost competitive with petroleum products. With this policy, the Department will continue to steward its alternative fuels investments wisely as we ensure the long-term readiness and capability of our joint force.

Another important component of the Department's longer term fuels security strategy is the Defense Production Act Advanced Drop-In Biofuels Production Project, which is focused on creating public-private partnerships to incentivize private-sector investment in cost-competitive biofuel production capability. The U.S. Navy and the Departments of Agriculture and Energy developed the initial strategy for this project, which is now under the oversight and technical review of an inter-agency team that will ensure the best value for the taxpayer and the Department.

*Question.* As DOD has worked to strengthen the Afghan carpet industry, for the past 2 years, I have been raising with the Department the need to ensure that DOD funds do not, either directly or indirectly, support child labor in the carpet industry. I've not been wholly satisfied with DOD's efforts in this regard. The contract into which DOD entered to prevent the use of child labor in the carpet industry stopped short of mandating an independent third-party monitoring and certification system. Subsequent to that, the contractor offered a no-cost extension of the contract to do just that, but DOD refused.

Quite frankly, I think the Department needs direction from the top that it should examine all of its efforts in the Afghan rug industry to make sure that it's doing all that it can to ensure U.S. taxpayer dollars are not being used to exploit children in any sector of the economy. Mr. Secretary, we have a legal and moral obligation to require that no child labor be used when U.S. tax dollars are paying for economic development projects. What actions will you take moving forward to ensure that relevant DOD contracts will include safeguards so U.S. funding does not subsidize child labor?

Answer. DOD is committed to promoting stability in Afghanistan responsibly through strategic business and economic activities. DOD takes this issue very seriously and is committed to our treaty obligations under the International Labor Organization Convention No. 182 on child labor and receives policy guidance from the U.S. Department of State as the U.S. Government's lead on these issues. The DOD, through the Task Force for Business and Stability Operations, will continue to work with the Departments of Labor, Commerce, and State on the issue of child labor in Afghanistan should it arise in future projects.

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QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

*Question.* How is the Department ensuring that critical, Government-owned and -operated facilities in the Nation's organic industrial base, like Rock Island Arsenal, are properly and strategically modernized so that these facilities have the equipment and skillsets they need to respond to wartime needs?

Answer. Section 2476 of title 10, United States Code, sets forth a congressional mandate for minimum capital investments for certain depots of the Department, including the Rock Island Arsenal. Specifically, section 2476 dictates each military department shall invest in each fiscal year in the capital budgets of those depots a total amount at least equal to 6 percent of the average total combined maintenance, repair, and overhaul workload funded at all the depots of that military department for the preceding 3 fiscal years. The Army, for example, has exceeded the 6-percent threshold with an investment in its facilities of approximately \$290 million from fiscal year 2009 through fiscal year 2012.

The Army has developed an Organic Industrial Base Strategic Plan that provides a disciplined framework for ensuring that all the Army's arsenals and depots remain viable and relevant in a post-war funded environment. The plan addresses a Capital Investment Strategy that includes investment in new technology, training, and plant equipment at the same rate that the Army modernizes its weapon systems. The plan is in the final stages of approval by Headquarters Department of the Army (HQDA).

Further, the Department is mandated under 10 U.S.C. 2464, to maintain a core depot-level repair capability. The purpose of the core requirement is, among other things, to ensure a ready and controlled source of technical competence and resources needed to respond to military mobilization, contingencies, and other emergencies. The Department applies and enforces the core requirement through an annual and biennial capability and workload review, completed by the Services, and reviewed by the Office of the Secretary of Defense. To efficiently maintain maintenance capabilities, DOD facilities, equipment, and personnel accomplish a broad range of workloads in support of peacetime operations. Most of these workloads involve the maintenance, repair, and overhaul of combat weapons systems and components ensuring a defined skill set and wartime repair capability. Additionally, the preservation of core capability requires ongoing capital investments consistent with section 2476 as well as the introduction of new weapon systems.

*Question.* The Senate and House versions of the National Defense Authorization Act (NDAA) for fiscal year 2013 each carry authorizations for some of the reforms you announced earlier this year to combat sexual assault in the military. Is the Department planning for the implementation of those authorized authorities, assuming they are signed into law? If so, please describe the Department's implementation timeline.

Answer. The Department is prepared to review and expeditiously implement the provisions of the fiscal year 2013 NDAA once it is in effect. The proposed Leadership, Education, Accountability and Discipline on Sexual Assault Prevention Act of 2012 (LEAD Act) contains six major elements, each requiring a unique timeline and implementation plan. Assuming the bill is passed, we offer an approximate timeline for each element as follows:

- Establish Special Victim's Capability within each of the services comprised of specially trained investigators, judge advocates and victim-witness assistance personnel. Each service have identified and are already training investigators

and judge advocates to establish this capability. Following passage, victim witness liaisons will be identified and trained to complete this capability. Once the fiscal year 2013 NDAA is passed, it will take approximately 6 months to 1 year for all of the services to have a functioning Special Victim's Capability for each service.

- Require that all servicemembers have sexual assault policies explained within 14 days of entrance into active service, educating our newest members right away to understand our culture will not tolerate sexual assault. Once the fiscal year 2013 NDAA is passed, this element will take approximately 3 months for full implementation.
- Require a record of the outcome of disciplinary and administrative proceedings related to sexual assault be centrally located and retained for a period of not less than 20 years. Once the fiscal year 2013 NDAA is passed, it will take approximately 6 months to 1 year to implement this requirement.
- Require Commanders to conduct an annual Organizational Climate assessment, obtaining information about the positive and negative factors that impact unit effectiveness and readiness. Once the fiscal year 2013 NDAA is passed, this element can be implemented within a 6-month time period.
- Provide Reserve and National Guard personnel who have been sexually assaulted while on active duty to request to remain on active duty or return to active duty until line of duty determination is done, allowing servicemembers who file an Unrestricted Report to receive services and/or complete a line of duty investigation. Once the fiscal year 2013 NDAA is passed, this element will take approximately 6 months to 1 year to implement.
- Require greater availability of information on Sexual Assault Prevention and Response resources to include DOD workplaces, dining facilities, healthcare, and residential facilities will have prominently placed Sexual Assault Prevention and Response resources information to assist servicemembers, military dependents, and civilian personnel. Once the fiscal year 2013 NDAA is passed, this element will take approximately 6 months to implement.

*Question.* Recently, the Department opened up approximately 14,000 battalion-level combat-related positions to female servicemembers. What is the Department's timeframe for examining and possibly reclassifying other combat-related provisions in order to permit women to serve on a broader basis?

*Answer.* In March of this year, the Department eliminated the co-location restriction that opened more than 13,000 combat support positions to both men and women, as well as opened more than 1,000 positions at the battalion level in direct ground combat units in order to evaluate the performance of women in these positions and inform policy. I have directed the Secretaries of the military departments to advise me on their evaluations of women's performance in these positions, as well as any additional positions that can be opened and assessment of remaining barriers to full implementation of the policy of allowing all servicemembers to serve in any capacity, based on their abilities and qualifications. This assessment will occur no later than November 2012.

#### VISION RESEARCH

*Question.* In the fiscal year 2013 budget submission, the President requested \$21.374 million for core vision/eye research and all sensor systems.

Would you discuss the importance of this funding?

*Answer.* Research to improve the prevention, mitigation, treatment, rehabilitation, and restoration of military eye and vision trauma is critically important since most human activity is visually guided. In current conflicts, eye injuries account for approximately 15 percent of all battlefield trauma, and have resulted in approximately 183,000 ambulatory and more than 4,000 hospitalized cases involving eye injury. In addition to injuries that blind or impair vision immediately, hidden injuries such as retinal breaks, iris disinsertion, lens damage, and optic nerve trauma have been found to go undetected at the time of the battlefield trauma and dramatically increase the risk of future vision loss. Even in the absence of direct eye injury, blast exposures, concussions, and traumatic brain injuries (TBI) cause visual and associated vestibular neurosensory dysfunction in 75 percent of exposed individuals. All of these problems negatively affect the ability of servicemembers and veterans to reintegrate in both military and post-service employment and life skills.

The DOD/Veterans Affairs (VA) Vision Center of Excellence has been a leader in the analysis of research gaps in blindness and vision impairment, including TBI-related vision syndrome. Under the aegis of its Vision Research Portfolio (VRP), DOD has developed a comprehensive inventory of needed research in blindness, vision im-

pairment, and TBI-related visual neurosensory dysfunctions caused by military trauma. The range of these research topics spans:

- the discovery of better methods of protecting deployed individuals, improved battlefield treatments that will save the sight of the wounded;
- development of long-term treatments for chronic visual dysfunctions;
- the need for better surveillance tools for as yet undetected problems; and
- developing valid approaches to the restoration of sight.

At present, vision restoration is in its infancy compared to other areas of prosthetics, such as amputations, where dramatic strides are continually being made. We are fortunate that VRP funding announcements are being met by research proposals of the highest quality, which will greatly benefit the care of our servicemembers and veterans. We have an obligation to our servicemembers and veterans to ensure that they have access to our best possible solutions for their readiness, ocular health and visual quality of life. Maintaining and enhancing funding of DOD research targeted to these areas is a critical need.

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QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

UNITED STATES RELATIONSHIP WITH PAKISTAN

*Question.* Last month, at the full Committee mark-up of the fiscal year 2013 State and Foreign Operations appropriations bill, this Committee cut \$33 million in Foreign Military Financing for Pakistan to protest the 33-year prison sentence for Doctor Shakil Afridi, who helped the United States track down Osama bin Laden.

What are your current views on United States foreign assistance to Pakistan and how do you see the United States-Pakistan relationship at this time?

*Answer.* The United States-Pakistan relationship is fundamental to our vital national security interests. We need to cooperate with Pakistan on defeating al-Qaeda, supporting Pakistani stability, and reaching a lasting peace in Afghanistan. I support assistance to Pakistan that is targeted at achieving our core interests and sustaining our engagement—civilian and military—with the Government of Pakistan. By comparison, cutting off assistance to Pakistan in 1990 led to an era of decreased engagement which still adversely affects our relationship today.

The Department of Defense (DOD) programs—especially Coalition Support Fund reimbursements—will play an important role in re-starting our engagement with Pakistan as we seek a way forward on advancing broader United States national security interests. Passing amendments limiting assistance to Pakistan will jeopardize our ongoing discussions on all avenues of cooperation, including the ground lines of communication (GLOC) negotiations. If we can restart the relationship, the next year would require that we be flexible enough to respond to potential additional strains that may occur, and to take advantage of any improvement in Pakistan's willingness to cooperate on issues that advance United States national interests. Any conditions applied to DOD programs for Pakistan should, therefore, be designed to support these interests. Funding restrictions or unachievable certification requirements for those programs would have direct, negative consequences on our core interests, our strategic posture in Afghanistan, and long-term regional stability.

*Question.* What do you see happening with the border situation in Pakistan? Are we able to resupply our troops in Afghanistan without using the Pakistani border?

*Answer.* We—and our North Atlantic Treaty Organization (NATO)/International Security Assistance Forces (ISAF) partners—have been able to support our forces in Afghanistan during the closure of the Pakistan-based GLOC since late November. However, we have done so by relying heavily on northern distribution network (NDN) lines of communication as well as costly, multimodal shipments using rail and air. Maintaining redundant supply routes into Afghanistan, including the Pakistan GLOC, will enable logistics flexibility at a critical time for coalition forces. Working with Pakistan to open the GLOC will reduce the burden on the United States taxpayer, will allow us to transit supplies to forces more quickly, and will be important for United States and coalition retrograde from Afghanistan and equipping of Afghan National Security Forces (ANSF).

*Question.* When will the administration finally declare the Haqqani Network a Foreign Terrorist Organization (FTO)?

*Answer.* The authority to make FTO designations rests with the Secretary of State. I understand that Secretary Hillary Clinton is undertaking a review of an FTO designation of the Haqqani Network, and I defer to her on the results of that review.

## SOUTH CHINA SEAS

*Question.* Secretary Clinton has stated that the peaceful resolution of disputes in the South China Sea is in the “national interest of the United States,” and that multilateral solutions should be pursued. In response, the People’s Liberation Army insisted that China had “indisputable sovereignty” over the sea, though it would allow freedom of navigation.

What is your assessment of China’s behavior in the South China Sea?

*Answer.* My assessment is that China should clarify the nature of its claims in the South China Sea and resolve disputes through diplomatic means consistent with international law without coercion or the threat or use of force. We encourage China to work with Association of Southeast Asian Nations (ASEAN) on developing a binding code of conduct for behavior in the South China Sea and to work toward the peaceful settlement of territorial disputes. It is long-standing U.S. policy that we do not take a position on specific territorial disputes, and we have consistently called upon all parties to clarify their claims in the South China Sea in terms consistent with international law. Finally, it is important that China recognize and respect the full breadth of high seas freedoms in its exclusive economic zone (EEZ), which includes the freedoms of navigation and overflight and other internationally lawful uses of the seas related to these freedoms.

The region and the world are watching the situation in the South China Sea carefully, and forming impressions based on how claimant states manage these disagreements.

*Question.* Who is driving this assertiveness, the military or civilian leadership?

*Answer.* We have questions about the level of coordination between the political and military leadership in China, and suspect there are areas of friction between them. However, we believe that recent actions taken in the South China Sea are in accordance with the broader goals of the civilian leadership and do not represent a rift within China’s leadership. The People’s Liberation Army’s (PLA) top decision-making body, the Central Military Commission, remains subordinate to civilian leadership. China’s consensus driven decisionmaking process continues to prevent one entity from challenging the status quo.

*Question.* How concerned are you that an incident in the South China Sea, such as the current standoff between China and the Philippines over the Scarborough Shoal, could erupt into a wider conflict that could drag in the United States?

*Answer.* We are watching the situation in the South China Sea closely, and support a collaborative diplomatic process by all claimants to resolve disputes. The United States opposes the use or threat of force or coercion by any claimant in pursuing its claims. We support ASEAN and China’s efforts to negotiate a full code of conduct that:

- is based on the principles of the U.N. Charter, customary international law as reflected in the Law of the Sea Convention, the Treaty of Amity and Cooperation, and the Declaration on Conduct; and
- creates a rules-based framework for managing and regulating the conduct of parties in the South China Sea, including preventing and managing disputes.

To reduce the risk of conflict in the South China Sea, I believe the United States should use its position in several regional organizations, including the East Asia Summit, the ASEAN Regional Forum, and the ASEAN Defense Ministers Meeting Plus, to facilitate initiatives and confidence-building measures that will help claimant states reach an agreement on a binding code of conduct in the South China Sea. Additionally, the United States should continue serving as a positive example of a nation that adheres to recognized international norms of behavior through policy implementation, effective training, and proper accountability. These include the “rules of the road,” such as the International Regulations for Preventing Collisions at Sea (COLREGs), the International Convention for the Safety of Life at Sea (SOLAS), and other established international safety and communication procedures, such as the Code for Unalerted Encounters at Sea (CUES). The United States should also encourage all South China Sea claimants to abide by these behavioral norms to ensure greater operational safety and reduce the risk of dangerous incidents at sea.

*Question.* What lines of communication do we have with China’s military in a crisis situation and are they sufficient?

*Answer.* DOD maintains contact with the PLA through a variety of mechanisms, including China’s Defense Attaché Office at its Embassy in Washington and the U.S. Defense Attaché Office at the U.S. Embassy in Beijing. Additionally, in 2007, a Defense Telephone Link (DTL) was established between the United States and China, intended for exchanges between the United States Secretary of Defense and China’s Minister of National Defense. Secretary of Defense Gates made the first call



to his counterpart in April 2008. We seek a military-to-military relationship with China that is healthy, stable, reliable, and continuous—these lines of communication, which are sufficient, help us meet that goal.

AFGHANISTAN

*Question.* The number of U.S. forces will be reduced to 68,000 by September, down from a peak of approximately 100,000 in June 2011. President Obama has said that further reductions will continue “at a steady pace” until the end of 2014 when Afghan forces will assume full responsibility for the security of their country.

What factors will influence the pace of additional reductions?

*Answer.* The recovery of the final 23,000 surge forces is expected to be completed by September 2012. Following the completion of the surge recovery, fewer than 68,000 U.S. military personnel will remain, as laid out in the President’s surge plan. As DOD senior leaders have stated many times, any future decisions on force reductions will be conditions based. This fall, General Allen will prepare his 2012 fighting season analysis, assessment of the Afghan National Security Forces (ANSF) readiness, and will develop and assess options for post-surge force levels.

General Allen’s assessment and recommendations will inform, along with the Chairman’s military advice, my recommendations to the President. Primary considerations include the capabilities of both the ANSF and the insurgency, the overall security situation across the country at the end of the 2012 fighting season, and the projected 2013 security environment. Security must be considered along with other factors, such as progress in transitioning districts and Afghan governance development. The security transition process will be particularly important, as Afghanistan prepares for the final two tranches of Afghan districts that will enter transition. We must ensure we have the right mix of United States, International Security Assistance Force (ISAF), and ANSF units available to allow the Afghan forces to assume the lead in these last transitioning districts. Finally, General Allen will assess the required composition of U.S. forces on the ground in order to achieve the correct balance of conventional, security force assistance, special operations, and enabling forces for the future security environment.

*Question.* Are Afghan forces still on track to take the lead in security matters by mid-2013?

*Answer.* ANSF remain on schedule to assume the lead for security in Afghanistan in 2013 once Tranche 5 districts begin transition. The ANSF continue to grow in capability and size and are increasingly taking the lead in planning and conducting operations. Both the Afghan National Army (ANA) and Afghan National Police are becoming increasingly independent, and the ANA are in the process of establishing its first division-sized special operations forces unit.

Tranche 3 districts will begin transition in July 2012 and at that time more than 75 percent of the Afghan population will live in areas where the ANSF are in the lead for security. We expect the Afghan Government to announce the districts composing Tranche 4 this winter and Tranche 5 in mid-2013. Additionally, security conditions are assessed as stable in locations where Afghan forces have assumed a lead security role. In 2012, enemy-initiated attacks in transitioning districts have fallen year to date overall by approximately 15 percent from 2011 levels.

*Question.* How confident are you that they will be able to assume and sustain the lead for security matters?

*Answer.* ANSF remain on schedule to assume and maintain the lead for security matters. The ANSF are on track to assume lead security across Afghanistan as Tranche 5 is implemented in 2013. The International Security Assistance Force (ISAF) will continue to train, advise, and assist the ANSF as transition process continues through the end of 2014. At that Point, the Afghans will assume full responsibility for security in Afghanistan in accordance with the Lisbon transition strategy and timeline.

However, the international community will not end its commitment to Afghanistan in 2014. The North Atlantic Treaty Organization (NATO) Summit in Chicago reaffirmed the international community’s enduring commitment to Afghanistan. The United States remains committed to a mission that trains, advises, and assists Afghan forces post-2014, as expressed in the Strategic Partnership Agreement signed in May 2012. The United States and Afghanistan are committed to a series of 6-month reviews to assess the development and structure of the ANSF. These collaborative reviews will ensure that the ANSF size and force structure are suitable and sustainable for the projected security environment.

*Question.* What is your current assessment of the ability of Afghan forces to assume full responsibility for security matters by the end of 2014?

Answer. ANSF are currently on track to assume full responsibility for security in Afghanistan by the end of 2014, in accordance with the timeline agreed to at the NATO Lisbon Summit, and as reaffirmed at the NATO Chicago Summit. The ANSF are on track to reach their October 2012 goal of 352,000 personnel. The ANSF also continue to grow in capability. Currently, more than 90 percent of all combat operations are partnered between ANSF and ISAF forces, and the ANSF have the lead for more than 50 percent of these operations. Additionally, the ANSF have increasingly been accepting custody of detainees detained by U.S. forces and are taking the lead in the conduct of special operations.

THE UNITED STATES-AFGHANISTAN STRATEGIC PARTNERSHIP AGREEMENT

*Question.* The U.S.-Afghanistan Strategic Partnership Agreement would allow U.S. forces to remain in Afghanistan after 2014 for training Afghan security forces and targeting al-Qaeda.

How many U.S. troops do you anticipate will remain in Afghanistan after 2014?

Answer. The United States, along with its NATO allies, intends to maintain an enduring presence to support the continued training and development of the Afghan National Security Forces (ANSF), and to engage in counterterrorism efforts aimed at combating al-Qaeda and its affiliates. Future force-level requirements will be determined by taking into account what assets are needed to support those missions, and will be guided by the need to ensure that Afghanistan has the ability to secure itself against internal and external threats.

Towards that end, an Afghanistan-U.S. Bilateral Commission was established under the Strategic Partnership Agreement (SPA) to advance cooperation and monitor progress toward implementing the SPA. A U.S.-Afghanistan Working Group on Defense and Security will conduct regular assessments of the threat level facing Afghanistan, as well as Afghanistan's security and defense requirements. This working group will make recommendations about future cooperation between the United States and Afghanistan on Afghanistan's security and defense requirements. Recommendations will be made to the Bilateral Commission.

The nature and scope of the future presence and operations of U.S. forces are expected to be addressed in a future U.S.-Afghanistan Bilateral Security Agreement.

*Question.* How long will they be engaged in the missions described in the Agreement?

Answer. The Strategic Partnership Agreement will remain in force through 2024. The United States is committed to seek funds on a yearly basis during that period to support the missions described in the Agreement. The duration and nature of our enduring presence will be determined through an examination of what assets are needed to support the sustainment of ANSF, and U.S. counterterrorism efforts against al-Qaeda and its affiliates.

Towards that end, an Afghanistan-U.S. Bilateral Commission was established under SPA to advance cooperation and monitor progress in the implementation of the SPA. A U.S.-Afghanistan Working Group on Defense and Security will conduct regular assessments of the threat level in Afghanistan as well as Afghanistan's security and defense requirements. The nature and scope of the future presence and operations of U.S. forces is expected to be addressed in a future U.S.-Afghanistan Bilateral Security Agreement.

The SPA was designed to provide a long-term political framework for relations between the United States and Afghanistan that promotes the strengthening of Afghan sovereignty, stability, and prosperity, and that contributes to the shared goal of defeating al-Qaeda and its extremist affiliates. The enduring partnership established by the SPA sends a clear signal to the Afghan people that they are not alone as they take greater responsibility for their country.

*Question.* What will be the major challenges to concluding a Bilateral Security Arrangement to supersede our Status of Forces Agreement?

Answer. As with other negotiations, we generally do not publicly discuss U.S. negotiating positions, nor those of our negotiating partners. The Bilateral Security Agreement (BSA) is expected to set the parameters for the nature and scope of the future presence and operations of U.S. forces in Afghanistan, and the related obligations of Afghanistan and the United States.

There are a number of elements common to most status of forces agreements (SOFAs). SOFAs typically address the majority of day-to-day issues that may arise regarding the presence of U.S. forces in a host nation. As a result, SOFAs generally include provisions addressing criminal and civil jurisdiction over U.S. forces and DOD civilian personnel, use of agreed facilities and areas, movement of vehicles, tax and customs exemptions, contracting procedures, access to and use of utilities and communications, and entry into and exit from the host nation, among others.

The BSA will also take into account the particular circumstances and requirements of U.S. forces in Afghanistan, such as continued access to and use of Afghan facilities for the purposes of combating al-Qaeda and its affiliates, training the ANSF, and other mutually determined missions to advance shared security interests. The transfer of U.S. detention facilities and the conduct of special operations, currently guided by U.S.-Afghanistan memoranda of understanding, may also be issues that are discussed during the BSA negotiations.

*Question.* The Agreement requires the administration to seek funding from the Congress for the “training, equipping, advising and sustaining of Afghan National Security Forces, as well as for social and economic assistance.”

How much will this cost?

*Answer.* Preliminary plans for the long-term training, equipping, advising, and sustaining of the ANSF call for an estimated annual budget of \$4.1 billion. The plan calls for the ANSF to achieve a surge strength of 352,000 personnel by October 2012, which would be sustained through 2015 before drawing down to a sustainable long-term force by 2017. We have received commitments and pledges from the Afghan Government and the international community to assist in funding the ANSF, and we will continue to pursue international contributions in the future. We will also continue to work closely with the Government of Afghanistan and our allies and partners to evaluate the security conditions on the ground that may alter the assessment of future ANSF structure and the associated budget estimate.

*Question.* How confident are you that our NATO partners will contribute and the United States will not be left with the whole bill?

*Answer.* At the 2012 NATO Summit in Chicago, our NATO allies and other international partners reaffirmed their strong commitment to an enduring partnership with Afghanistan that will last beyond the transition of full security responsibility to the Afghan forces by the end of 2014. The Afghan Government pledged to provide at least \$500 million a year for the ANSF beginning in 2015 and to increase this amount progressively over time as its economy continues to grow. The international community also recognized Afghanistan’s current economic and fiscal constraints and pledged to provide significant additional funding.

Additionally, over the past 6 months, Afghanistan has signed partnership agreements with a number of other countries around the world, many of them NATO allies and ISAF partners, including:

- the United Kingdom;
- France;
- Italy;
- Germany;
- Norway;
- Australia; and
- India.

Afghanistan is also negotiating a long-term partnership agreement with the European Union. We believe this web of long-term partnerships will help support Afghanistan after the security transition, ensuring that the international community remains engaged in support of the Afghan people in the years following the conclusion of ISAF’s mission.

The international community continued to show its support at the recent conference on Afghanistan’s continued economic and social development after 2014, the Tokyo Conference, agreeing to provide \$16 billion in civilian aid over 4 years.

#### AFGHANISTAN—COUNTERNARCOTICS

*Question.* The drug trade is a major source of Taliban funding, with the U.N. Office on Drugs and Crime estimating that in 2009, the Taliban earned about \$155 million from the drug trade by taxing farmers, shopkeepers, and traffickers in return for security protection. The Helmand Food Zone is generally regarded as a success in reducing poppy cultivation. The administration has indicated support for expanding this program; however, this depends on international funding, local political will, and especially security.

With the 2014 U.S. departure date, what steps is your Department taking to limit poppy cultivation and drug profits to the Taliban following the U.S. withdrawal?

*Answer.* We continue to build the Afghan capacity to counter the drug trade and reduce drug-related income to the Taliban. United States forces have trained units within the Counternarcotics Police of Afghanistan that are currently capable of conducting counternarcotics (CN) operations with limited enablers from Coalition forces. We have built aviation enablers for the CN effort that will be merged with aviation assets to support the Afghan counterterrorism effort. Training for this unit includes operations that insert CN forces under the cover of darkness.

United States forces in Afghanistan do not directly support poppy eradication efforts other than to provide in extremis support to eradication teams under attack, consistent with North Atlantic Treaty Organization (NATO)/International Security Assistance Forces (ISAF) policy. The U.S. Department of State supports the Afghan Government's "Governor Led Eradication" (GLE) program. While final, verified results are not available for the GLE at this time, the program is on track to more than double last year's result of 3,810 hectares of poppy eradicated.

I believe that the eradication effort must be carefully planned to inflict the most damage on major drug producer's poppy crop and include alternative livelihood efforts to provide poor farmers with an alternative to poppy cultivation. This requires a whole-of-government approach led by the Afghan Government with enabling support from the U.S. Government.

*Question.* What programs and methods do you see as most effective in curbing Afghan drug production and Taliban involvement in the drug trade given the security situation in Afghanistan and the impending departure of international troops?

*Answer.* I believe the most effective method in reducing the Afghan illicit drug production, and the Taliban's involvement in the drug trade has been conducting joint military and law enforcement operations against key nexus targets and involving the Afghans in these operations. The counter narco-terrorist effort, however, must engage a whole-of-government approach. All of the tools to engage the drug trade must be coordinated to achieve the greatest effect. The Afghan Government outreach to farmers occurs in the fall when farmers are determining what crops they will plant for the next season. The Afghan Government should strongly push tribal elders and farmers to not plant poppy. Alternative development needs to be available to farmers so they have support for other options over growing poppy. Eradication needs to target wealthy land owners that gain the most profit from poppy production. Corrupt Afghan Government officials involved in the drug trade and those police forces establishing unauthorized road checkpoints and harassing farmers as they try to get their licit produce to market, should be arrested and tried in a court of law without political interference. We need to continue to train and mentor Afghan CN forces so they can take on this responsibility. Security will be key, and the Afghan security forces need to be up for the task.

The U.S. Government will need to continue to support the CN effort in Afghanistan post 2014 including continuing to build the Afghan CN capacity and providing enabling support.

*Question.* As the Chair of the Senate Caucus on International Narcotics Control, I have concerns that illicit drug organizations will proliferate and increase aggression towards remaining United States and Afghan CN personnel following a military withdrawal.

Given the link between drug trafficking organizations and terrorist organizations, can you advise the future role the Department of Defense (DOD) will have in a "post withdrawal era" in supporting CN efforts in the Afghanistan region?

*Answer.* Over the past 8 years, DOD has worked closely with other U.S. departments and agencies to build the Afghan CN capacity primarily with specialized units. We seek to expand that capacity to the provincial-level forces for greater effect. We have also built enablers, specifically an aviation capacity, that is currently being merged with Afghan counterterrorism efforts. U.S. Special Operations Forces are expected to continue to operate in Afghanistan beyond 2014 and could support training and mentoring the Afghan CN forces.

DOD has also been building CN capacity within the region, specifically in Central Asia. This support has focused on border security operations in an attempt to interdict drug shipments from Afghanistan into and through Central Asia. DOD's CN efforts in Pakistan have been limited lately, although we have supported the U.S. Drug Enforcement Administration's efforts to build the capacity of Pakistan's Anti-Narcotics Force. I look forward to the potential of providing more support to the Pakistan coastal forces and assisting them with training and equipment in support of drug interdiction operations at sea.

Subject to funding being provided, DOD will continue to support CN efforts in Afghanistan and the region.

#### TAIWAN AND F-16S

Senator Cornyn agreed to lift his hold on the nomination of Mark Lippert to be the next Assistant Secretary of Defense for Asian and Pacific Security Affairs after he received a letter from the administration indicating that it would give "serious consideration" to a proposal to sell Taiwan 66 new F-16 fighters. Last year, the administration declined to sell the new F-16s to Taiwan and, instead, agreed to a \$5.8 billion upgrade of Taiwan's existing fleet of F-16s. Senator Cornyn and others de-

nounced the administration's decision arguing that Taiwan needed the newer F-16s to better match China's air superiority. China strongly opposes the sale of new F-16s to Taiwan.

*Question.* What does "serious consideration" mean?

*Answer.* The Taiwan Relations Act provides that ". . . the United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability." The Department of Defense takes this responsibility seriously and endeavors to work closely with the interagency to evaluate Taiwan's needs and provide recommendations to the President on what defense articles and services are appropriate for Taiwan.

Recommendations are based on the projected threat from the mainland and an evaluation of the China-Taiwan relationship—political and military—which is an on-going process.

*Question.* Has the security situation across the straits changed significantly since the administration agreed to upgrade Taiwan's existing fleet of F-16 A/B models?

*Answer.* No. As detailed in the 2012 report to Congress on the Military and Security Developments Involving the People's Republic of China (PRC), the People's Liberation Army continues to focus on building the capacity to coerce Taiwan to reunify with the PRC. In light of China's continued development and deployment of advanced weapons systems to the military regions opposite Taiwan, we judge that the military balance continues to shift in the mainland's favor.

*Question.* I understand that there is not much difference in capabilities between the upgraded F-16 A/B models and the new F-16 C/D models.

What new capabilities would the C/D models provide?

*Answer.* The U.S. Government-approved F-16 A/B retrofit capabilities are very similar to those featured in new F-16 C/Ds. The F-16 A/B retrofit will enhance avionics, survivability, combat effectiveness, and the cockpit environment of Taiwan's current fleet of F-16s, as well as contribute to the refurbishment of aging structural airframe components. F-16 C/D has a more robust engine and an option for conformal fuel tanks providing additional fuel capacity.

*Question.* What threats would they respond to?

*Answer.* The F-16 is a combat aircraft capable of providing air-to-air combat and air-to-surface support. F-16s provide Taiwan the capability to defend the island against air attacks.

*Question.* What significant action could China take to ease its military posture in the strait in a manner that was substantive enough for you to consider or reconsider the future arms sales to Taiwan?

*Answer.* The Taiwan Relations Act provides that "the United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability." Evaluation of the China-Taiwan relationship—political and military—is an on-going process; sales of arms and defense services to Taiwan are evaluated in this context.

DOD along with other U.S. departments and agencies provide recommendations to the President on what defense articles and services are appropriate for Taiwan. DOD bases its recommendations on the projected threat from the mainland. This threat is steadily increasing across multiple mission areas.

China's Anti-Secession Law, expansive military, and extensive doctrine and plans to invade Taiwan leave little doubt about China's intentions. China would need to make significant and permanent changes to its military that would reduce the threat to Taiwan. DOD has not seen any indications that would imply that China is currently making the necessary changes that would cause DOD to reconsider future arms sales to Taiwan.

#### AL-QAEDA THREATS IN AFRICA

*Question.* For the past few years, al-Qaeda in the Islamic Maghreb (AQIM) has been almost an afterthought, but obviously DOD is actively working to defeat al-Qaeda wherever they find a safehaven.

What threat does AQIM pose in light of the current instability in North Africa?

*Answer.* AQIM is a regional affiliate of al-Qaeda and the Department takes the threat it poses very seriously. DOD works to build the capacity of front line states, like Mauritania, Niger, and others, to counter the threat posed by the group. The fluid political situation in North Africa and the Sahel—and the limited ability of governments to control their territory—raises the possibility that AQIM could enjoy greater freedom of movement. That freedom of movement might enable the group to more effectively target local, U.S., and other Western interests.

*Question.* Do you see indications of links among AQIM, al-Shabaab in Somalia, and al-Qaeda in the Arabian Peninsula (AQAP) in Yemen?

*Answer.* We are always concerned about the possibility that regional terrorist organizations will cooperate and share capabilities. A classified answer to this question is being provided separately

#### NUCLEAR WEAPONS

*Question.* The House fiscal year 2013 Defense Authorization bill contains a number of troubling provisions related to nuclear weapons:

- if the President does not spend \$88 billion to upgrade our nuclear labs and \$125 billion over 10 years to replace aging bombers, submarines, and land-based missiles our reductions to our nuclear stockpile mandated by the New Strategic Arms Reduction Treaty (New START) would be halted;
- it places significant restrictions on reducing or withdrawing tactical nuclear weapons in Europe and mandates a report on re-introducing these weapons in South Korea; and
- it would provide \$160 million for a new plutonium facility the National Nuclear Security Administration (NNSA) says it does not need.

If the United States ceased complying with the terms of the New START agreement, how would Russia respond?

*Answer.* I can only speculate how Russia might respond if, for some reason, the United States were forced to cease complying with the terms of the New START. Russia might choose to delay or halt its own compliance activities. This would leave open the possibility that Russia might act to increase the size of its nuclear forces above the New START Treaty (NST) limits.

*Question.* What would be the long-term impact on our strategic relationship with Russia?

*Answer.* The most probable long-term impact of withdrawing from the NST would be a weaker and more unpredictable strategic relationship with Russia because of the increased uncertainty that would come from reduced transparency. NST provides both the United States and Russia with a degree of transparency that helps promote strategic stability. For both the United States and Russia, accurate knowledge of each other's nuclear forces helps to prevent the risks of misunderstanding, mistrust, and worst-case analysis and policymaking.

It is important to note that greater instability in the United States-Russian relationship would have an impact on others, including our allies (who highly prize strategic predictability) and China (which might perceive a need to significantly increase its forces).

*Question.* What would be the impact on our ability to convince Iran and North Korea to forgo their nuclear programs?

*Answer.* It is unclear what, if any, impact a hypothetical United States withdrawal from NST would have on Iran and North Korea. Both countries desire to possess weapons of mass destruction not because of U.S. nuclear capability, but because of the conventional superiority of the United States and its allies and partners. However, as we negotiate to encourage both Iran and North Korea to abandon nuclear weapon programs, a hypothetical United States withdrawal from its NST commitments could work against efforts because it would create a negative image of the United States' commitment to its own international obligations.

#### SEQUESTRATION

*Question.* Secretary Panetta, I'm going to paraphrase some points you made in a letter you sent to Senator McCain this past November as follows:

- “ . . . the reduction in defense spending under maximum sequestration would amount to 23 percent if the President exercised his authority to exempt military personnel.”
- “ . . . Under current law, that 23 percent reduction would have to be applied equally to each major investment and construction program and would render most of our ship and construction projects unexecutable—you cannot buy three quarters of a ship or a building.”; and
- “ . . . We would also be forced to separate many of our civilian personnel involuntarily and, because the reduction would be imposed so quickly, we would almost certainly have to furlough civilians in order to meet the target.”

Secretary Panetta, has Office of Management and Budget (OMB) provided further clarification on how the cuts would be applied to our accounts and do you still believe if the President does exempt our military personnel that the reductions would still amount to 23 percent, and we would need to furlough civilians?

Answer. As of June 13, 2012, OMB has not provided further clarification. Should the President exempt military personnel, our best estimate at this time is the reductions will amount to around 23 percent. We strongly believe the Congress should act to halt sequestration. We have not announced reductions-in-force or furloughs and will make that decision if and when we have to implement the sequestration reductions.

PRESCRIPTION DRUG ABUSE

*Question.* The Department of Defense (DOD) has utilized the Pharmacy Data Transaction Service (PDTS) that records information about prescriptions filled worldwide for Defense Department beneficiaries. However, I understand that DOD does not currently share this information with State Prescription Drug Monitoring Programs (PDMP) at Defense Department hospitals and facilities. Sharing of this information would help to prevent an individual from obtaining a prescription from a private hospital then receiving that same prescription at a Defense Department hospital.

When does DOD plan to implement guidelines to allow prescription drug information sharing with state prescription drug monitoring programs?

Answer. PDTS records information about prescriptions filled for DOD beneficiaries through medical treatment facilities (MTFs), TRICARE Retail Network Pharmacies and the mail order pharmacy (MOP) program. PDTS conducts on-line, real-time prospective drug utilization review (clinical screening) against a patient's complete medication history for each new or refilled prescription before it is dispensed to the patient. The clinical screenings identify potential patient safety, quality issues, or drug duplication issues which are immediately resolved to ensure the patient receives safe and quality care.

DOD is currently sharing data with PDMP through the TRICARE Mail Order Pharmacy and Retail Network Pharmacies. However, the MTF pharmacies, in general, have not been sharing information with State PDMPs due to lack of information technology (IT) capability to interface with the 50 different programs and 50 different sets of requirements for accessing the States' systems. The challenge remains that there is not a national standard for PMDPs, and the State programs are at varying levels of maturity, operationally and technologically. Each State controls who will have access and for what purpose. Since the State PMDPs requirements are inconsistent, DOD as a single, Federal entity, cannot conform to 50 different PMDP standards. In addition, information sharing is limited because access to PMDPs is usually limited to providers who are licensed in the State. Since MTF providers who work on Federal facilities are only required to have one State license, and generally not licensed in the State in which the facility is located; therefore, they typically do not have access to the PDMP prescription data.

TRICARE Management Activity (TMA) Pharmaceutical Operations Directorate (POD) is currently assessing various technical approaches and levels of effort (i.e., funding requirements) to determine the best solution for MTF data sharing with State PMDPs. TMA is looking at the best file format and data transfer mechanisms to support this effort and what the costs to DOD will be. TMA and the services are assessing current policies, Federal legislation, and privacy considerations (i.e., Health Insurance Portability and Accountability Act (HIPAA)) to determine the best approach for participation in the various PMDPs by MTF pharmacies. In addition, TMA POD and the contractor that supports PDTS are currently working on an approach to support the State PMDPs and determine if there are any privacy and legal requirements/implications. Once the Government approves the approach, a rough order of magnitude cost estimate will be developed. The TMA POD anticipates determination of the level of effort for supporting PDMPs by October 2012.

EVOLVED EXPENDABLE LAUNCH VEHICLE

*Question.* Secretary Panetta, I am concerned that the Air Force is entering into an acquisition strategy on the Evolved Expendable Launch Vehicle (EELV) program that will prevent new entrants to compete prior to fiscal year 2018.

Have you looked at the terms and conditions of this proposed contract structure and can you guarantee the Government can walk away without any liability from the contract if new entrants become certified prior to fiscal year 2018?

Answer. The terms and conditions of the proposed contract have been reviewed. The Air Force's plan expects new entrants, as soon as they are certified, to compete for National Security Space launch missions not covered under EELV's Phase I minimum commitment. Thus, there is no need for the Government to "walk away" from its existing contractual commitments.

## QUESTION SUBMITTED BY SENATOR HERB KOHL

*Question.* The administration has announced a new strategy focused on Asia and the Pacific Ocean. Part of this strategy includes deploying the USS *Freedom* to Singapore. The *Freedom* is the first of what we hope will be many littoral combat ships (LCSs) built in Wisconsin.

The Navy has on many occasions described the LCS as one of the backbones of our Nation's future fleet. Do you believe, as I believe, that the LCS is indeed a key part of executing our new defense strategy?

*Answer.* LCS is a key component of the Navy's current and future force and will fulfill multiple mission requirements of the Defense Strategic Guidance (DSG). LCS will meet warfighting needs in the areas of mine countermeasures, anti-submarine warfare, and anti-swarm defense to counter adversary anti-access/area-denial efforts. Beyond the warfighting demands, these ships will also be called upon to defend the homeland by conducting maritime intercept operations; providing a stabilizing presence by building partner capacity, strengthening alliances and increasing U.S. influence; and conducting stability and counterinsurgency operations through security force assistance and other engagement missions. Owing to their speed, smaller size, and relatively shallow draft, these ships offer partner navies compatible ships with which to operate on a more equivalent basis.

## QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

*Question.* Please list the 15 oldest hospitals that are still in use at domestic U.S. Army installations.

*Answer.*

Name	Acquisition date
Ireland Army Community Hospital .....	1957 (Fort Knox).
Irwin Army Community Hospital .....	1957 (Fort Riley).
Martin Army Community Hospital .....	1958 (Fort Benning).
General Leonard Wood Army Community Hospital .....	1965 (Fort LW).
Darnall Army Medical Center .....	1966 (Fort Hood).
Weed Army Community Hospital .....	1968 (Fort Irwin).
William Beaumont Army Medical Center .....	1972 (Fort Bliss).
Moncrief Army Community Hospital .....	1972 (Fort Jackson).
Eisenhower Army Medical Center .....	1975 (Fort Gordon).
Keller Army Community Hospital .....	1977 (West Point).
Blanchfield Army Community Hospital .....	1982 (Fort Campbell).
Winn Army Community Hospital .....	1983 (Fort Stewart).
Bayne-Jones Army Community Hospital .....	1983 (Fort Polk).
Evans Army Community Hospital .....	1986 (Fort Carson).
Madigan Army Medical Center .....	1990 (Joint Base Lewis McCord).

*Question.* Please also provide clarification on the criteria the Army uses for determining the need for replacing hospitals on U.S. military installations. What thresholds need to be met to justify a hospital replacement?

*Answer.* The TRICARE Management Activity (TMA) uses a Capital Investment Decision Model (CIDM) to support validation of facility requirements, ensure that facility investments are aligned with the Military Health System priorities and strategic goals, and improve inter-service and inter-agency collaboration. CIDM criteria include:

- Mission change needs (e.g., change in scope of clinical services to be provided, increases or additions to programs, implementation of new care delivery models). Externally imposed changes, such as population changes in the Army stationing plan or unit re-stationing plans, are considered when identifying locations that require facility projects.
- Collaborative synergies (e.g., the extent that the facility is a constraint to achieving greater collaboration and integration among the Departments of Defense (DOD), Veterans Affairs (VA), other Federal agencies, or the private sector).
- Location constraints (e.g., remoteness, medically underserved).
- Effectiveness of infrastructure (e.g., physical and functional deficiencies).
- Life, health, or safety issues that cannot be addressed through Sustainment, Restoration and Modernization resources.

The CIDM provides the multi-faceted threshold for facility scoring that is used by a tri-service Capital Investment Review Board (CIRB) to derive an Order of Merit



list (OML). The OML supports the determination of which hospital will be replaced and in what order.

*Question.* Last, when analyzing a hospital's usage data, does the Army also take into account the number of military patients who would prefer to receive care at a medical facility on-base, but who are unable to do so because services and specialists are not currently available?

*Answer.* The Army medical planning process is designed to support the mission of the medical facility by focusing on the staff and the space available to support the population and workload demand. A market analysis is conducted to review the availability of healthcare providers and services in the market, as well as the utilization of these services by the beneficiary population. The combination of site/facility and market analysis drives the requirements for facility planning. Market utilization serves as a proxy for health services demand. Beneficiary preference is not explicitly considered as part of this process.

*Question.* I am told that the Navy has not modernized the Mk 45 large caliber naval gun—designed in the mid-1970s—although it was apparently intended to have an overhaul after 15 years of service.

Can you please explain why the Navy has modernized similarly aged guns on Destroyer ships, but has not overhauled or upgraded Mk 45 guns on Cruiser ships? Are there any plans to overhaul or upgrade these guns?

More generally, is the Navy concerned about maintenance of large caliber naval gun capability?

*Answer.* Beginning in 2008, the Navy has been actively overhauling and upgrading the Cruiser Mk 45 guns, via the Cruiser Modernization Program. To date, gun overhauls and upgrades have been made on nine Cruisers. Additional Mk 45 gun overhauls and upgrades are being executed on two Cruisers.

Outside of the planned overhauls in the Cruiser Modernization Program, the Navy continues to overhaul and upgrade Mk 45 guns from decommissioned ships for installation on DDG-51 new construction ships. The Mk 45 guns that remain in service in their as-built configuration will continue to receive regular pier-side maintenance availabilities at 5-year intervals.

The Navy plans to keep the guns in service to the end of the service life of the ships and will continue to maintain the guns through an effective pier-side maintenance program.

*Question.* Does the Navy have any plans to enhance the capability of the Mk 45 gun system to execute ship to shore missions in the future?

*Answer.* We are reviewing our options to develop a precision guided munitions program for our 5-inch projectiles. The Center for Naval Analysis is conducting a follow-on study to the Joint Expeditionary Fires Analysis of Alternatives. This study will analyze the contributions of all joint and fleet fires to support Navy science and technology efforts, existing campaign analysis and the development of a long-term Naval Gun transition plan. This study is expected to be complete this fall and will ultimately contribute to an extended range, precision guided munitions program. Our desire is to augment Naval precision fires with viable and cost-wise 5-inch naval gunfire solutions.

*Question.* Does DOD support the co-production and participation of the U.S. aerospace industry in the Iron Dome defense program? If so, what plans does DOD have to incorporate the U.S. aerospace industry into co-production of this program? Has DOD communicated any such plans to its counterparts at the Israeli Ministry of Defense?

*Answer.* Yes, DOD supports fully Iron Dome co-production and participation of the U.S. aerospace industries in the Iron Dome defense program. In an Exchange of Letters with the Israeli Ministry of Defense concerning Iron Dome funding, the United States specifically requested Israeli support for exploring co-production opportunities.

The Israel Missile Defense Organization (IMDO) recently engaged with its prime contractor and potential U.S. sub-contractors to develop an acquisition strategy supporting U.S. co-production of Iron Dome interceptor components.

*Question.* Is there precedent from the Arrow and David's Sling programs for such an arrangement?

*Answer.* There is precedent for both dual-source component production and for U.S. industry being the sole supplier of missile components to an Israeli prime contractor's production line.

Under the terms of the Arrow System Improvement Program (ASIP) memorandum of understanding, IMDO directed Israeli Aerospace Industries to establish itself as a dual-source supplier with U.S. industry for Arrow-2 booster motors and major subcomponents to increase missile production capacity. U.S. industry completed deliveries of Arrow-2 components in 2010.

The David's Sling Weapon System and Arrow-3 production agreements are still being discussed, but the development programs for both of these systems assume that the Israeli prime contractors will establish subcontract agreements with U.S. suppliers for certain components to be built in the United States, including motors, guidance computers, launch systems, and batteries.

Iron Dome is an Israeli-developed and produced system used solely by the Israeli military. Israeli industry has subcontracted with U.S. firms for some subcomponents. The Missile Defense Agency (MDA) has asked IMDO for a list of those firms and subcomponents as part of our effort to explore co-production opportunities. This effort is ongoing.

Regarding co-production of Iron Dome for U.S. defense purposes (including the Tamir interceptor), there is no U.S. operational requirement for this weapon system. MDA intends to pursue data rights and technical data packages (TDPs) that would enable production of the Iron Dome weapon system should a U.S. operational requirement arise in the future. Additional acquisition steps would need to be taken to execute a co-production program, even if the United States had TDPs and data rights. MDA would have to develop an acquisition strategy, determine a production decisionmaking authority, establish source selection, and budget funds for procurement, operations, and sustainment. These activities are not currently planned due to the lack of a U.S. operational requirement.

*Question.* Would a second source of U.S. manufactured interceptors and launchers provide greater supply chain readiness in the production of this system and better support for the inventory objectives of our ally, Israel?

*Answer.* Although a second source of inventory is typically preferred, Israel has not raised improved Iron Dome supply chain readiness and support for inventory objectives as a concern. Moreover, the cost to establish or maintain a second source was not included in Israel's funding profile, and Israeli Ministry of Defense (IMOD) officials have stated that their industry can meet their Iron Dome production needs.

*Question.* Admiral Gary Roughead provided a plan to sustain the Phalanx Block 1B Close-in Weapon System (CIWS) in a December 2010 letter, stating "a seven-year overhaul cycle provides the most efficient path to maintaining operational availability . . . our CIWS Program Manager assesses that 36 overhauls per year will be needed beginning in FY12."

I am told that the Navy later determined a more affordable 20-year plan would necessitate 20 overhauls per year coupled with 52 reliability, maintainability, and availability (RMA) kits per year, beginning in fiscal year 2013, to maintain the required operational availability.

To date, I am informed that the Navy has not made funding requests sufficient to meet the requirements outlined in either plan above.

What will be the overall impact of this shortfall across the Future Years Defense Program?

*Answer.* Based on the President's budget for fiscal year 2013 CIWS maintenance funding profile, which established a threshold of 52 Reliability, Maintainability and Availability (RM&A) kits and 20 Class A overhauls, there will be no overall impact across the Future Years Defense Program. In fiscal year 2013, our funding request includes 24 RM&A kits and 8 Class A overhauls. The profile then ramps up to exceed the threshold for RM&A kits in fiscal year 2015 and to exceed the threshold for Class A overhauls in fiscal year 2016.

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#### QUESTIONS SUBMITTED BY SENATOR DANIEL COATS

*Question.* How does the Department of Defense (DOD) plan on commemorating the 100th anniversary of World War I and the 75th anniversary of World War II?

*Answer.* Looking ahead to the 75th anniversary commemoration of World War II and the centenary of World War I, DOD anticipates a range of activities to honor the men and women who served in those immense conflicts. As with previous commemorations, we expect to work closely with organizations that share our commitment to these events, including veterans groups, educational institutions, and State and local governments. Because the dates for these observances are still several years away (2016 for World War II and 2017 for American involvement in World War I), plans have not yet taken shape.

*Question.* A December 2011 Navy Inspector General (IG) report concluded ". . . the history and heritage of the U.S. Navy is in jeopardy." Is the Naval History & Heritage Command (NHHC) the only military history program in DOD that stores its collection of documents, photographs, art works, and artifacts in facilities with broken or nonexistent temperature and humidity controls or is this common

throughout the history programs of the Marine Corps, Air Force, and Army? Is our Navy's history and heritage worth preserving in your view?

Answer. The Air Force Historical Research Agency is the official repository for some 750,000 historical documents. Following the installation of an archival-quality heating, ventilation, and air conditioning system in 2010, its archival material is currently stored in a facility with highly effective, archival-standard temperature and humidity controls. The system also screens particulate matter. In addition, the lights have ultraviolet light screens to limit damage to documents. The Air Force Art Program, which contains more than 10,000 pieces, stores its art in climate controlled conditions as well and requires that items on loan be properly protected while on display. The National Museum of the Air Force, certified by the Association of American Museums, maintains its heritage collection of artifacts and photographs in climate controlled conditions. Although the most valuable of the aircraft collection are indoors, some aircraft because of their large sizes, are displayed outdoors and maintained under clear guidelines for the protection and preservation of these artifacts.

The Army also has a large collection of documents, photographs, art works, and artifacts, but the facilities for such activities are, on the whole, sufficient to preserve them. The U.S. Army Museum Support Center at Fort Belvoir, Virginia, was recently opened as a state-of-the-art facility for conserving and preserving the Army's central artifact collection worth approximately \$1 billion and its priceless Army Art Collection comprising more than 12,000 works of original soldier art. The facility was built with an heating, ventilation, and air-conditioning (HVAC) system that maintains the proper humidity and temperature to preserve them in an optimal state. Many of the other artifact collections in the Army museum system, some 107 museums and historical holdings throughout the world, have less effective preservation means at their disposal, but the U.S. Army Center of Military History constantly monitors their status and assists in their preservation to the extent permitted by always scarce resources. No significant collections are currently at risk. As for document and photograph holdings, the Army Heritage and Education Center and its component Military History Institute, which are part of the Army War College at Carlisle Barracks, Pennsylvania, serve as the Army's principle archives for non-official records, photographs, and documents. Those items are housed in a facility with temperature and humidity controlled space specifically designed for such collections.

We believe that our service history and heritage is worth preserving. Our service history is the thread that connects our soldiers to those who have preceded them. It forms the foundation for all of our soldiers. As such, our service history and heritage is eminently worth preserving for future generations of soldiers and Americans to enjoy and become inspired.

As noted, the December 2011 Navy IG report identified significant facilities issues at NHHHC, particularly at its headquarters at the Washington Navy Yard. Since November 2011 the command has engaged in removing its most at-risk collections to environmentally adequate locations, and where that is not possible, has worked with the local public works office to perform repairs to provide adequate environmental conditions for particular collections. (CNIC) has provided funding to develop a facilities plan to ultimately house NHHHC HQ's collections in fully compliant facilities. [NHHHC cannot provide information on Marine Corps, Air Force, and Army facilities.]

The Navy's history and heritage is worth preserving. Information about past naval operations is valuable not only to historians, but to modern-day naval decisionmakers and to our future naval leaders. In addition, naval history provides an important reminder to the American people about the timeless maritime nature of this country and its economy, and therefore of the necessity of a strong Navy to protect it. Historical artifacts provide a direct connection to past events that complements documentary history, and for some audiences is a more effective vehicle for telling the Navy's story. Historical items—archives, artifacts, artwork, photographs, digital media—require careful management if they are to relate the Navy's history to future generations of citizens and scholars. Appropriate facilities are a fundamental necessity for proper stewardship of these important and in some cases irreplaceable resources.

The Marine Corps takes considerable pride in our heritage and is invested in preserving our historical records, photographs, oral histories, and objects related to that heritage. These items inform the training and education of our Marines, and provide material and information that can be applied to new programs, such as weapons and uniforms. Marine Corps heritage is an organizing principal and source of information necessary for scholarly efforts within the formal schools, including the Marine Corps War College. Historical collections also assist in developing written his-

tories, case studies, and student master's theses, all of which are published by Marine Corps University. Further, the pictorial, written, and material history of the Corps is used to support outreach and recruitment efforts necessary to maintain good public relations and a well-staffed force.

In 2006, the Marine Corps Heritage Foundation opened the National Museum of the Marine Corps, a state-of-the-art facility that is the centerpiece of the Marine Corps Heritage Center. This facility houses approximately 10 percent of the total collection. While the majority of the Marine Corps' historical objects, including our records and photographs, are stored in satisfactory conditions at Marine Corps Base Quantico and at other locations, the Marine Corps houses some objects in spaces with inadequate temperature and humidity controls. To the extent possible, items stored in less-than-ideal conditions include more durable objects, such as ground vehicles and aircraft. Works of art are in excellent storage at a rental facility near the Museum.

The Marine Corps has developed a comprehensive long-range plan for the care of its collections. Existing storage buildings have been improved in recent years and will continue to be maintained. Some of these have potential to be further improved to provide long-term solutions; however, there remains a requirement for additional climate-controlled space to house collections and provide work space for conservators. A large museum support facility has been recommended as a potential solution. Marine Corps Base Quantico and the Museum are working proactively on interim solutions that promise improved conditions and accessibility. The Marine Corps Heritage Foundation remains committed to building a second and final phase of the National Museum, which will extend the Marine Corps story from Beirut to Afghanistan and provide a home for some additional artifacts and works of art. The Marine Corps remains committed to preserving our history and heritage that we have invested so much in since 1775.

*Question.* The competition for the C17 Globemaster's F117 engine sustainment supply chain fails to apply better buying guidelines to gain readily apparent savings. This engine is more than 90 percent common with the commercial PW2000 engine family, yet the United States Air Force (USAF) has neither accepted Federal Aviation Administration (FAA) certifications for common repairs and parts, nor established a source approval request (SAR) process to review and certify alternative sources to enable competition, despite informing the Congress that it has had the F117 maintenance technical data via a General Terms Agreement with the OEM since last December. Consequently, the USAF has essentially disqualified alternative vendors, since the OEM remains the only approved source. The annual savings from competing the F117 supply chain would likely be \$200 million per year; yet, the USAF's sustainment strategy would gain no efficiencies from supply chain competition until 2018.

What process is being used to identify and pursue opportunities for efficiencies, such as competition for the F117 supply chain, and how did this program escape oversight for cost accountability by the USAF and OSD?

*Answer.* In the case of the F117 (C-17) engine, officials of the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L) participated in reviews of the proposed costs and negotiation strategy for C-17 sustainment. In the process of doing so, AT&L learned of the Air Force's plan to break out engine sustainment into a separate contract from the Boeing Globemaster III Integrated Sustainment Program in order to reduce costs. While current acquisition plans call for the transition to competition for overhaul and supply chain management of F117 in the 2016 to 2018 timeframe, the Department is exploring opportunities to reduce costs further by accelerating the transition. The Department is working to improve the opportunity for competition and improved cost oversight of C-17 sustainment.

*Question.* Has OSD evaluated whether a more robust and immediate SAR process could result in greater savings for the Air Force?

*Answer.* As part of the ongoing Office of the Secretary of Defense review of the acquisition strategy for F117 sustainment, the Department is reviewing the Air Force Source Approval Request process to seek opportunities for greater savings.

*Question.* Has OSD evaluated the savings associated with accelerating competition for F117 repairs and parts ahead of the Air Force's proposed timeline, which unnecessarily accepts the OEM as the only qualified supply chain source for at least the next 5 years?

*Answer.* The Department is exploring opportunities to reduce costs by accelerating the transition to a competitive engine overhaul and supply chain management construct.

*Question.* The Senate version of the fiscal year 2013 National Defense Authorization Act (NDAA) as reported by the Senate Armed Services Committee contains a bipartisan provision requiring you to submit a report detailing the effects of budget

sequestration on DOD by August 15. There is also a similar standalone bill in both the House and Senate that would require similar transparency concerning the scheduled sequestration for both defense and non-defense cuts.

Do you support this reporting requirement in the Defense authorization bill to allow a full understanding where the defense cuts will occur and to what degree?

If the Defense authorization bill has not yet been enacted by August, would you pledge to still submit such a report to the Congress by August?

Answer. The Department has no official comment about this particular legislation pending before the Congress.

*Question.* Absent the provision in the fiscal year 2013 NDAA bill and the free-standing bills in the House and Senate that would provide important transparency about such cuts, do you currently have this level of detail internally at DOD now that we are less than 6 months away from these cuts being carried out?

Answer. The Department has no official comment about this particular legislation pending before the Congress. While the Office of Management and Budget (OMB) has not yet officially engaged agencies in planning, the OMB staff is conducting the analyses needed to move forward if necessary. Should it reach the point where it appears the Congress does not do its job and the sequester may take effect, OMB, DOD, and the entire administration will be prepared.

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QUESTIONS SUBMITTED TO GENERAL MARTIN E. DEMPSEY

QUESTION SUBMITTED BY SENATOR TOM HARKIN

*Question.* General Dempsey, the Department of Defense (DOD) has become increasingly concerned over the past few years regarding our military's dependence on petroleum-based fuels. These concerns relate to both the ready availability of fuels during times of conflict, and to the increasing costs of such fuels.

For example, it's been reported that the Pentagon spent \$17.3 billion on petroleum in 2011, a 26-percent increase from the previous year with practically no change in the volume purchased.

It's also been reported that for every \$0.25 increase in the price of jet fuel, the DOD must come up with an extra \$1 billion annually.

Relative to future supplies and prices, we can all see that global fuel demands will continue to increase steadily as the economies of the BRIC nations—Brazil, Russia, India, and China—and similar nations grow and demand more fuel for transportation and industrialization.

Obviously, some of our leaders in the Pentagon see these future threats as well, and I commend the Department of the Navy for signing a memorandum of understanding (MOU) with the Department of Energy (DOE) and with United States Department of Agriculture (USDA) for the development of commercial biofuels production capabilities. I understand that under this MOU, the DOD intends to fund multiple drop-in biofuel production facilities under the Defense Production Act.

Could you please speak to DOD's long-term strategy for assuring future fuels supplies and the role that you believe domestic biofuels can and should play in that? More specifically, could you comment on the role that this joint Navy/DOE/USDA procurement activity plays in DOD's longer term fuels security strategy?

Answer. DOD's strategy for operational energy is focused on ensuring our armed forces have the energy resources required to meet 21st century security challenges. Our strategy includes efforts designed to reduce demand, protect, and secure access to energy supplies and to integrate operational energy considerations into the full range of planning and force development activities. Each of our services recognizes the important role energy plays in support of national security and is pursuing initiatives designed to better understand how much energy is being consumed, where, and for what purposes in order to reduce demand and minimize risk to the warfighter.

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QUESTION SUBMITTED BY SENATOR HERB KOHL

*Question.* To help with this transition, we are expanding job training programs for veterans and studying how military skills can be maximized in civilian occupations.

General Dempsey, the programs available to troops transitioning to civilian life are spread out across several different Federal agencies. How is the Department of Defense (DOD) making sure that servicemembers know how to access the programs that are available to them when they leave the military?

Answer. The Department has many efforts to ensure our servicemembers know how to access transition programs. Three such noteworthy efforts are:

*The Transition Assistance Program Re-Design.*—The new re-designed Transition Assistance Program (TAP) provides an individualized, servicemember specific series of modules that assist the servicemember in preparing for civilian life. It also includes our interagency partner's aid in preparing all servicemembers for a successful transition into our Nations' communities and their civilian life.

*The Presidential Task Force.*—In August 2011, the President called for the creation of a Task Force led by the DOD and Veterans Administration, with the White House economic and domestic policy teams and other agencies, including Department of Labor to develop proposals to maximize the career readiness of all servicemembers. The vision of moving TAP from an end of career event to the Military Life Cycle was used as a partial response to President Obama's call to improve education and training of military members to make them career ready. On December 27, 2011, the Task Force submitted a report outlining and conceptualizing its 28 recommendations to improve the career readiness of military members. The President accepted the recommendations and encouraged the Task Force and the agencies to carry forward in implementing the recommended programs.

*Long-Term Goal.*—The Department's long-term aim of the new transition service delivery model is to embed the servicemembers' preparation for transition throughout their military lifecycle—from accession through separation, from service and reintegration, back into civilian life. This will require thoughtful goal setting and planning to apply military experience to longer term career goals in the civilian sector, whether after a single enlistment term or a 20-plus year military career. Servicemembers and military leadership will be engaged in mapping and refining development plans to achieve post-military service goals—a significant culture change.

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#### QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

##### AIRSTRIKES IN AFGHANISTAN

*Question.* General Dempsey, on June 12 in Afghanistan, President Karzai clarified his position on airstrikes stating “. . . an agreement has been reached clearly with NATO that no bombardment of civilian homes is allowed for any reason”, that coalition forces could not use airstrikes “even when they are under attack.” Is this the correct interpretation of the agreement with Afghanistan? And how does this impact our ability to protect our forces who come under fire?

Answer. As always, Afghan and coalition forces retain the inherent right to use aerial munitions in self-defense if no other options are available. On June 12, 2012, the Commander, International Security Assistance Force and United States Forces-Afghanistan, gave the order to coalition forces that no aerial munitions be delivered against civilian dwellings with the exception of the self-defense provision. This order was in accordance with an understanding made with Afghan President Hamid Karzai. This measure was taken to protect the lives of Afghan civilians.

##### AMPHIBIOUS WARSHIPS—OPERATIONAL RISK

*Question.* General Dempsey, as you are putting together your thoughts to address my question on the level of risk being assumed with amphibious lift capability and capacity, it might be helpful to the subcommittee if you touch on operational availability. Again, the Navy and Marine Corps agreed on a fiscally constrained minimum force of 33 amphibious warships to meet a 38 amphibious warship force requirement. Currently, there are 29 ships in the Navy's amphibious fleet, and a common planning factor is that 10 to 15 percent of warships are in overhaul and unavailable at any given time. Just doing the straight math, it is obvious that the number of operationally available ships is well below the requirement acknowledged by the Department of the Navy. What other class of warship is the Department accepting this level of risk? And if any, are those ships in as high demand by the combatant commanders? Secretary Panetta talked to the agility of these ships; I understand that the combatant commanders ask for these ships because they are agile and can address a multitude of missions and situations.

Answer. Each year, the combatant commanders submit force requirements to my staff, which include capabilities that reside in all services. These requirements, in total, routinely exceed the services' capacity to meet them. Within the Navy, this includes not only demand for amphibious platforms, but also aircraft carriers, cruis-

er/destroyers, coastal patrol boats, and frigates. The strategic risk associated with these capacity shortfalls is balanced among the combatant commanders based upon Secretary of Defense policy and guidance, which reflect the National Military Strategy. In general, the military sizes to strategy-based requirements, not on operational availability. It manages availability based on threat.

Specific to the issue of amphibious ship capacity, the Navy remains committed to providing 30 operationally available amphibious ships to meet Naval amphibious ship demand. With some risk, 30 amphibious landing ships can support a two-Marine Expeditionary Brigade (MEB) forcible entry operation. This force accepts risk in the arrival of combat support and combat service support elements of the MEB, but this risk is appropriately balanced with the risk in a wide range of other important warfighting requirements within today's fiscal limitations.

Navy can achieve this operational availability goal by sustaining an inventory of about 32 amphibious ships in the mid to long-term. The 32-ship amphibious force being procured to meet this need will optimally be comprised of 11 LHA/D, 11 LPD 17, and 10 LSD. To support routine forward deployments of Marine Expeditionary Units (MEUs), the amphibious force will be organized into nine, three-ship CONUS based Amphibious Ready Groups (ARGs), and one four-ship ARG based in Japan, with an additional big-deck amphibious ship available to support contingency operations worldwide. Two LSDs will be taken out of commission and placed in reserve status allowing Navy to reconstitute an eleventh ARG as required in the future, or to build up the number of ships in the active inventory, if necessary.

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QUESTION SUBMITTED BY SENATOR DANIEL COATS

*Question.* Why is there no definition of "victory" in Joint Publication (JP) 1-02: Department of Defense Dictionary of Military and Associated Terms?

*Answer.* JP 1-02 supplements common English-language dictionaries with standard terminology for military and associated use. The term "victory" does not require inclusion in JP 1-02 because it is adequately defined by Merriam-Webster as:

1. The overcoming of an enemy or antagonist.
2. Achievement of mastery or success in a struggle or endeavor against odds or difficulties.

SUBCOMMITTEE RECESS

Senator MURRAY. I would put the subcommittee into recess until Senator Shelby appears.

Secretary PANETTA. We aren't going anyplace.

Senator MURRAY. Good. You want to meet now, Mr. Secretary?

Thank you very much. And with that, the subcommittee is in recess until Senator Shelby arrives. Thank you very much.

[Whereupon, at 12:30 p.m., Wednesday, June 13, the subcommittee was recessed, to reconvene subject to the call of the Chair.]