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THE FUTURE OF DEFENSE REFORM

HEARING

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

OCTOBER 21, 2015

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THE FUTURE OF DEFENSE REFORM

WEDNESDAY, OCTOBER 21, 2015

U.S. SENATE
COMMITTEE ON ARMED SERVICES
Washington, DC.

The committee met, pursuant to notice, at 9:30 a.m. in Room SH–216, Hart Senate Office Building, Senator John McCain (chairman) of the committee, presiding.

Committee members present: Senators McCain, Inhofe, Sessions, Wicker, Ayotte, Fischer, Cotton, Rounds, Ernst, Tillis, Sullivan, Lee, Cruz, Reed, Nelson, Manchin, Shaheen, Gillibrand, Blumenthal, Donnelly, Hirono, Kaine, King, and Heinrich.

OPENING STATEMENT OF SENATOR JOHN MCCAIN, CHAIRMAN

Senator MCCAIN. Good morning. The Senate Armed Services Committee meets today to begin a major oversight initiative on the future of defense reform.

This will be the first in a series of dozen hearings that will proceed from a consideration of the strategic context and global challenging—challenges facing the United States, to alternative defense strategies in the future of warfare, to the civilian and military organizations of the Department of Defense, as well as its acquisition, personnel, and management systems, much of which is the legacy of the Goldwater-Nichols reforms that were enacted in 1986.

There is no one, in my view, in America that is better to help us begin this effort than our distinguished witness, the former Secretary of Defense, Robert Gates. We welcome him back for his first testimony to Congress since leaving the Department.

Dr. Gates, we know that you have eagerly awaited this day with all of the anticipation of a root canal.

[Laughter.]

Senator MCCAIN. Few defense—in my view, none—defense leaders can match Dr. Gates' record as a reformer. He directed more than $100 billion in internal efficiencies in the Department of Defense. He eliminated dozens of failing or unnecessary acquisition programs. He held people accountable. He even fired a few. And yet, by his own account, Dr. Gates left, overwhelmed by the scope and scale of the problems at the Defense Department.

This is the purpose of the oversight effort we are beginning today, to define these problems clearly and rigorously, and only then to consider what reforms may be necessary. There is profound urgency to this effort. The worldwide threats confronting our Nation's—Nation now and in the future have never been more complex, uncertain, and daunting. America will not succeed in the 21st

century with anything less than the most innovative, agile, and efficient and effective defense organization. I have not met a senior civilian or military leader who thinks we have that today. In no way is this a criticism of the many patriotic mission- focused public servants, both in and out of uniform, who sacrifice every day here at home and around the world to keep us safe. To the contrary, it's because we have such outstanding people that we must strive to remove impediments in our defense organizations that would squander the talents of our troops and civilian—and civil servants.

Now some would argue that the main problems facing the Department of Defense come from the White House, the National Security Council staff, the interagency, and, yes, the Congress. You will find no argument here, especially about the dysfunction of Congress. We must be mindful of these bigger problems, but addressing many of them is outside this committee's jurisdiction.

Americans hold our military in the highest regard, as we should. At the same time, our witness will explain, the problems that he encountered at the Defense Department are real and serious. Just consider chart 1, here. In constant dollars, our Nation is spending almost the same amount on defense as we were 30 years ago, but, for this money today, we are getting 35 percent fewer combat brigades, 53 percent fewer ships, 63 percent fewer combat air squadrons, and significantly more overhead. How much is difficult to establish, because the Department of Defense does not even have complete and reliable data, as GAO has repeatedly found.

Of course, our Armed Forces are more capable now than 30 years ago, but our adversaries are also more capable, some exponentially so. At the same time, many of the weapons in our arsenal today—our aircraft, ships, tanks, and fighting vehicles, rifles and missiles, and strategic forces—are the products of the military modernization of the 1980s.

And, no matter how much more capable our troops and weapons are today, they are not capable of being in two places at once. Our declining combat capacity cannot be divorced from the problems in our defense acquisition system, which one high-level study summed up as follows, quote, "The defense acquisition system has basic problems that must be corrected. These problems are deeply entrenched and have developed over several decades from an increasingly bureaucratic and over-regulated process. As a result, all too many of our weapon systems cost too much, take too long to develop, and, by the time they are fielded, incorporate obsolete technology." Sounds right. But, that was the Packard Commission, written in 1986.

And, since then, since 1986, as this chart shows, cost overruns and schedule delays on major defense acquisitions have only gotten worse. Defense programs are now nearly 50 percent over-budget and, on average, over 2 years delayed. It's telling that perhaps the most significant defense procurement success story, the MRAP, which Dr. Gates himself led, was produced by going around the acquisition system, not through it.

The rising cost of our defense personnel system is also part of the problem. As chart 3 shows, over the past 30 years the average fully-burdened cost per service member, all of the pays and lifetime benefits that military service now entails, has increased 270 per-

cent. And yet, all too often, the Department of Defense has sought to control these personnel costs by cutting operating forces while civilian and military headquarters staff have not changed, and even grown. Indeed, since 1985, the end strength of the joint force has decreased by 38 percent, but the percentage of four-star officers in that force has increased by 65 percent.

These reductions in combat power have occurred while the Department's overhead elements, especially its contractor workforce, have exploded. Nearly 1.1 million personnel now perform overhead activities in the defense agencies, the military departments, and service staffs in Washington headquarters services. An analysis by McKinsey & Company found that less than one-quarter of Active Duty troops were in combat roles, and with a majority instead performing overhead activities. Recent studies by the Defense Business Board and others confirmed that little has changed in this regard. The United States tooth-to-tail ratio is well below the global average, including such countries as Russia, India, and Brazil.

For years, decades in some cases, GAO has identified some of the major management and administrative functions of the Department of Defense as being at high risk of waste, fraud, abuse, and duplication of effort. Perhaps none of this should be surprising when you consider the judgment of Jim Locher, the lead staffer on this committee during the defense reorganization efforts, three decades ago, quote, "The remedies applied by Goldwater-Nichols to defense management and administration have largely been ineffective. They were never a priority for the Act's drafters, and troubling trends remain. The Pentagon is choking on bureaucracy." He wrote that 14 years ago, and the problem has only gotten worse.

Ultimately, we must ask whether the Defense Department is succeeding in its development and execution of strategy, policy, and plans. The Office of the Secretary of Defense, the service secretaries and service staffs, the joint staff, and the combatant commands are all bigger than ever. But, is the quality of civilian oversight and control of the military better? Has the quality of military advice to civilian leaders improved? Are the joint duty assignments that our military officers must perform producing a more unified fighting force? In short, is the Department of Defense more successful at planning for war, waging war, and winning war?

Goldwater-Nichols was perhaps the most consequential defense reform since the creation of the Department of Defense. And, while the world has changed profoundly since 1986, the basic organization of the Department of Defense, as well as the roles and missions of its major civilian and military actors, has not changed all that much since Goldwater-Nichols. It must be asked, Is a 30-year-old defense organization equal to our present and future national security challenges?

I want to be clear. This is a forward-looking effort. Our task is to determine whether the Department of Defense and our Armed Forces are set up to be maximally successful in our current and future national security challenges. We will be guided in this effort by the same principles that inspired past defense reform efforts, including Goldwater-Nichols, enhancing civilian control of the military, improving military advice, operational effectiveness, and joint

officer management, and providing for a better use of defense resources, among others.

This oversight initiative is not a set of solutions in search of problems. We will neither jump to conclusions nor tilt at the symptoms of problems. We will take the time to look deeply for the incentive and root causes that drive behavior, and we will always, always be guided by that all- important principle: First do no harm.

Finally, this must and will be a bipartisan endeavor. Defense reform is not a Republican or Democratic issue, and we will keep it that way. These are vital national security issues, and we must seek to build a consensus about how to improve the organization and operation of the Department of Defense that can and will be advanced by whomever wins next year's elections. That is in keeping with the best traditions of this committee, and it is how Dr. Gates has always approached this important work across administrations of both parties.

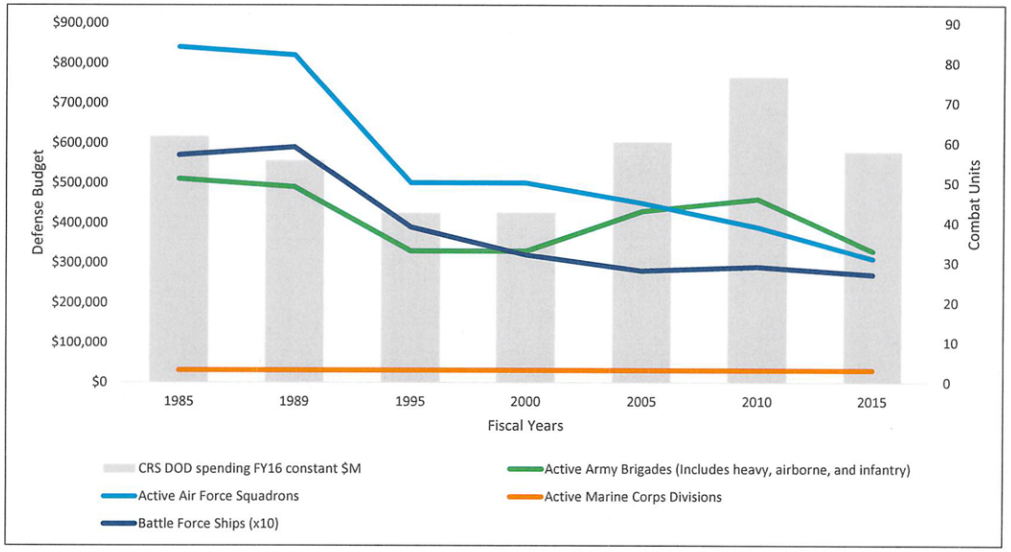
We thank Dr. Gates for his decades of service to our Nation, for generously offering us the benefit of your insights and experiences today.

And I'd like to apologize for the long statement, Dr. Gates, but I take—I believe that this hearing must set the predicate for a number of future hearings that we will be having in order to carry out—achieve the objectives that I just outlined.

[The information referred to follows:]

Defense Spending vs. Active Combat Units

Fiscal Years 1985-2015 (FY16 constant $M)



Source: CRS, CBO.

In constant dollars, we spend almost as much on defense today as we did 30 years ago. But today, our $600B defense budget gets us 35% fewer combat brigades, 53% fewer ships, and 63% fewer combat air squadrons.

Department of Defense Overhead Personnel

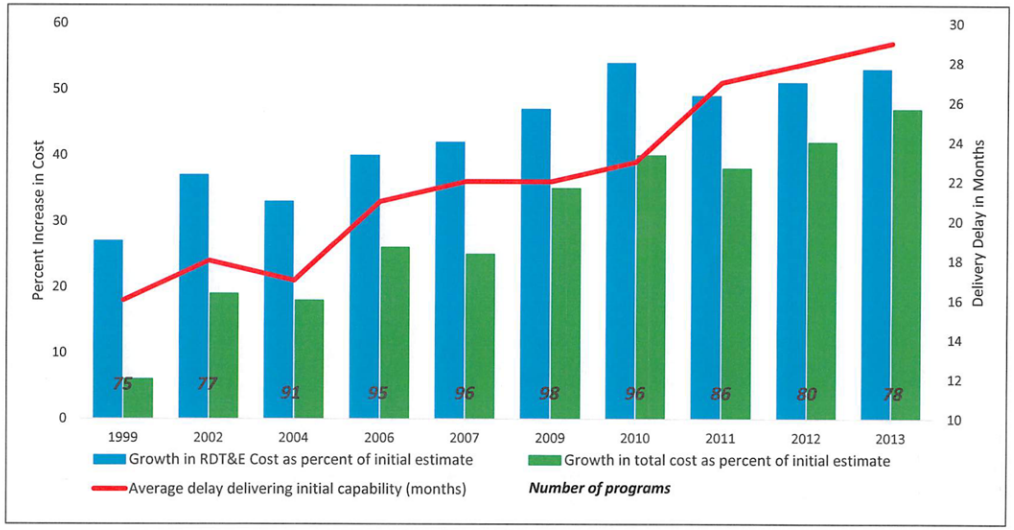
	Military	Civilian	Contractor[1]	Total
Office of the Secretary of Defense	585	3,515	4,275	8,375
Defense Agencies	3,458	74,922	45,558	123,938
Defense Field Activities	1,308	22,215	6,228	29,751
Other Defense-Wide	16,382	50,084	15,225	81,691
Joint Staff & Combatant Commands	18,169	9,795	16,377	44,341
Program Manager Manpower	159,182	72,323	23,502	255,007
Military Department Headquarters	18,409	23,734	574,270[2]	616,413
Total Overhead Personnel	**217,493**	**256,588**	**685,435**	**1,159,516**

Source: FY15 Defense Manpower Requirements Report

[1] Contractor personnel not reported by all organizations
[2] Includes all Military Department contractors

Major Defense Acquisition Programs Percent Cost Growth and Schedule Delay

Fiscal Years 1999-2014

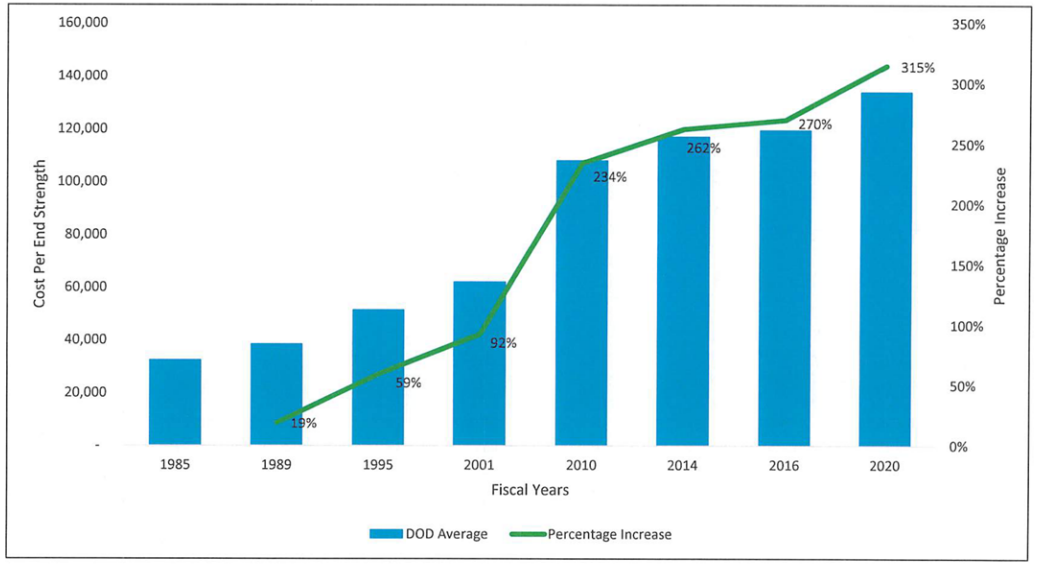


Source: GAO. Total costs include RDT&E, procurement, military construction, and acquisition operations and maintenance. The number of active programs changes from year to year as programs start and complete development.

The cumulative program cost growth in 1999 was 6%, with programs experiencing an average schedule delay of more than 1 year. As of 2013, the cumulative program cost growth was 47%, with an average schedule delay of more than 2 years.

Growth in Average Fully-Burdened Personnel Cost

1985-2015

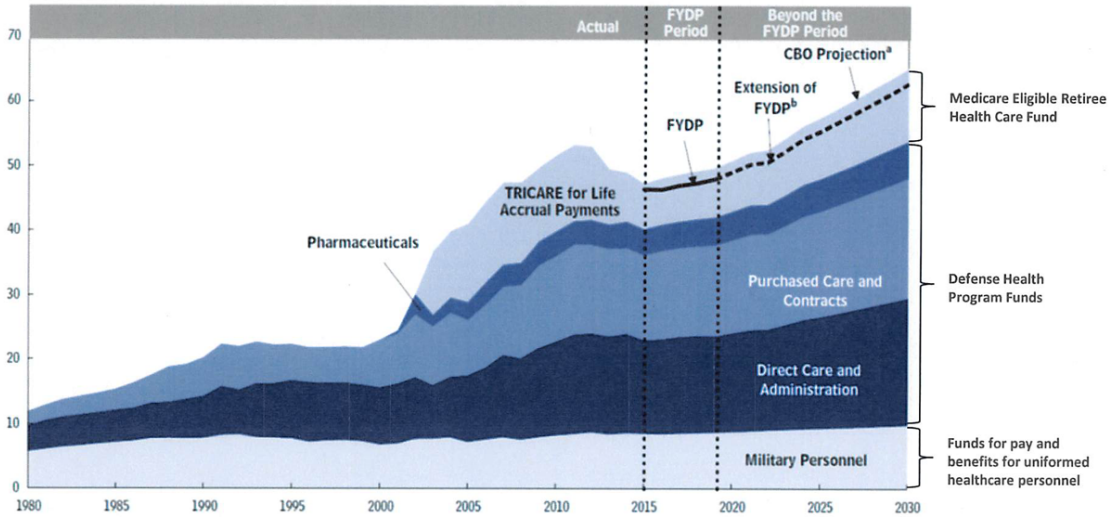


Source: Department of Defense Comptroller. The fully-burdened personnel cost includes all pay, benefits, housing, healthcare and allowances.

Over the past 30 years, the cost to train, equip, sustain and compensate one service member has increased 270%.

DOD's Costs and Plans for Military Health System

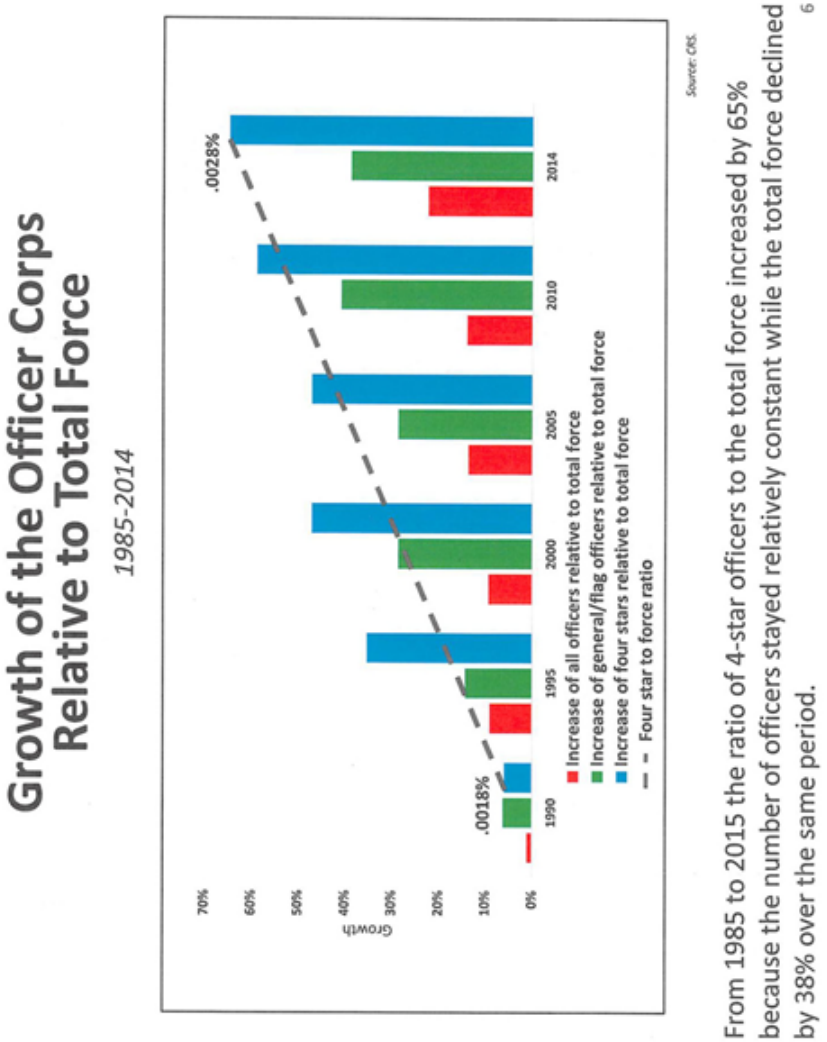
Fiscal Years 1980 – 2030 (FY15 Constant $B)



Source: *Approaches to Reducing Federal Spending on Military Health Care, Congressional Budget Office, January 2014, p. 9.*

a. Each category shows the CBO projection of the base budget from 2015 to 2030. That projection incorporates costs that are consistent with DOD's historical experience.
b. For the extension of the FYDP from 2020 to 2030, CBO projects the costs of DOD's plans using the Department's estimates of costs to the extent they are available and costs that are consistent with CBO's projections of price and compensation trends in the overall economy when the Department's estimates are not available.

TRICARE for Life accrual payments are made on behalf of all military personnel into the Medicare Eligible Retiree Health Care Fund. These payments fund future retiree healthcare benefits for military members currently serving and are distributed annually from the individual Services' military personnel funds. Purchased Care is contracted health care provided by the private sector. Direct Care is healthcare provided at military medical treatment facilities.



Senator MCCAIN. Senator Reed.

STATEMENT OF SENATOR JACK REED

Senator REED. Well, thank you very much, Mr. Chairman.

And, Dr. Gates, welcome back to the Senate Armed Services Committee. And let me join the Chairman in thanking you for your willingness to testify today, and also underscore how thoughtful and how appropriate the Chairman's remarks are with respect to the need for a careful bipartisan review of policy in the Defense Department, and change in the Defense Department.

I must also apologize. As I've told you before, I have 200 or so Rhode Island business leaders that I must inform all day long today, so I won't be here for the whole hearing. And I apologize to the Chairman, also.

It's no accident that the Chairman has asked you, Dr. Gates, to testify today on—as the first witness in a major effort to look at the Department of Defense. You have more than 1,500 days as Secretary of Defense, decades serving the United States Government in roles that range from the National Security Council to the Central Intelligence Agency, and then, of course, the Department of Defense. And your vast experience with DOD and the interagency process, especially in a post-September 11th context, will be important to the committee's study of these issues as we go forward.

And, while you were Secretary of Defense, you were an outspoken critic of your own Department and its ability to manage critical competing priorities, such as funding military modernization and ensuring that the requirements of deployed forces are being supported appropriately.

In a speech before the American Enterprise Institute, you said the Department is, in your words, "a semi-feudal system, the amalgam of fiefdoms without centralized mechanisms to allocate resources, track expenditures, and measure results, relative to the Department's overall priorities." As a policymaker in the legislative branch, this kind of assessment from the most senior official in the Department is deeply concerning, but also very helpful, in terms of giving us a direction. I look forward to hearing your ideas and thinking of—about the changes you recommend to us for addressing these issues.

Congress has tried to help address some of these problems, as you have rightly noted, in creating the Deputy Chief Management Officer. But, one person is not enough to create or compel systemic change in the largest organization on Earth. And during your tenure, you created two ad hoc entities in the Department, the Chairman mentioned, to address rapidly dangerous issues to our troops: the Mine- Resistant Ambush Protector, or MRAP, Task Force, and the Intelligence, Surveillance, and Reconnaissance, or ISR, Task Force. And both of these endeavors were very successful, but they are just an indication of the kind of more holistic and comprehensive change that we need to undertake in the Department of Defense.

Also in your American Enterprise Institute speech, you made a critical point. Since 2001, we have seen a near doubling of the Pentagon's modernization accounts that has resulted in relatively modest gains in actual military capability. And this should be of a concern to all of us. And we'd welcome your recommendations on how to bring changes necessary to ensure that we're getting what we're paying for; in fact, getting more, we hope, bang for our buck.

You've also spoken about the need for defense spending to be stable and predictable, and the importance of the role of Congress in ensuring that such stability is provided. And former DOD Comptroller Bob Hale, who served with you at the Pentagon, wrote recently about the budgetary turmoil he experienced during his tenure, including sequestration, a government shutdown, and continuing resolutions. Specifically, he wrote, "This budget turmoil im-

posed a high price in DOD and, therefore, the Nation it serves. The price was not measured in dollars, since DOD certainly didn't get any extra funding to pay the cost of the turmoil. Rather, the price took the form of harm to the efficiency and effectiveness of the Department's mission, and we are still confronting those issues today."

Finally, during your tenure, Dr. Gates, you were a strong advocate not only for our military, but also the funding the soft-power tools of statecraft: our diplomacy, developmental efforts, and our ability to communicate our goals and values to the rest of the world. As we consider steps to making DOD more effective, I'd also be interested in your thoughts on the importance of our national security in enhancing our civilian elements of national power, and also the impact that sequestration has on these elements.

Again, thank you, Dr. Gates, for your service. I look forward to your testimony.

Senator MCCAIN. Dr. Gates.

STATEMENT OF HON. ROBERT M. GATES, FORMER SECRETARY OF DEFENSE

Dr. GATES. Chairman McCain, Senator Reed, probably the least sincere sentence in the English language is: Mr. Chairman, it's a pleasure to be here with you today.

[Laughter.]

Dr. GATES. Frankly, short of a subpoena, I never expected to be in a congressional hearing again. And, given some of the things that I wrote in my book, I'm rather surprised to be invited back.

[Laughter.]

Dr. GATES. So, thank you for kind introductory remarks and for the invitation to address the important topic of defense reform.

I also commend you, Mr. Chairman, for attempting to transcend the daily headlines and crises of the moment to focus this committee, and hopefully the rest of the Congress, on institutional challenges facing the defense establishment. While I've stayed in touch with my successors periodically and have followed developments from afar—very afar—my testimony today is based predominantly on my experience as Defense Secretary between December 2006 and July 2011, and being engaged in two wars every single day during that period. So, my comments this morning may not necessarily account for all of the changes that have taken place over the last 4 years.

I joined the CIA to do my bit in the defense of our country 50 years ago next year. I've served eight Presidents. With the advantage of that half-century perspective, I'd like to open with two broad points:

First, while it is tempting and conventional wisdom to assert that the challenges facing the United States internationally have never been more numerous or complex, the reality is that turbulent, unstable, and unpredictable times have recurred to challenge United States leaders regularly since World War II: the immediate postwar period that saw the Soviets tighten their grip on eastern Europe and surprised Western leaders and intelligence agencies by detonating their first atomic device; the frequent crises during the '50s, including the Korean War; regular confrontations with China

over Taiwan; pressures from the Joint Chiefs of Staff to help France by using nuclear weapons in Indochina; war in the Middle East; uprisings in eastern Europe; and a revolution in Cuba. During the 1960s, a war in Vietnam, another Arab-Israeli war, and confrontations with the Soviets from Berlin to Cuba. In the 1970s, Soviet assertiveness in Africa, an invasion of Afghanistan, and yet another Arab-Israeli war and oil embargoes. The 1980s brought a number of surrogate conflicts in places like Afghanistan and an attack on Libya, crises in Lebanon, and the intervention in Panama. And in the 1990s, we had the first Gulf War, military action in the Balkans, Somalia, Haiti, missile attacks on Iraq, and the first al-Qaeda attacks on the United States.

The point of recounting these historical examples is that Americans, including all too often our leaders, regard international crises and military conflict as aberrations, when, in fact, and sad to say, they are the norm. Convinced, time and again, that a new era of tranquility is at hand, especially after major conflicts, Presidents and Congresses tend to believe they have a choice when it comes to the priority given national security, and, correspondingly, significantly reduce the resources provided to Defense, the State Department, and CIA. In the short term, at least, until the next crisis arrives, they do have a choice, and the budget cutters and deficit hawks have their way. But, in the longer term, there really is no choice. While we may not be interested in aggressors, terrorists, revanchists, and expansionists half a world away, they ultimately are always interested in us or in our interests or our allies and friends, and we always discover then that we went too far in cutting, and need to rearm, that the cost in treasure and in the blood of our young men and women is always far higher than if we had remained strong and prepared all along.

The primary question right now before the Congress and the President is the priority you give to defense, which, at roughly 15 percent of Federal expenditures, is the lowest percentage of the Federal budget since World—before World War II. Without proper and predictable funding, no amount of reform or clever reorganization will provide America with a military capable of accomplishing the missions assigned to it.

The second and related point I think highly germane to your deliberations is that our record in—since Vietnam in predicting where we will use military force next, even a few months out, is perfect. We have never once gotten it right. Just think about it: Granada, Lebanon, Libya twice, Iraq now three times, Afghanistan, the Balkans, Panama, Somalia, Haiti, and most recently West Africa to combat ebola. Because we cannot predict the place or the nature of future military engagement, we must provide a premium on acquiring equipment and providing training that give our forces the most versatile possible capabilities across the broadest possible spectrum of conflict.

These two lessons on funding and flexibility must underpin any defense reform effort, whether the focus is on bureaucratic organization, command structures, acquisition, or budgets. All that said, it is completely legitimate to ask whether our defense structures and processes are giving us the best possible return on taxpayer dollars spent on our military. The answer in too many cases is no.

In this context, the questions the committee are considering are, in my view, the correct ones, namely whether our country's institutions of national defense are organized, manned, equipped, and managed in ways that can deal with the security challenges of the 21st century and that efficiently and effectively spend defense dollars.

Mr. Chairman, over the next 15 minutes or so, I'll make observations about Goldwater-Nichols, acquisition policy, the interagency process, and the budget. And we can then delve into these and other matters, as the committee sees fit.

First, Goldwater-Nichols, at 30 years, and the question whether the ambition of the original legislation has been fulfilled, or is additional legislation of similar magnitude needed, in light of all the changes that have taken place over the last three decades? My perspectives on the current structure of the Defense Department is shaped primarily by my experience as Secretary overseeing a military fighting two wars. I discovered early on that I led a Department designed to plan for war, but not to wage war, at least for the long term.

The swift victory of the 1991 Persian Gulf conflict seemed to validate all the post-Vietnam changes to our military, including the landmark 1986 legislation. But, the Pentagon clearly was not organized to deal with protracted conflicts like Iraq and Afghanistan, which, contrary to the wishes of most Americans, most assuredly will not be the last sustained ground campaigns waged by our military.

In this respect, Goldwater-Nichols succeeded all too well by turning the services into force and equipment providers walled off from operational responsibilities now the exclusive domain of combatant commanders. This became especially problematic in unconventional conflicts requiring capabilities, usually immediately, that were significantly different from what was in the prewar procurement pipeline.

Just one illustrative example. While there was, and is, a joint process to deal with the ongoing needs of battlefield commanders, it was left up to the designated military service to reprioritize its budget to find the funding for those needs. It will come as no surprise to you that, with some regularity, the designated service decided that urgent battlefield need did not have as high a priority for funding as its long-term programs of record. These were mostly advanced weapon systems designed for future conflicts, and had near sacrosanct status within the military services, making it difficult to generate much enthusiasm for other near-term initiatives that might compete for funds.

I soon learned that the only way I could get significant new or additional equipment to commanders in the field in weeks or months, not years, was to take control of the problem myself through special task forces and ad hoc processes. This would be the case with the MRAP vehicles, additional intelligence, surveillance, and reconnaissance capabilities, shortened medevac times, counter-IED equipment, and even the care of wounded warriors. I learned that if the Secretary made it a personal priority, set tight deadlines, and held people accountable, it was actually possible to get

a lot done, even—quickly, even in a massive bureaucracy like the Pentagon.

But, satisfying critical operational and battlefield needs cannot depend solely on the intense personal involvement of the Secretary. That is not sustainable. The challenge is how to institutionalize a culture and an incentive structure that encourages wartime urgency simultaneous with long-term planning and acquisition as a matter of course.

A final thought relative to defense organizations and authorities. Through my tenure, I was privileged to work with two superb Chairmen of the Joint Chiefs of Staff, Pete Pace and Mike Mullen, who were true partners while providing independent, occasionally dissenting, professional military advice. The Chairman, along with the Vice Chairman, is the one senior military officer with a stake in both current needs and future requirements. One of the great achievements of Goldwater-Nichols was strengthening the position of the operational commanders and the Chairman relative to the service chiefs. I believe that, as a general principle, this must be sustained.

Service chiefs have a tenure of 4 years. Combatant commanders, nominally, 3 years. Yet the Chairman and Vice Chairman of the Joint Chiefs of Staff have 2-year renewable terms. I believe their positions vis-a-vis both service chiefs and combatant commanders would be strengthened by also giving them 4-year terms. This would not diminish in the least their accountability to the President, the Defense Secretary, and the Congress.

Second, a subject that has, for years, been a focus of this committee, the acquisition process. Not only has Goldwater-Nichols hit the 30-year mark, so too has the Office of the Secretary of Defense for Acquisition, Technology, and Logistics. AT&L was established because a service-driven acquisition system was yielding too many over-designed, over-budget, and over-scheduled programs. The theory was that, by giving acquisition responsibility for major programs to a senior OSD official removed from parochial service interests, wiser and more disciplined decisions would ensue.

So, what can we say, 30 years on? We've succeeded in building a new layer of bureaucracy with thousands of more employees and new processes to feed it. But, when it comes to output, the results have been quite mixed. As Secretary, I found that, despite all of the OSD and joint oversight mechanisms, far too many major weapons and equipment programs were ridiculously overdue, over-cost, or no longer relevant to the highest-priority defense needs. To the chagrin of many inside the Pentagon, and probably even more here on the Hill, I canceled or capped more than 30 major programs in 2009 that, if built out fully, would have cost the taxpayers $330 billion.

So, where does that leave us today as Congress considers reforms for the future? Problems with the services running acquisitions led to greater centralization and oversight through AT&L. But, that led to another set of problems in the form of sizable central bureaucracy that adds delays and related costs without discernible benefit. So, now there's pressure and legislation to return significantly more acquisition authority back to the services.

My sense is, the right answer lies with finding a better balance between centralization and decentralization than we now have. But, a strong word of caution: You must not weaken the authority of the Secretary of Defense and his ultimate decision-making power on acquisition. I cannot imagine a service chief or service secretary able to overcome intense internal pressures and voluntarily do away with, for example, programs like the Army Future Combat System, the airborne laser, the Zumwalt destroyer, or dozens of other troubled and needlessly exquisite systems that had built up a loyal service constituency. The simple fact is that such decisions are not just programmatic, but political. And only the Secretary of Defense, with the strong support of the President, has the clout, the power inside the Pentagon, with industry and here on the Hill, to make such decisions, and make them stick.

A couple of other observations seem obvious as you and the Secretary of Defense address this issue. Nothing will work without rigorously applied accountability within the services, by AT&L, and by the Secretary. And then there is the importance of basic blocking and tackling on the acquisitions process. To wit, high-level rigorous control of requirements and limiting changes beyond a certain point, competitive prototyping, wherever possible, before program initiation, more realistic cost estimates, and revising contract incentives to better reward success and penalize failure.

Also promising are your legislative efforts, Mr. Chairman, and those of Chairman Thornberry in the House, to streamline acquisition processes, eliminate counterproductive regulations, encourage more use of commercial products and pricing, and attract more nontraditional vendors to defense markets.

That said, at the end of the day, redrawing the organization chart or enacting new acquisition laws and rules will matter less than leaders skilled enough to make—to execute programs effectively, willing to take tough, usually unpopular choices, and establish strong measures of accountability, and willing to get rid of those not performing well, whether people or programs.

In terms of being better stewards of taxpayer dollars more broadly, the effort I began in 2010 to reduce overhead costs, and continued by my successors, must be renewed and sustained. It was telling that, in just 4 months, in 2010, we found some $180 billion over a multiyear period we could cut in overhead. There is, as Deputy Secretary Gordon England liked to say, a river of money flowing under the Pentagon, primarily funded through catchall operations and maintenance accounts. Now, there's no line item in the Defense budget called "waste," so getting at unnecessary overhead spending without harming important functions is extremely hard work. It's kind of like a huge Easter egg hunt. But, it can and must be done.

A brief word here on resisting the usual approach of reducing budgets with across-the-board cuts. I have seen countless Washington reform efforts over the years result in mindless salami-slicing of programs and organizations. That is not reform, it is managerial and political cowardice. True reform requires making trades and choices and tough decisions, recognizing that some activities are more important than others. It's hard to do, but essential if

you're to reshape any organization into a more effective and efficient enterprise.

Further, the Congress must contain its own bad behavior, such as insisting on continuing unneeded programs because of parochial interests, preventing the closure of roughly one-quarter of all defense facilities deemed excess, burdening the Department with excessive and frequently expensive rules and reporting requirements, and more.

My third broad point with regard to the interagency process. From time to time, the idea arises to reorganize the U.S. national security apparatus put together in 1947 to better integrate defense, diplomacy, and development, a Goldwater-Nichols for the interagency, if you will. Goldwater-Nichols has mostly worked at the Defense Department because, when push comes to shove, as it often does there, everyone in and out of uniform ultimately works for one person: the Secretary of Defense. And he or she has the last word and can tell everyone to get in line. When multiple Cabinet departments are involved, however, there is only one person with that kind of authority: the President. The National Security Council and its staff were created to provide the President with an organizational mechanism to coordinate and integrate their efforts. How well that works depends entirely on the personal relationships among the principals and the talents and skills of the National Security Advisor. Even this structure, headquartered just down the hall from the Oval Office, works poorly if the Secretary of State and the Secretary of Defense can't stand one another, as was the case for a good part of my time in government, or if the National Security Advisor isn't an honest broker. How well the planning, activities, and efforts of State, Defense, and others are coordinated and integrated is the responsibility of one person: the President. And there is nothing anybody else, including the Congress, can do about it.

I'll conclude with three other reasons the Nation is paying more for defense in real dollars today than 30 years ago, and getting less, and getting less. One is that men and women in uniform today drive, fly, or sail platforms which are vastly more capable and technologically advanced than a generation ago. That technology and capability comes with a hefty price tag. A second reason for the higher cost is the exploding personnel costs of the Department, a very real problem on which I know this committee and others are at least beginning to make some inroads after years of futility.

But, the third factor contributing to increased costs, and one of immense importance, is the role of Congress itself. Here, I am talking about the years-long budgetary impasse on the Hill and between the Congress and the President. The Department of Defense has had an enacted appropriations bill to start the fiscal year only twice in the last 10 years. The last 7 years all began under a continuing resolution. During the first 6 full fiscal years of the Obama administration, the Defense Department has operated under continuing resolutions for a third of the time, a cumulative total of 2 years. Department leaders also have had to deal with the threat—and, in one year, the imposition—of sequestration, a completely mindless and cowardly mechanism for budget-cutting. Because of

the inability of the Congress and the President to find a budget compromise, in 2013 defense spending was reduced midyear by $37 billion. All of those cuts applied equally, in percentage terms, to 2500 line items of the defense budget and requiring precise management of each cut to comply with the Antideficiency Act with its criminal penalties for violations. Sequestration effectively cut about 30 percent of day-to-day operating funds in the second half of fiscal year 2013.

But, then add to this mess the fact that the Department, probably the largest organization on the planet, in recent years has had to plan for five different potential government shutdowns. In the fall of 2013, with sequestration still ongoing, the Pentagon actually had to implement one of those shutdowns for 16 days, affecting 640,000 employees or 85 percent of the civilian workforce.

It is hard to quantify the cost of the budgetary turmoil of the past 5 years: the cuts, the continuing resolutions, sequestration, gimmicks, furloughs, shutdowns, unpredictability, and more. During continuing resolutions, in particular, the inability to execute programs on schedule, limits on being able to ramp up production or start new programs or to take full advantage of savings offered by multiyear purchases, the time-consuming and unpredictable process of reprogramming even small amounts of money to higher-priority projects, all these impose tremendous costs on the Defense Department and the taxpayer. And this doesn't even begin to account for the costs involved in hundreds of thousands of man hours required to try and cope with this externally imposed leadership and managerial nightmare. Moreover, reimposition of full-scale sequestration looms in January, absent a bipartisan budget agreement.

Given the harm all this politically driven madness inflicts on the U.S. military, the rhetoric coming from Members of Congress about looking out for our men and women in uniform rings very hollow to me. Further, this legislative dysfunction is embarrassing us in the eyes of the world at a time when allies and friends are looking to us for leadership and reassurance. All the smart defense reforms you can come up with will be of little use if the military is unable to plan, to set priorities, and to manage its resources in a sensible and strategic way.

The failure of the Congress in recent years, because of the partisan divide, to pass timely and predictable defense budgets, and its continuing parochialism when it comes to failing programs and unneeded facilities, has not only greatly increased the cost of defense, it has contributed to weakening our military capabilities, and it has broken faith with our men and women in uniform. This committee with its counterpart in the House has long supported, on a bipartisan basis, a strong defense and protecting those in uniform. As you consider needed reforms in the Pentagon, I fervently hope you will also urge your colleagues in Congress to break with the recent past and place the national interests and our national security ahead of ideological purity or achieving partisan advantage, because, as you know as well I, our system of government, as designed by the founders who wrote and negotiated the provisions of the Constitution, is dependent on compromise to function. To do so is not selling out. It is called governing.

Thank you.

[The prepared statement of Dr. Gates follows:]

PREPARED STATEMENT BY DR. ROBERT M. GATES

Chairman McCain, Senator Reed:

Probably the least sincere sentence in the English language is: "Mr. Chairman, it's a pleasure to be here today." Frankly, short of a subpoena I never expected to be in a Congressional hearing room again. And, given some of the things I wrote in my book I'm rather surprised to be invited back to Capitol Hill. So, thank you for your kind introductory remarks and for the invitation to address the important topic of defense reform.

I also commend you, Mr. Chairman, for attempting to transcend the daily headlines and crises of the moment to focus this committee, and hopefully the rest of the Congress, on the institutional challenges facing America's defense establishment. While I have stayed in touch with my successors periodically and have followed developments from afar—very afar, my testimony today is based predominantly on my experience as Defense Secretary between December 2006 and July 2011 and being engaged in two wars every single day during that period. So my comments this morning do not necessarily account for all the changes that have taken place over the last four years.

I joined CIA to do my bit in the defense of our country fifty years ago next year. With the advantage of that half-century perspective, I'd like to open with two broad points.

First, while it is tempting—and conventional wisdom—to assert that the challenges facing the United States internationally have never been more numerous or complex, the reality is that turbulent, unstable, and unpredictable times have recurred to challenge United States leaders regularly since World War II—the immediate post-war period that saw the Soviets tighten their grip on eastern Europe and surprise western leaders and intelligence agencies by detonating their first atomic device; the frequent crises during the 1950s including the Korean War, regular confrontations with China over Taiwan, pressures from the Joint Chiefs of Staff to help France by using nuclear weapons in Indochina, war in the Middle East, uprisings in eastern Europe and a revolution in Cuba; during the 1960s the war in Vietnam, another Arab-Israeli war and confrontations with the Soviets from Berlin to Cuba; in the 1970s, Soviet assertiveness in Africa and their invasion of Afghanistan, yet another Arab-Israeli war, and oil embargoes; the 1980s brought a number of surrogate conflicts in places like Afghanistan, an attack on Libya, crises in Lebanon and the intervention in Panama; and the 1990s the first Gulf War, military action in the Balkans, Somalia, Haiti, missile attacks on Iraq, and the first al-Qaeda attacks on us.

The point of recounting these historical examples is that Americans, including all too often our leaders, regard international crises and military conflict as aberrations when, in fact and sad to say, they are the norm.

Convinced time and again that a new era of tranquility is at hand, especially after major conflicts, presidents and congresses tend to believe they have a choice when it comes to the priority given to national security and, correspondingly, significantly reduce the resources provided to Defense, the State Department, and CIA. In the short term, at least until the next crisis arrives, they do have a choice, and the budget cutters and deficit hawks have their way.

But in the longer term, there really is no choice. While we may not be interested in aggressors, terrorists, revanchists and expansionists half a world away, they ultimately are always interested in us—or our interests or our allies and friends. And we always discover then that we went too far in cutting and need to rearm. But the cost in treasure and in the blood of our young men and women is always far higher than if we had remained strong and prepared all along.

The primary question right now before the Congress—and The President—is the priority you give to defense which, at roughly 15% of federal expenditures, is the lowest percentage of the budget since before World War II. Without proper and predictable funding, no amount of reform or clever reorganization will provide America with a military capable of accomplishing the missions assigned to it.

The second and related point I think highly germane to your deliberations is that our record since Vietnam in predicting where and how we will be engaged militarily next—even a few months out—is perfect: We have never once gotten it right. We never expected to be engaged militarily in Grenada, Lebanon, Libya (twice), Iraq (now three times), Afghanistan, The Balkans, Panama, Somalia, Haiti and, most recently, West Africa to combat Ebola.

Because we cannot predict the place or nature of future military engagement, we must place a premium on acquiring equipment and providing training that give our forces the most versatile possible capabilities across the broadest possible spectrum of conflict.

These two lessons—on funding and flexibility—must underpin any defense reform effort—whether the focus is on bureaucratic organization, command structures, acquisition or budgets.

All that said, it is completely legitimate to ask whether our defense structures and processes are giving us the best possible return on taxpayer dollars spent on our military. The answer in too many cases is no. In this context, the questions this committee is considering are, in my view, the correct ones: namely, whether our nation's institutions of national defense are organized, manned, equipped, and managed in ways that can deal with the security challenges of the 21st century and that efficiently and effectively spend defense dollars.

Mr. Chairman, over the next fifteen minutes or so, I will make some observations about Goldwater-Nichols, Acquisition Policy, the interagency process, and the budget. We can then delve into these and other matters in more depth as the committee wishes.

First, Goldwater-Nichols at 30 years, and the question whether the ambition of the original legislation has been fulfilled or is additional legislation of a similar magnitude needed in light of the all the changes that have taken place over the past three decades.

My perspective on the current structure of the Defense Department is shaped primarily by my experience as a Secretary overseeing a military fighting two wars. I discovered early on that I led a department designed to plan for war but not to wage war—at least for the long term. The swift victory of the 1991 Persian Gulf Conflict seemed to validate all the post-Vietnam changes to our military including the landmark 1986 legislation. But the Pentagon was clearly not organized to deal with protracted conflicts like Iraq and Afghanistan which, contrary to the wishes of most Americans, most assuredly will not be the last sustained ground campaigns waged by our military.

In this respect, Goldwater-Nichols succeeded all too well by turning the services into force and equipment providers walled off from operational responsibilities, now the exclusive domain of combatant commanders. This became especially problematic in unconventional conflicts requiring capabilities—usually immediately—that were significantly different from what was in the pre-war procurement pipeline

Just one illustrative example: while there was—and is—a joint process to deal with the on-going needs of battlefield commanders, it was left up to the designated military service to reprioritize its budget to find the funding for those needs. It will come as no surprise to you that with some regularity, the service decided the urgent battlefield need did not have as high a priority for funding as its long-term programs of record. These were mostly advanced weapons systems designed for future conflicts and had near-sacrosanct status within the military services, making it difficult to generate much enthusiasm for other, nearer-term initiatives that might compete for funds.

I soon learned that the only way I could get significant new or additional equipment to commanders in the field in weeks or months—not years—was to take control of the problem myself through special task forces and AD-HOC processes. This would be the case with the mine-resistant-ambushed protected (MRAP) vehicles; additional intelligence, surveillance and reconnaissance capabilities; shortened MEDEVAC Times, counter-IED equipment and even care of wounded warriors.

I learned that if the Secretary made it a personal priority, set tight deadlines, and held people accountable, it was actually possible to get a lot done, often quickly, even in a massive bureaucracy like the Penatagon. But satisfying critical operational and battlefield needs cannot depend solely on the intense personal involvement of the Secretary. That is not a sustainable approach. The challenge is how to institutionalize a culture and incentive structure that encourages wartime urgency simultaneous with longterm planning and acquisition as a matter of course.

A final thought relative to defense organizations and authorities. Through my tenure I was privileged to work with two superb Chairmen of the Joint Chiefs of Staff—Pete Pace and Mike Mullen—who were true partners while still providing independent, occasionally dissenting, professional military advice. The Chairman, along with the Vice Chairman, is the one senior military officer with a stake in both current needs and future requirements. One of the great achievements of Goldwater-Nichols was strengthening the position of Operational Commanders and the Chairman relative to the Service Chiefs. I believe that as a general principle this must be sustained. Service Chiefs have a tenure of four years, combatant commanders nominally three years. Yet the Chairman and Vice Chairman of the Joint

Chiefs of Staff have two year, renewable terms. I believe their positions vis-à-vis both the Service Chiefs and Combatant Commanders would be strengthened by also giving them four-year terms. This would not diminish in the least their accountability to the president, the Defense Secretary and the Congress throughout their term.

Second, a subject that has for years been a focus of this committee—the acquisition process. Not only has Goldwater-Nichols hit the 30 year mark, so too has the Office of the Secretary of Defense for Acquisition, Technology and Logistics. AT&L was established because a service-driven acquisition system was yielding too many over-designed, over-budget and over-schedule programs. The theory was that by giving acquisitions responsibility for major programs to a Senior OSD Official removed from parochial service interests, wiser and more disciplined decisions would ensue.

So what can we say 30 years on? We have succeeded in building a new layer of bureaucracy—with thousands more employees—and new processes to feed it. But when it comes to output, the results have been mixed. As Secretary I found that, despite all the OSD and Joint Oversight Mechanisms, too many major weapons and equipment programs were ridiculously over-due, over-cost or no longer relevant to the highest priority defense needs. To the chagrin of many inside the Pentagon and even more here on the Hill, I canceled or capped more than 30 programs in 2009 that, if built out fully, would have cost taxpayers some $330 billion.

So where does that leave us today as this Congress considers reforms for the future? Problems with the services running acquisitions led to greater centralization and oversight through AT&L. But that led to another set of problems in the form of a sizeable central bureaucracy that adds delays and related costs without discernable benefit. So now there is pressure—and legislation—to return significantly more acquisition authority back to the services. My sense is the right answer lies with finding a better balance between centralization and de-centralization than we now have.

But a strong word of caution. You must not weaken the authority of the Secretary of Defense and his ultimate decision-making power on acquisition. I cannot imagine a Service Chief or Service Secretary able to overcome intense internal pressures and voluntarily do away with, for example, programs like the Army Future Combat System, the Airborne Laser, the Zumwalt Destroyer or dozens of other troubled or needlessly exquisite systems that had built up a loyal service constituency. The simple fact is that such decisions are not just programmatic but highly political. And only the Secretary of Defense, with the strong support of the President, has the clout—the power—inside the Pentagon, with industry and here on the Hill to make such decisions and make them stick.

A couple of other observations seem obvious as you and the Secretary of Defense address this issue. Nothing will work without rigorously applied accountability, within the services, by AT&L and by the Secretary. Then there is the importance of basic blocking and tackling in acquisitions processes: to wit, high level, rigorous control of requirements and limiting changes beyond a certain point to avoid the "Gold Plating" phenomenon; competitive prototyping where possible before program initiation; more realistic cost estimating; and revising contract incentives to better reward success and penalize failure. Also promising are your legislative efforts, Mr. Chairman, and those of Chairman Thornberry in the House, to streamline acquisitions processes, eliminate counterproductive regulations, encourage more use of commercial products and pricing, and attract more non-traditional vendors to the defense markets.

All that said, at the end of the day, re-drawing the organization chart or enacting new acquisitions laws and rules will matter less than leaders skilled enough to execute programs effectively, willing to make tough, usually unpopular choices, and establish strong measures of accountability. And willing to get rid of those not performing well—whether people or programs.

In terms of being better stewards of taxpayer dollars more broadly, the effort I began in 2010 to reduce overhead costs—and continued by my successors—must be renewed and sustained. It was telling that in just four months, we found some $180 billion over a multi-year period we could cut in overhead. There is, as Deputy Secretary Gordon England liked to say, a river of money flowing under the Pentagon, primarily funded through catch-all operations and maintenance accounts. As you know, there is no line item in the defense budget called "Waste." So getting at unnecessary overhead spending without harming important functions is extremely hard work—like a huge Easter egg hunt, but it can and must be done.

A brief word here on resisting the usual approach of reducing budgets with across the board cuts. I have seen countless Washington reform efforts over the years result in mindless salami slicing of programs and organizations. That is not reform. It is managerial and political cowardice. True reform requires making trades and

choices and tough decisions, recognizing that some activities are more important than others. It is hard to do, but essential if you are to re-shape any organization into a more effective and efficient enterprise.

Further, the Congress must contain its own bad behavior—such as insisting on continuing unneeded programs because of parochial interests, preventing the closure of the roughly one quarter of all of defense facilities deemed excess, burdening the department with excessive—and frequently expensive—rules and reporting requirements, and more.

Third, with regard to the interagency process, from time to time the idea arises to re-organize the U.S. National Security Apparatus—put together in 1947—to better integrate defense, diplomacy and development—a "Goldwater-Nichols for the interagency" if you will. Goldwater-Nichols has mostly worked at the defense department because, when push comes to shove" as it often does there—everyone in and out of uniform works for one person: the Secretary of Defense. And he or she has the last word and can tell everyone to get in line. When multiple cabinet departments are involved, however, there is only one person with that kind of authority—the President.

The National Security Council and its staff were created to provide the President with an organizational mechanism to coordinate and integrate their efforts. How well that works depends entirely on the personal relationships among principals and the talents and skills of the National Security Advisor. Even this structure, headquartered just down the hall from the Oval Office, works poorly if the Secretaries of State and defense can't stand one another, as was the case for a good part of my time in government; or, if the national security advisor is not an honest broker. how well the planning, activities and efforts of state, defense and others are coordinated and integrated is the responsibility of one person—the president. And there is nothing anybody else—including Congress—can do about it.

I will conclude with three other reasons the nation is paying more for defense in real dollars today than thirty years ago and getting less. One is that men and women in uniform today drive, fly or sail platforms which are vastly more capable and technologically advanced than a generation ago. That technology and capability comes with a hefty price tag. A second reason for the higher cost is the exploding personnel costs of the department, a very real problem on which I know you are at least beginning to make some inroads after years of futility.

But the third factor contributing to increased costs, and one of immense importance, is the role of Congress itself. Here I am talking about the years-long budgetary impasse on the Hill and between Congress and the President. The Department of Defense has had an enacted appropriations bill to start the fiscal year only twice in the last decade—the last seven years all began under a continuing resolution. During the first six full fiscal years of the Obama Administration, the Defense Department has operated under continuing resolutions for a third of the time—a cumulative total of two years. Department leaders also had to deal with the threat, and in one year, the imposition, of sequestration—a completely mindless and cowardly mechanism for budget cutting. Because of the inability of the Congress and the President to find a budget compromise, in 2013 defense spending was reduced mid-year by $37 billion—all of those cuts applied equally in percentage terms to some 2,500 line items of the Defense Budget, and requiring precise management of each cut to comply with the Anti-Deficiency Act with its criminal penalties for violations. Sequestration effectively cut about 30 percent of day-to-day operating funds in the second half of fiscal year 2013.

But then add to this mess the fact that the department—probably the largest organization on the planet—in recent years has had to plan for five different potential government shutdowns. In the fall of 2013, with sequestration still ongoing, the Pentagon actually had to implement one of those shutdowns for 16 days, affecting 640,000 employees or 85 percent of the civilian work force.

It is hard to quantify the cost of the budgetary turmoil of the past five years—the cuts, the continuing resolutions, sequestration, furloughs and shut-downs, the unpredictability and more. During continuing resolutions in particular, the inability to execute programs on schedule, limits on being able to ramp up production or start new programs, or to take full advantage of savings offered by multi-year purchases, the time-consuming and unpredictable process of re-programming even small amounts of money to higher priority projects all impose tremendous costs on the Defense Department—and the taxpayer. And this doesn't even begin to account for the costs involved in hundreds of thousands of man-hours required to try to cope with this externally imposed leadership and managerial nightmare. Moreover, re-imposition of full-scale sequestration looms in January absent a bipartisan budget agreement.

Given the harm all this politically driven madness inflicts on the U.S. military, the rhetoric coming from members of Congress about looking out for our men and women in uniform rings very hollow to me. Further, this legislative dysfunction is embarrassing us in the eyes of the world at a time when allies and friends are looking to us for leadership and reassurance.

All the smart defense reforms you can come up with will be of little use if the military is unable to plan, set priorities and manage its resources in a sensible and strategic way.

The failure of congress in recent years because of the partisan divide to pass timely and predictable defesne budgets—and its continuing parochialism when it comes to failing programs and unneeded facilities—has not only greatly increased the cost of defense, it has contributed to weakening our military capabilities, and it has broken faith with our men and women in uniform.

This committee, with its counterpart in the house, has long supported—on a bipartisan basis—a strong defense and protected those in uniform. As you consider needed reforms in the Pentagon, I fervently hope you also will urge your colleagues in Congress to break with the recent past and place the national interest—and our national security—ahead of ideological purity or achieving partisan advantage. Because, as you know as well as I, our system of government—as designed by the founders who wrote and negotiated the provisions of the Constitution—is dependent on compromise to function. To do so is not "selling out"—it's called governing. Thank you.

Senator MCCAIN. Well, thank you, Mr. Secretary—Dr. Gates, thank you. Those are very strong words, and I wish that all 535 Members of Congress could hear the—your closing remarks. I will quote them quite often and quite liberally. And it is, frankly, a damning but accurate indictment about our failure to the men and women in the military, the 300 million Americans, and the security of our Nation.

We are also looking at a debt-limit showdown, Mr. Secretary. And we all know that debt limits have to be raised because of spending practices, yet we now have a substantial number of Members of Congress that, "By God, we're not going to vote to increase the debt limit, and anybody that does is, of course, a traitor and doesn't care about fiscal responsibility." The rhetoric has been very interesting.

So, we're now looking at sequestration, and we are also looking at the debt limit, and we're also looking at a President and Secretary of Defense—with the Secretary of Defense's support of vetoing a bill that is not a money bill; it's a policy bill. That's what defense authorization is all about. So, the President's threatening to veto because of the issue of not increasing nondefense spending, when there is nothing that this committee nor the authorizing process can do to change that. I'm sorry to say that members of this committee will be voting to sustain a presidential veto on an issue that we have nothing that we can change.

Well, could I just ask, again, on sequestration—I also would ask a specific question. In your remarks, it was interesting to me that you didn't make a single comment about the service secretaries and their role. Do you think we ought to do away with the service secretaries, Dr. Gates?

Dr. GATES. I've thought about that, thanks to your staff providing me with some of the issues that you all might want to discuss today. And I think that—I think I would say no to that question. And I would say it primarily because I think that having a civilian service secretary does strengthen the civilian leadership and the civilian dominance of our military. If there is—and they are able to do so on a day-to-day basis in decision making that a

single person, like the Secretary of Defense, could not do. I mean, I couldn't—the Secretary can sort of reiterate that, and make it clear in his actions, that civilian control is important, but I think that the symbolism, to members of the services, that there is a civilian at the head of their own service who is responsible for them, and accountable for them, I think, is important.

Senator MCCAIN. Let me go back over this relationship between AT&L, the uniformed service chiefs, the Secretary of Defense—and you cited a couple of cases where, by going around the entire process as in MRAP, you've mentioned, and other cases—where is—go over, for the benefit of the committee, the—where is the balance? We're trying to, in this legislation, give some more authority and responsibility to the service chiefs, who, right now, as I understand it, have none, and yet, at the same time, as you said, not return too much to the service chiefs because of their advocacy, their view of sacrosanct, long-term programs that they believed were important to their services. I don't quite get that balance there.

Dr. GATES. Well, and I wish I could give you a precise and very specific answer. It seems to me that—I mean, the irony is that—for example, when it came to the MRAPs, although I made the decisions, it was, in fact, AT&L and the leadership of AT&L that executed those programs and that signed the contracts, and they were actually implemented, then, by the—the Marine Corps actually had the responsibility, because they had originated the—the MRAPs were originally their idea, and it was their success in Anbar that led me to expand it. But, the problem that I ran into in the Defense Department is that any problem, whether it's an acquisition or anything else, affects multiple parts of the Department, none of which can tell the other what to do. So, if the comptroller has a problem, he can't tell AT&L what to do. If Cost Assessment and Program Evaluation has a problem, they can't tell AT&L or anybody else what to do. They only report to me or to the Secretary. And so, the reason I found myself chairing these meetings was because there were enough different parts of the Department who were involved in almost any decision that no one below the Secretary could actually get everybody in the room and say, "This is what you have to do."

So, how you fix that, institutionally—and I will tell you, when Ash Carter was AT&L, was the Under Secretary, and particularly in my last 6 or 8 months, Ash and I talked all the time, "Ash, how do we institutionalize this? How do we institutionalize meeting these urgent needs along with the long-range kind of planning and acquisition that we have?" And, frankly, when I left, we hadn't solved that problem.

But, it has to—the services do have authority, they do have procurement or acquisition authority, and they do have senior people in those positions. And, frankly, my sense is that there are—a couple that I dealt with seemed to me to be quite capable. But, how you realign the roles of AT&L and the service procurement or acquisition officers, I don't have an easy solution for you. All I can suggest is that there be a dialogue between this committee and Secretary Carter and the services and AT&L, in terms of how you adjust the balance.

It is clear to me that the balance has shifted too far to AT&L. And therefore, there needs to be some strengthening of the role of the services. But, central to that will be forcing the service leaders, the Chief of Staff and the Secretary, to hold people accountable, and to hold those two people accountable for the service. I know Mark Milley was up here testifying and said, you know, "Give me the authority, and, if I don't do it right, fire me." Well, that's kind of extreme. But, at a certain point, accountability is a big piece of this, and I just—I don't have for you a line drawing or even a paragraph where I could tell you, "Here's where you redraw the balance," because I'm not sure right where that line goes.

Senator MCCAIN. Thank you.

Senator Reed.

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

Thank you, Dr. Gates, for extraordinarily insightful testimony and not only giving us advice but also sort of pointing out the questions which you're still trying to carefully think through. It'll help us immensely.

One point you made is that we plan very well for the initial phase 1, phase 2, phase 3 operations with our equipment, with our personnel. It's the—usually the phase 4 of how we sort of conduct protracted war that you predicted would be the likely face of conflict in the future. So much of that depends upon capacity-building in the local nations, and so much of that depends upon non-DOD elements—State Department, police trainers, public health systems. I think we've seen that so many times, in Iraq and Afghanistan. And this comes back to the point I think you've also made about, you know, if these agencies are not properly funded or not properly integrated, then we could succeed in the initial phase of the battle, but fail, ultimately. Is that a fair assessment? And——

Dr. GATES. Well, I can only remind this committee how many times you heard from our commanding generals in both Iraq and Afghanistan about the desperate need for more civilians, both in Iraq and Afghanistan, and the value that they brought. Secretary Rice used to chide me occasionally, reminding me that we had more people in military bands than she had in the entire Foreign Service.

I'll give you another example, though, and it's an action that—frankly, where the—both the executive branch and the Congress are responsible. When I left government in 1993, the Agency for International Development had 16,000 employees. They were dedicated professionals. They were accustomed to working in dangerous and difficult circumstances in developing countries, and they brought extraordinary, not only skill, but passion. When I returned to government, 13 years later, in 2006, AID was down to 3,000 employees, and they were mostly contractors. And that is a measure of what's happening in the development part of our broader strategy. And I would say that, you know, for those of us of a certain age who can remember USIA in its heyday, what we have in the way of strategic communications in our government today is a very pale reflection of that.

So, those—that whole civilian side has been neglected for a very long time.

Senator REED. And that neglect will be exacerbated by sequestration, and they will not—these agencies don't have a way to provide at least short-term funding, as DOD does through the overseas contingency accounts. They're just stuck. And because they don't function well—and I think that's the conclusion you draw—our overall national security, our overall response in this, is impaired dramatically. Is that fair?

Dr. GATES. I believe so, yes.

Senator REED. And it raises the issue, too, and—because this is the subject of a lot of our discussions, is—we have tried to find the money for Department of Defense, and the account that's bearing the bulk of the differences, both budgetary and political, is the overseas contingency account. As a means of funding defense on a long-term basis, in your view, is that an adequate approach, or should we raise the regular budget caps and do it as we thought we used to do it?

Dr. GATES. Well, first of all, my approach when I was Secretary was to take every dollar I could get, wherever I could get it.

Senator REED. Yeah, I know. That's a——

Dr. GATES. It's a terrible way to budget. I mean, it is a gimmick. It does provide the resources, but I think it's hard to disagree with—I mean, the way the things ought to operate is that if there is a sense on the Hill, a majority view, that the budget needs to be cut to reduce the deficit, you go through regular order of business, and you—like I did when I was Secretary of Defense, you make tough decisions. What are you going to fund? What are you not going to fund? But, you make choices. That's what leadership and political life is all about, it seems to me. And then you vote a budget, and the money flows, whether there's more or less of it. You know, in the current paralyzed state, maybe there's no alternative right now to getting the money this way, but it is—as the saying used to go, it's a helluva way to run a railroad.

Senator REED. Well, thank you very much, Dr. Gates, for your extraordinary service to the Nation.

Thank you.

Senator MCCAIN. Senator Sessions.

Senator SESSIONS. Thank you, Dr. Gates, and thank you for your service. And I would add my compliments to those of my predecessors—prior speakers, that I believe you represent one of the best Defense Secretaries the Nation has ever had.

Dr. GATES. Thank you.

Senator SESSIONS. And I know you've served with dedication, put the Nation's interests first, you put the Defense Department first. Some of your former Cabinet colleagues put Secretary of Health first, and education first, and roads first. And so, we got pleas from every department and agency, and we don't have as much money as we'd like. So, the crisis we've entered on the budget process is essentially that the President of the United States has said, "You Republicans care about defense. You're not getting any more money for defense unless I get more money for nondefense." And that's a big conflict. And so, the process we moved forward met the Defense Department's request and the President's request for defense, but it has not met the nondefense increases, all of which, on defense and nondefense, are borrowed, because we're already in debt. So,

anytime we spend more, we borrow the extra money. So, it's a difficult time, and——

But, you are correct, history teaches us that conflicts just don't go away. They keep coming back, and we don't know what it will be like, and we need a strong national defense. And I thank you for your real good advice.

Briefly, do you believe that, with regard to the extremism we're seeing in the Middle East, that we, as a Nation, and our allies in Europe, NATO, and other places, should seek to develop a strategy—bipartisan in the United States or worldwide—to deal sophisticatedly with that threat over decades to come? And can we do that?

Dr. GATES. Senator, I think that—I think we face a generation of conflict in the Middle East. I think we have four—at last four conflicts going on simultaneously: Shiite Islam, led by Iran, versus Sunni Islam, led by Saudi Arabia; reformers versus authoritarians; Islamists versus secularists. And then the question of whether these artificially created countries—Iraq, Afghanistan, Syria—comprised of historically adversarial ethnic and religious groups can hold together at all. I used to say "without repression." Now the question is whether they can hang together at all. Syria has become, if you will, the epicenter of all of that.

Some of you may have read Dr. Kissinger's long essay the other day in the Wall Street Journal. My concern is that I don't see an overreaching—or an overriding strategy on the part of the United States to how we intend to deal with this complex challenge for the next 20 or 30 years. And one of the benefits of containment—and there were lots of disagreements about how to apply it and how—and the wars we fought under it, and so on—but, I will always believe that critical to our success in the Cold War was that we had a broad strategy, called containment, that was practiced by nine successive administrations of both political parties. It had bipartisan support, the general notion of how to deal with this. We don't have anything like that with respect to the Middle East. And I think that as long—and so, we're kind of dealing with each of these crises individually rather than backing up and saying, "What's our long-range game plan, here? And who are going to be our allies? Who are going to be our friends? Where do we contain? Where do we let it burn itself out?" We just really haven't addressed those long-term questions. It seems to me we're thinking strictly in sort of month-to-month terms.

Senator SESSIONS. Well, thank you. I think that's very good advice for us.

I believe—I've been around here a good while—I believe there's a possibility of a real bipartisan support for that kind of long-term vision. We've got big disagreements on spending and some other issues that—hard to bridge, but I think this one we could bridge. And I appreciate your thoughts on that.

I met with the—some German group yesterday in a very fine meeting, and raised the need for Europeans to contribute more to their defense and our mutual defense. And the leader of the group pointed out it was unacceptable that NATO is funded 70 percent by the United States. He acknowledged that. You've spoken on that

in the past very clearly. Do you have any further ideas about what we might do to have our allies carry a bit more of the load?

Dr. GATES. Well, this is one area where one might hope, in the long term, that Mr. Putin has done us a favor by reminding the Europeans that, actually, the world has not gone on to broad, sunny uplands where there is peace and tranquility all the time. The reality is, many years ago NATO countries all committed to spend at least 2 percent of GDP on defense. When I left office, there were five countries out of 28 that met that threshold, and two of them were Greece and Croatia. So, it gives you a measure of where the others need to pull up their socks. And, as you say, I spoke very bluntly about this, including in Brussels in my last speech in Europe. Probably never be welcome in Europe again, either.

[Laughter.]

Dr. GATES. But, the—but, no, I—and I think the more that—particularly, the more that Members of Congress from both parties talk to their counterparts in Parliaments in Europe, that can only help, in my view.

Senator SESSIONS. Thank you.

Senator MCCAIN. Senator Heinrich.

Senator HEINRICH. Dr. Gates, in your speech on budget austerity at the Eisenhower Library, you said that, quote, "Eisenhower was wary of seeing his beloved republic turn into a musclebound garrison state, militarily strong but economically stagnant and strategically insolvent," unquote.

As you've heard, we've got a lot of digit—very difficult appropriations challenges coming up in the next few months, and I wanted to ask you if you have any opinions as to what Eisenhower might think of the proposal to use the overseas contingency operations fund—i.e., the war fund—to cover base-level DOD budget items, or whether you might have some thoughts on that.

Dr. GATES. Well, I think I expressed my view that these kinds of ad hoc arrangements are never at all as satisfying or as cost effective as regular-order business in which choices are made and decisions are made based on those choices, and dollars allocated. And there may be more dollars, there may be fewer dollars, but at least people have some predictability. I would also tell you that having some predictability year-on-year would be helpful. And so, I think that, obviously, regular-order business, in terms of managing these budgets—that's really what I was talking about in a good part of my remarks—having regular appropriated defense budgets that actually begin on the—at the beginning of the fiscal year is the way things ought to work, and they have not worked that way up here for at least 10 years. That needs to be fixed.

By the same token, as I said, when I was the Secretary, if I were confronted with the situation that I face now, my sense would be to take the money, because what's my alternative, and what kinds of programs am I going to have to have to cut in order to accommodate certain defense needs?

Let me give you an example of a place where I made a big mistake. In 2010, this committee and others were very unhappy about supplementals, and talking about moving away from supplementals. And I knew that, when the wars were over, those

supplementals, or now the OCOs, would go away. A lot of the funding that we had for military families and for families of wounded warriors, and wounded warriors, were being funded through the supplementals. I moved all those programs, or as many of those programs as I could, into the base budget, in the belief we would need those programs for years and years and years to come. Well, guess what? All of those programs are now being hit by sequestration and by continuing resolutions and everything else. So, what I thought would protect those programs ended up making them vulnerable; whereas, if I'd have left them on the OCOs, they'd still be fully funded. So, those are the perverse consequences of not having regular appropriations bills.

I would make one other observation about Eisenhower and his military industrial complex speech. It gets quoted a lot. But, there's one factoid that people don't usually include. When Eisenhower made that speech in 1961, the defense budget accounted for 51 percent of Federal spending. Today, it's 15 percent.

Senator HEINRICH. Shifting gears a little bit with the rest of my time. Do you have general thoughts on how you build sort of a culture of incentives and values that really value off-the-shelf solutions, where they're appropriate, within the acquisition process and the procurement process, rather than sort of having this inherent bias towards exquisite new programs and products?

Dr. GATES. I think that there are obviously areas in which you ought to buy off-the-shelf capabilities. And, frankly, one of the great cultural shifts in the national security arena actually occurred in the early 1980s, when we, in the intelligence arena that had always led the way in developing data processing, data storage, data management, were discovering that the private sector was far outstripping us in terms of their capabilities. And so, beginning in the mid-'80s, we began buying off-the-shelf software; and hardware, for that matter. So, there are areas like that, where I think that, in fact, the private sector is way ahead of the government and where we can buy off-the-shelf capabilities that will actually improve our capabilities. There will be some areas—and these are always the areas that are contentious, but—that have to do with some specific military capabilities where you are in the realm of completely new technology, and those are the places where you're going to have to take risk and you're going to have to realize that there probably are going to be cost overruns. Most of the highly advanced—technologically advanced programs defense has had for the last 30 or 40 years have all, in their initial years, had cost overruns. And partly it's because we're dealing with, and trying to do, things that have never been done before.

Senator HEINRICH. Dr. Gates, I want to thank you for subjecting yourself to this today. We appreciate it.

[Laughter.]

Senator MCCAIN. Senator Inhofe.

Senator INHOFE. Thank you, Mr. Chairman.

And, Dr. Gates, I agree with the statement that was made by our Chairman, that there's no one better suited for the reform that we're looking at, and we're hoping for and we're anticipating, than you. And I also want to say that, during the various incarnations you've had, I've always enjoyed personally working with you.

You've gone out of your way to have dinners with individuals and really tried to work with us more than anyone else has. So, I thank you for that.

You know, you observed that in 1961 it was 51 percent of the budget, and it's now 15 percent. And that's a problem. It's the lowest percentage since World War II, I guess. But, that isn't the problem we're addressing today. That is a problem, but what we're talking about is the tooth and the tail.

Now, both you and Secretary Hagel sought to shrink the inflated headquarters and major combat commands' tasks during the—your respective times as Secretary of Defense. Secretary Carter initiated a targeted 20-percent reduction in the staff during his deputy time—Deputy Secretary. And in August of this year, Deputy of Defense Secretary Robert Work sent all services a memo entitled "Cost Reduction Targets for Major Headquarters," ordering preparation for a 25-percent cut in appropriations from 2017 to 2020. I think that's great, and we supported it. In fact, our defense authorization bill has a lot of language in there that says this is what we're going to—we need to do. And it's a major problem.

Let me just ask you to think about something that hasn't been brought up yet. It's an observation that I've made a long time ago. And that is the problem you have with bureaucracies in general. Bureaucracies don't want to get smaller, they want to grow. It was Reagan who said, "There is nothing closer to life eternal on the face of this Earth than a government agency once formed." We both remember that. I—and so, every time it seems that there is a bureaucracy that is asked to reduce its overhead—and that's what we're talking about today, the headquarters, its overhead—they will pick out—cherry pick something that they do that the public is so concerned about.

Let me give you an example. I've introduced legislation—in fact, I passed legislation that addresses the FAA and their treatment of general aviation. I have a second bill called the Bill of Rights II. I had problems with reams and reams of bureaucrats from that Department out lobbying, knowing they had a lot of people out there on their staff. If you look at the FAA—in 1990, their—the total number of pilots that they regulated, which is primarily what they were doing in the year 2000, was 625 pilots. Today it's 593 pilots. So, the workload is actually reduced. And yet, in the year 2000, their budget was $9.9 billion. Today, it grew from $9.9 billion to $16.6 billion. So, that's an increase of $67 billion. Now, what did they do—every time there is some kind of an effort by me, on the radio, or something else, talking about how it is an inflated bureaucracy that doesn't have the workload they had 5 years ago, that their budget is 67 percent more. Every time they do that, they would say, "All right, we'll go ahead and start reducing." What did they reduce? They reduced things that scare people. They reduce thing—the controllers—the number of controllers that are out there. And I could give you a lot of examples, but I don't have to, because I know that you know this.

So, is there a way to handle this? I think that should be considered in this whole discussion. And, even though I had to leave to another committee hearing, I don't—I suspect that part wasn't brought up. What are your thoughts here?

Dr. GATES. It just so happens, Senator, that, in January, I have a new book coming out——

[Laughter.]

Dr. GATES.—that specifically addresses—the subtitle is "Lessons on Change and Reform from 50 Years of Public Service," and it's how you lead and change big bureaucracies, and how you bring about change. And one of the elements in that book, for example, is how to use a period of budget stringency to change the way an organization does its business. It creates an opportunity for a leader who's determined to change things and make them better, because you don't have enough money to do all the things that you've been doing, and, therefore, you have to think about how you'd do it differently.

I had—we had a lot of programs that—as we referred to earlier—in a 4-month period, we came up with $180 billion in overhead cuts in the Defense Department over a multiyear period. This was in 2010. Now, some of those cuts created a strong reaction, including here on the Hill. Senator Kaine will recall the reaction when we—when I shuttered Joint Forces Command in Norfolk. And I had the entire Virginia delegation on my doorstep. Actually, in my office. And——

[Laughter.]

Senator MCCAIN. And the then-Governor.

Dr. GATES. And the then-Governor.

[Laughter.]

Senator MCCAIN. Who was the worst.

[Laughter.]

Dr. GATES. The point I'm trying to make is, first of all, we cut $80 billion out of the Defense Department, generally, but what I assigned the services to do was to find $100 billion in cuts on their own, just in the services. But, what I did, with the approval of the President, was to tell them, "If you find $100 billion—if you find the cut, if you meet the target that I've given you, and then you show me new military capabilities or expanded military capabilities that are actually tooth, I'll give you the money back to invest in those." So, they were incentivized. It wasn't a zero-sum game for them, where anything they identified, they were going to lose. But, it forced them to address this tail-and-tooth issue and created both penalties if they didn't achieve the goals, but an incentive for them to find and be successful in the effort.

One of those things—and it goes to one of the questions that the committee is addressing—the number of general officers. As part of that exercise, we took an initial swipe at senior leadership in the Department, and our objective—and I—this is one of those things you start and you never know whether it came out—but, we proposed cutting 50 four-star positions—or 50 general-officer positions and, I think, twice that number of senior civilian positions.

You can do this. But, the thing that it requires, whether it's the FAA or the Defense Department or anyplace else—it requires the person in charge to monitor it almost daily and to make sure that people are doing what they said—what they signed up to do or the assignment that they were given. In effect, you have to regularly grade their homework. You can't tell somebody—you can't tell a service secretary, "I want you to cut $25 billion in overhead over

the next 5 years," and then, a year later, ask him how he's doing. What you need is to ask him in 2 weeks, "What's your plan?" And in a week after that, or 2 weeks after that, "How are you doing on implementation?"

So, you can do these things, Senators. You can make these bureaucracies work. And that's kind of the thesis of the book, but it's kind of, How do you do that? Because it clearly is not done very often. And one of the things that I did, and for which this committee expressed a great deal of appreciation at the time, was actually holding people accountable. You know, people get fired in Washington all the time for scandals and doing things wrong and that kind of stuff. Hardly anybody ever gets fired in this city for just not doing their job well enough.

Senator INHOFE. Yeah. Good for you.

Dr. GATES. I mean, that's what was rare, was somebody getting fired because they didn't do their job well enough. You need a little bit more of that in this city.

Senator INHOFE. Yeah. Well, my time is expired, but that's a great answer to that question, and I appreciate it. And, by the way, I'll swap you books. I have a chapter in mine on this, too.

[Laughter.]

Senator INHOFE. Thank you, Mr. Chairman.

Senator MCCAIN. I hope they're available on audio.

[Laughter.]

Senator MCCAIN. Senator Hirono.

Senator HIRONO. Thank you, Mr. Chairman.

Dr. Gates, thank you very much for your very strong statement about Congress's responsibility to govern through compromise. And we have been wrestling with the very negative impacts of sequester on both a defense and nondefense side, so my hope is that there will be a compromise that will achieve sequester relief for both sides, both segments, because national security is more than just defense. I'm not trying to lecture you or anything, because I certainly respect your views.

You mentioned, during the Cold War, that we had a broad strategy of containment. And with all of the conflicts that continue to arise in the Middle East—and I think you did note that we're in an environment now where some of these conflicts, or maybe many of these conflicts, are unpredictable, that we don't have a strategy, like strategy in the Middle East. Now, I think, after our experience—decade-long experience in Iraq and Afghanistan, that there is a desire that boots on the ground in the Middle East should not be United States boots. So, from that flows a number of possibly what I would consider strategic kinds of decisions. And so, that may be one of the reasons—our unwillingness at this point to put our own boots on the ground in the Middle East may be one of the—would you consider that a—perhaps not a strategic decision, but one that really—from which flows a lot of the—our response to what goes on in the Middle East?

Dr. GATES. Well, first of all, I think, when it comes to something that specific, it would be a mistake to have, in essence, a one-size-fits-all that basically says, from Pakistan to Morocco, the United States will have no boots on the ground. The truth is, we have—just as one example, we have 600 sets of boots on the ground in

Sinai as part of a peacekeeping operation that's been there since the 1973 war. Are we going to pull those guys out because that's boots on the ground? We have——

Senator HIRONO. No, but—well, we're talking about in combat——

Dr. GATES. Well——

Senator HIRONO.—and in long-term.

Dr. GATES. But, my point is, then you're beginning to make some distinctions. So, you could have boots on the ground as long as they're not in combat. So, does that allow advisory work? Does that allow them to be spotters for airplanes?

So, I guess my feeling is that the first thing about a strategy is identifying what are our interests, what are we trying to—what are we trying to protect? What are we trying to prevent from happening? And then you work back from those answers into the techniques, the tactics by which you try to accomplish those broader objectives or that broader strategy. And I think that the solutions, particularly where the situations are so complex in the Middle East, where you have multiple different kinds of conflicts going on, the solution for each country or each part of the problem may be different. But, you do need an overarching strategy that at least tells you: What am I trying to achieve out here?—and that also—I mean, if I had to put a negative in there of what we think we've learned, it is to be very modest about our ability to shape events in that part of the world. That doesn't mean we should stay out. It doesn't mean we should do nothing. But, we also ought to make sure that our strategy doesn't include grandiose objectives that are fundamentally unachievable.

Senator HIRONO. I agree with you there. Perhaps one of the areas of the world where we do have what I would consider a strategy is in the Asia-Pacific area with the Indo-Asia-Pacific rebalance. Would you agree that that is a strategy?

Dr. GATES. Yeah. And I think, you know, despite—you know, going back several Presidents, we've had several Presidents, during their campaigns, take one position toward China, which, when they became President, they adjusted. And so, I think, while we don't have, if you will, an explicit bipartisan agreement on strategy in Asia, I think there is a pretty broad agreement across both parties, the leaders of both parties, in terms of how we—except for maybe one or two presidential candidates—about how you deal with China, how we—how—what our strategy ought to be in Asia. So, I—I guess I'm fundamentally agreeing. I think, in Asia it's more implicit than explicit, but I think there is a pretty broad bipartisan agreement on the role we ought to play in Asia.

Senator HIRONO. Thank you very much.

Senator MCCAIN. Senator Ernst.

Senator ERNST. Thank you, Mr. Chair.

Thank you, Secretary, very much for being here. I appreciate your service to the Nation in your many, many capacities. So, thank you.

Secretary, you were successful in getting MRAPs, body armor, and drones to the field to support our warfighters. And to do that, even while we were undergoing sustained ground combat, you really had to fight the bureaucracy at the Pentagon to achieve that. So,

we're glad that you did that and you took that step to make sure our warfighters were protected. But, I am afraid that, after you left, it has reverted back to the same old, same old. I'd like to see some more pushback out there.

But, just for example, the Army has spent 10 years trying to figure out how to by a new handgun. Ten years on how to buy a new handgun, an end item with a total cost of just a few hundred dollars per item. Ten and a half years, or half a dozen industry days later, the Army produces a 351-page request for proposal—351 pages—for a handgun. And whatever is in these pages, it isn't a lean or streamlined acquisition process responsive to the needs of our warfighters. And, because of the bureaucracy and a lack of responsiveness to anyone who isn't engaged in the Special Operations arena, our soldiers have handguns that are over 30 years old; and, in recent surveys, they have stated that they absolutely hate those small arms. What should Congress do to get the Army to fix this mess for small arms and for all items, really, that our soldiers need on the ground in a time of war?

Dr. GATES. Well, it seems to me that—I mean, my friends in the Army are not going to like my answer, but——

Senator ERNST. That's okay.

Dr. GATES.—but, I think—you know, what it is about is calling the Secretary of the Army and the Chief of Staff of the Army and the Chief of Acquisitions to sit at this table and ask that question, "Why has it taken you guys 10 years?" This is absurd. And, "Why is it a 350-page RFP?" It's a handgun, for God's sake.

And, you know, again, I always come back to the same theme. Most bureaucracies have a stifling effect. It's just in the culture. It's in the DNA. And what is required are disruptors. And if you have people in senior positions who are not disruptors, you need to make them into disruptors. And the way you do that is by holding them personally accountable.

Senator ERNST. I appreciate that, thank you. And I like that answer, so I don't know why they wouldn't. But, I think you're right on, there.

I would like to talk a little bit about the Middle East, as well. In the past, you've called for a safe haven to help end the humanitarian disaster in Syria. And I'd like to direct my attention to Iraq, because we do have a humanitarian disaster in Iraq, as well. I believe we have a safe haven there, which is Iraqi Kurdistan. They have taken in nearly 1.6 million refugees. Many of them are Christians. And our KRG friends who are providing that safe haven, they are really unequipped to provide for the influx of all those folks. The Peshmerga are also fighting, with limited resources, against an enemy which seems to have an endless supply of weapons and other types of equipment, to include many weapons procured through various processes from the United States, whether that's simply picking items up off the ground that have been left behind via other security forces. So, how important, in your opinion, has the United States relationship with the Iraqi Kurds been for our country and for the DOD over the past quarter of a century?

Dr. GATES. Well, I think it's—I think it's a very important relationship. I think it's worth noting that I think the Chairman of the Joint Chiefs is either there right now or has just been there.

I mean, my view is that one of the things we ought to be—I said this in an interview, and I probably was a little more blunt than I should have been, but I think that the idea of training indigenous fighters outside of a country, and then reinfiltrating them, was probably never going to work. I think one of the things that could work is to identify groups, particularly tribes and ethnic groups, that have shown they are prepared to defend their own territory against ISIS, and provide weapons to those tribes and those religious groups. They may not fight in Iraq or outside of their own turf against ISIS, but they may well fight to the death to protect their own homeland, their own villages, and so on. And so, finding those groups and arming them at least begins to contain ISIS and presents them with a diverse number of enemies that make it difficult for them to further expand their activities. And I would include, above all among those groups, the Kurds.

Senator ERNST. Thank you very much. I appreciate your answer, Secretary.

Thank you, Mr. Chair.

Senator MCCAIN. That was what the Anbar Awakening was all about, right, Mr. Secretary? My crack staff tells me that, in this RFP, the Army specified everything the handgun needed to do, including comply with the current boar brush, but they didn't specific what caliber the weapon should——

[Laughter.]

Senator MCCAIN. Governor Kaine.

Senator KAINE. Thank you, Senator and—McCain—Mr. Chair.

And thank you to you, Dr. Gates, for your service. And we have a special affection for you because of your service to your alma mater, William & Mary.

I want to really focus on the last bit of your testimony, which is what Congress can do better, and, in particular—we have a hearing right now in the Budget Committee about Federal budget reform. You testified that, I think, only 2 years during the years that you were the Secretary of Defense (SECDEF) were you dealing with a full appropriations bill on the first day of the fiscal year. Otherwise, you were dealing with CRs. You and your colleagues in the Secretary of Defense dealt with CRs, you dealt with sequestration, you dealt with furloughs, you dealt with threats of all of the above, you dealt with brinksmanship over debt ceiling limitations, you dealt with a high degree of uncertainty as you're planning, you know, "Do I—what scenario do I run, in terms of the resources that I'll have? Will I have it—are we going to have to absorb the full sequester, be it the budget caps? Will there be some relief?"

Talk a little bit about the strategic challenge that it presents to the entire defense mission of the United States when you're dealing with the degree of congressional budgetary uncertainty that we've seen in the Nation in the past number of years.

Dr. GATES. Well, it—as I said in my comments, we have had a—an appropriations bill at the beginning of the fiscal year twice in the last 10 years. And, believe me, it was, I think, probably the 9th and 10th year ago. I submitted, through the President, five budgets

to the Congress as Secretary, and never once had an appropriation at the beginning of the fiscal year.

The problem is, you then have to straight-line your spending, you have to adjust all of your spending, because you can't spend—you can't start anything new, you can't spend anything more on anything. And then you get several months into the fiscal year, and all of a sudden you've got money. So, instead of disbursing the money over a 12-month period in a rational and planned way, you have to hurry up at the end of the fiscal year. When you get a cut of 30 percent in the operations budget halfway through the fiscal year, which is what happened in 2013 because of sequestration, that's when you ended up with a third of the Air Force Active Duty fighter wings grounded. That's when you didn't have the money to deploy the Harry S. Truman to the Persian Gulf. Those are the very real consequences.

And this uncertainty ripples down to every level. And so, what you have are commanders at lower levels not wanting to get caught short, so they're very conservative in the way they spend their money, because they don't know what's going to happen. And so, you have less training, less exercises, less maintenance. I mean, these are all the things that can be put off, and they are being put off. And the backlog of maintenance in the Navy, for example, is becoming huge, but it's because of this uncertainty of when we're going to get something.

I mentioned, in my prepared statement, often in the—in a program—in a development of a program, you—when you move from one year to the next, you create the opportunity to significantly ramp up production. And when you ramp up the numbers, the costs go down. You lose those opportunities if you don't have the money to ramp up because you don't know whether you're going to have the resources to do that, or even the authority, if you've got a continuing resolution.

So, it has—you know, I mean, it has a huge ripple effect—even a continuing resolution—a huge ripple effect throughout this entire giant organization, and you just—you know, I used to say—I used to say, when testifying up here, I'd say, "You guys expect me—I've got the biggest supertanker in the world, and you expect me to run it like a skiff." And that's just impossible.

Senator KAINE. Let me compare uncertainty, because, at the start of your testimony, you talked about there can be a conventional wisdom that you challenge that, "Oh, the world is more uncertain now than it's been—more dangerous than it's been," but you sort of walked through from World War II to today, and you pointed out, decade by decade, the challenges. And, while we may not be able to predict the next challenge, that there will be challenges is actually fairly easy to predict, based on past history. You've testified that you don't think the Overseas Contingency Operations (OCO) account is particularly smart, in terms of budgeting. And you would try to put stuff in the base account. But, it seems to me that the mission of national defense is probably, in real terms, kind of more threatened by uncertainty here than uncertainty in the world. Bad things are going to happen in the world, and we know it. And we're not necessarily going to be able to stop that. We can predict that they will, even if we can't predict

the particular one. The uncertainty that we can fix here is the uncertainty of our own budgetary dysfunction.

Dr. GATES. I sometimes say—when I'm talking to groups and at universities, I get asked, "What's the biggest national security threat to the United States?" And I say, "Well, fundamentally, and I'm not kidding, it can be found within the two square miles that encompass the Capitol building and the White House," because if we can't solve these problems, if we can't get through and begin to address some of the tough problems facing this country, there is no single foreign threat that is more dangerous to the future of the United States than that.

Senator KAINE. Thank you, Dr. Gates.

Senator MCCAIN. When you have the CRs and the sequestration that you mentioned, and the uncertainty that it breeds, doesn't it, over time, have a significant effect on morale and retention?

Dr. GATES. Absolutely. And I think, you know, if Bob Hale, who was referenced earlier, who was the comptroller while I was Secretary—Bob wrote an article about the consequences for morale of all of these changes and all this uncertainty and so on. People just get discouraged. I mean, they do all this planning, and they do—and then it all comes to naught. And, you know—and I told General Odierno and General Amos, before I left—I said, "My biggest worry is how you—as these wars ramp down—is how—you have given these young officers and NCOs amazing independence and opportunity to be entrepreneurial, innovative, thoughtful, and out there on their own doing amazing things″—these are really the captains and the NCOs' wars—I said, "And if you bring them back to the Pentagon and put them in a cubicle, you're going to lose them, you're going to lose the best of these young people."

I believe that this continuing uncertainty about the future—I mean, pilots join the Air Force to fly. People join the Army to drive tanks and other equipment. People join the Navy to go to sea. And when you tell them you're not going to train as much as you thought you were, you're not going to fly, you're not going to sail, you're not going to drive as much as you thought you were, I think there's a very real risk that these uncertainties are going to lead to a bleeding out of some of the most innovative and desirable young people we have in the military who just, frankly, get fed up.

Senator MCCAIN. Senator Ayotte.

Senator AYOTTE. Thank you, Chairman.

I want to thank you, Dr. Gates, for your incredible record of service to our country.

And I certainly hope, as you have rightly said to us today, that we can come together to address sequester with a budget agreement that is going to make sure that you have that certainty and that our men and women in uniform have that, given the challenges we are facing around the world, so that they can plan and make the right decisions that need to be made to make sure that the Nation is safe.

I want to shift gears a little bit and ask on a topic, first of all, that I noticed, in an op-ed that you and Secretary—former Secretary of State Condoleezza Rice wrote recently on the situation with Russia and the engagement that Russia is taking in Syria to keep Assad in power, in cooperation with the Iranians. And wanted

to ask your thought process about, as we look at what Russia is doing right now, what you think that their goals are, and also what you think we should be taking as steps.

We recently had testimony before this committee from General Keane and General Jones, both very distinguished retired generals, and one thing they said really struck me, that they believe that if we continue the current course with our interactions with Russia, they believe it could be the end of NATO if NATO doesn't further step up, also, to help address not only this—we think about what's happening in Syria, but also the situation with Ukraine and what is happening in that region.

So, I wanted to get your thoughts on Russia and where you think we should be stepping up.

Dr. GATES. Well, I had a number of opportunities to interact with Mr. Putin when I was Secretary. We actually had an interesting relationship because of our respective backgrounds in intelligence. I would sometimes remind him that I was Deputy Director of the Central Intelligence Agency (CIA) when he was a lieutenant colonel serving in southern East Germany, but——

[Laughter.]

Dr. GATES. What Putin has been most impacted by, in my view, was the collapse of, not just the Soviet Union, but the Russian Empire. Russia's borders today are roughly what they were when Catherine the Great was Empress. Ukraine has been part of the Russian Empire for a very long time.

Putin is all about lost power, lost glory, lost empire. And he is not crazy. He is very much an opportunist. But, what—I think he has two basic strategic objectives. The first is to restore Russia to great-power status so that no problem in the world can be addressed without Russia's involvement and without Russia's agreement. And the second is as old as the Russian Empire itself, and that is to create a buffer of states friendly to Russia on the periphery of Russia. And if he can't create friendly states, then frozen states, where the West can no longer expand its influence, and Russia can hold—have at least a barrier. And that's what happened, if you will, in eastern Ukraine.

So, I think those are his objectives, and I think that he will be very opportunistic in pressing those objectives. But, at the same time, he is not a madman. And I think if he runs—if he encounters resistance, he will hesitate, he will pull back.

And so, I think that he has seen an opportunity to cement Russia's position in the Middle East through helping Assad. I don't think—as I—as Condi and I said in the op-ed, he's not particularly sentimental. When the time comes for Assad to go, Putin will be happy to throw him overboard whenever that's convenient, as long as Russia has another person coming in who will be attentive to their interests and allow them to keep the naval base at Tartus and their position—their military position in Syria.

So, the question then is, What do you do about this? And I think that—oh, and I guess one other thing I would add is—also in the back of Putin's head: as he sees opportunities, if he also has the opportunity to poke the United States in the eye, he will never miss that opportunity.

So, the question is, How do you—where do you resist him? Where do you push? And frankly, in Ukraine, Putin has escalation control. He has a lot more forces on the Ukrainian border than we or North Atlantic Treaty Organization (NATO) can put on the opposite side, or are willing to put. We also happen to have a pretty dysfunctional government in Kiev, which makes our trying to help them even more difficult.

So, the question is, then, Where do you have the chance to establish some limits? And it seems to me one of those places where he is at the end of a long supply line, and we have some real assets, is in the Middle East. And I think that there is an opportunity to draw some lines in Syria that—let me frame it another way.

I think we should decide what we want to do in Syria, whether it's a safe haven or anything else, and basically say—just tell the Russians, "This is what we're going to do. Stay out of the way." And if it's a safe haven, and it's in an area that doesn't threaten Assad's hold on power, then it seems to me that the chances of them challenging us are significantly reduced.

But, at a certain point, first of all, I think we need to stop talking about whether these actions make them look weak, or he doesn't know what he's doing, or whatever. I think he knows exactly what he's doing. And at least in the short-to-medium term, he's being successful at it.

Senator AYOTTE. Thank you.

Senator MCCAIN. Fortunately, he's in a quagmire.

Governor King.

Senator KING. Thank you, Mr. Chairman.

Dr. Gates, welcome. It's a delight. Your testimony has been provocative in many ways.

In fact, one of the—my first comment is, you talked about the USIA. And we abolished the USIA in 1998, and now its successor agencies have, according to my quick calculations, about half the budget that it had, and yet, one of the reasons we're having such a problem with ISIS is, we're losing the war of public opinion, particularly in the Middle East. That was a—in retrospect, a strategic error, in terms of our ability to combat the idea, which is a very important part of this conflict. Would you agree?

Dr. GATES. Totally. You know, I would run into people from Pakistan to Morocco and elsewhere, and they would say they learned to speak English in a USIA library. We had a—USIA libraries in virtually every major city in the world. And these guys would go there as kids. They would say, "We went there because it was the only building in town that was air-conditioned."

[Laughter.]

Dr. GATES. But—they learned to speak English, but they also learned something about America. And these libraries and these activities were very important.

And then, obviously, during the Cold War, we had all these capabilities. And it wasn't just USIA. CIA had a huge covert propaganda operation going on. We infiltrated millions of miniaturized copies of the Gulag Archipelago into the Soviet Union over the years, and magazines and stuff like that.

So, it was both an overt—a complementary overt and covert policy that extended the reach of the message that the United States

wanted to communicate to other countries, extraordinarily—and we—what we have now is a pale reflection of all of that.

Senator KING. And yet, that's an essential element of the war that we're in now.

Dr. GATES. Absolutely.

Senator KING. Second point. You talked about how to fix the bureaucracy. And I kept thinking, as you were talking, what you were really talking about is leadership, that organizational structure, you can mess around with, you can change. And then, when you talked about the budget process here, we could change things, have a biennial budget or a different kind of budget. But, the—we have a budget process: pass authorization bills and then pass appropriations bills. We don't do it. Wouldn't you agree? It's really a failure of leadership. It's not a failure of structure or good intentions.

Dr. GATES. It is a failure of politicians to do politics. Politics is about leadership, but also about making choices and making decisions.

You know, one of my favorite Churchill quotes is, "Having one's ear to the ground is a very awkward position from which to lead."

[Laughter.]

Senator KING. My favorite—I'll trade Churchill quotes—my favorite is, "Success consists of going from failure to failure without a loss of enthusiasm."

[Laughter.]

Senator KING. We had a very interesting hearing last week on the aircraft carrier and overruns. And as we got into the subject, it became apparent that one of the problems was trying to cram a lot of new technology into a—an asset that's going to have to last 40 or 50 years. You could say the same about the F–35 or other new weapon systems. How do we deal with the problem of new technology, which involves risk, which involves time, which involves mistakes and rework, and yet we can't afford to be building obsolete weapon systems? Do you see the challenge?

Dr. GATES. Well, I think that—let me use a—an example from when I was Secretary. I stopped one new bomber program, because I thought it was headed down the wrong path. And I ultimately, before I left, approved the next- generation bomber that the Air Force is bringing before you all. But, I told them that they had to design it with a couple of things in mind. First of all, they needed to be—we didn't want to repeat the B–1—or the B–2 bomber, where, because we kept reducing the buy, we ended up with 20 of them, and so they ended up costing $2 billion apiece. So, when we lost one on Guam, that's 5 percent of our bomber force, and it's $2 billion. So, I said, "You've got to build it—you've got to design it so that you can buy at least 100. And you have to keep the cost—you have to start with technology that you understand."

So, your colleague was talking about off-the-shelf hardware. I think that, you know, if you look at the B–52—I was born and grew up in Wichita; they built the B–52 when I was in elementary school and middle school. And they're still flying. Now, there's not much original left in the B–2. But, the point is, those planes were built in such a way that we have been able to enhance their capabilities as new technology has come along, for decades. That's what we need to do with the next-generation bomber. It needs to be some-

thing that we know we can get off the ground for a reasonable price, and then, as new technologies become available, integrate them into that system.

Whether you can do that with an aircraft carrier—I got into a huge amount of trouble with the Navy League several years ago, when I made the mistake of telling them, at their meeting, "We ought to think long and hard about the long-term missions of aircraft carriers," and particularly as China was working on their anti-access area-denial capabilities.

But, I think that—I mean, we need to think about these systems more in terms of how we can get the best technology we can, that we have available, that we know works; build it, and then enhance it as we go along. That may not get you the most tremendously advanced capability, but you'll have a larger number.

I mean, one of the reasons the number of Navy ships is down so far is because each ship has become so incredibly expensive. And, you know, the old line is, "Well, we have a lot of quality." I mean, there's a lot of technological capability in these things. Another one of my favorite quotes from an unlikely source is Josef Stalin, who once said, "At a certain point, quantity has a quality all of its own."

[Laughter.]

Dr. GATES. And it goes to the Chairman's point, you can't have the same aircraft carrier in the Persian Gulf and the South China Sea at the same time. So, we've got to figure out a way—you know, having the most advanced technological whatever in the world doesn't help you much if you can only afford to build 20 of them. So, better to have something that has somewhat less capability, where you might be able to build hundreds——

Senator KING. And modular——

Dr. GATES.—and then upgrade them.

Senator KING. And modularize it in some way so that you can upgrade. I think that's an important concept.

Thank you. Appreciate it.

Thank you, Mr. Chairman.

Senator MCCAIN. In the defense bill, we do require studies on other platforms. Maybe not do away with the carrier, but certainly the dependency on one company building it is part of—I think, contributes to the overrun problem. I think you would agree, Dr. Gates.

Dr. GATES. The absence of competition is never good.

Senator MCCAIN. Senator Cotton.

Senator COTTON. Secretary Gates, thank you very much for your lifetime of service to our country and its national security interests; in particular, your 4 and a half years as a wartime Secretary of Defense, when your actions saved hundreds, if not thousands, of lives of troops in Iraq and Afghanistan.

Dr. GATES. Thank you.

Senator COTTON. Appreciate it.

In those many years as a leader in America's national security establishment, can you recall a time when our strategic interests were as threatened as they are today across the Eurasian supercontinent?

Dr. GATES. Well, I think, you know, we have—as I mentioned at the very beginning of my remarks, every decade has had a variety

of challenges. I think it's probably fair to say that we've not had as many challenges in as many and widespread parts of the world as we do today, that the occasions that that has happened have been pretty rare, I think.

Senator COTTON. The one country that spans across the entire continent and has a global interest, you might say, like the United States, is Russia. Given some of Russia's recent provocations, not just in Europe, but in the Middle East, do you think that, as part of defense reform, we should relook at our basing structures in Europe, to include the possibility of moving permanently stationed troops to the front lines of NATO, the Baltics, if not Poland?

Dr. GATES. I think that we need to increase—well, first of all, let me say, I agree with the steps that have been taken to increase the presence of NATO and United States forces in eastern Europe, particularly in Poland and in the Baltic states. I think the idea of having equipment sets, as the Pentagon is thinking about, has a lot of merit, in terms of having the equipment already pre-positioned in Europe. I think I would work very closely with our NATO partners, in terms of the wisdom of having permanent United States bases in Poland or in the Baltic states. There is always the risk of taking a step too far and creating a consequence that you were trying to prevent in the first place. And as in the case of eastern Ukraine, the Russians have a lot more capability and a lot shorter supply lines in that area than we do, but I think enhancing the defensive patrolling out of the—air patrolling out of the Baltic states, challenging Russian aircraft when they come up and go beyond where they should go, and having regular exercises in eastern Europe—the truth is, Putin has provoked all of this. Our allies, when I was Secretary, back in 2008–2009, when we would propose—when the United States would propose having an exercise in Poland or in the Baltic states, our NATO counterparts wanted no part of it. So, one of the things Putin has achieved is to create enough alarm in Europe that our allies are now willing to participate with us in those kinds of forward operations.

So, I'm—I guess what I'm saying is, I totally support advanced kit being over there. I totally support the rotational presence and increased presence of our forces and other NATO forces on a rotational basis. I think whether you want to go to permanent bases is a tougher question.

Senator COTTON. Okay. Another thing that Vladimir Putin has done, especially in the last month, is display some of his advances in missile technology to go along with the boasts he's made. The United States, in recent years, has accused Russia of developing a nuclear ground-launched cruise missile, in violation of the Intermediate-Range Nuclear Forces Treaty. Given that Vladimir Putin already has nuclear weapons that hold all of Europe at risk, why do you think he would be considering developing such a missile? What does that tell us about the way he conceives his nuclear strategy as part of his overall security strategy?

Dr. GATES. The Russian Defense Minister, as early as 2007, approached me about doing away with the INF Treaty. And he said, "The irony is, the United States and Russia are the only countries that cannot have intermediate-range missiles." And then he said, "Now, of course, if we do away with it, we would not put those mis-

siles in the West, we'll put them in the south and in the east," meaning Iran and China. I wasn't sure I believed that at the time, but—so, they've been interested in getting out of this treaty for several years. And just as we unilaterally walked away from the ABM Treaty early in the second Bush administration, it would not surprise me in the least to see Russia walk away from the INF Treaty and have the opportunity to deploy more of these missiles.

Senator COTTON. And should we, (a) consider their offer and abrogate the INF Treaty, and (b) regardless, should we consider to begin the development of new nuclear warheads that would be smaller, more versatile, to counter the threat that Vladimir Putin is beginning to pose?

Dr. GATES. Well, theoretically, my answer would be yes, but I would tell you, practically speaking, I spent virtually the entire 4 and a half years that I was Secretary of Defense trying to get the executive—first, the executive branch and then the Congress to figure out a way to modernize the nuclear weapons we already have. That effort was a signal failure. So, until—if I have to have a priority on developing nuclear weapons, it would be to modernize the ones we already have to make them safer and more reliable, rather than building new ones.

Senator COTTON. Thank you.

Senator MCCAIN. Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman.

And, Doctor, thank you so much.

As with some of our B–52 crews recently, they enjoy flying them as much as ever. And we want to thank you also because you are also a member of the Indiana University family, and we are very, very proud of that fact.

I wanted to talk to you for a second about some of the aftereffects of so many of the battles we have been in, and that is the Veterans Administration and the work together with the Department of Defense. And we've had glitches, things like sharing health records, aligning the drug formularies when the handoff comes, matching up disability ratings. And I was wondering if, in your time, you have any—that you've learned any recommendations you have for us that can help make that transition better, that can help make DOD and VA work together better, any glitches you saw that you think, "Look, this still exists." How do we remove this, how do we take care of this?

Dr. GATES. I saw a lot of glitches. And, as I've said, if there's one bureaucracy in Washington that may be even more intractable than DOD, it's VA. And I would find repeatedly—and I worked with two Secretaries of VA that I thought were of very high caliber people, and they were very intent on helping veterans. The problem was that, when we would meet, we and our deputies would meet, and we would agree to do things, it would all fall apart the second he and I weren't on top of it. And I—this was one case where I think I was better able, in the Defense Department, to make sure things got done, but in VA, and particularly under Secretary Shinseki, I just had the feeling that he was sort of on the bridge of the ship, and he had the big wheel in his hands, but all the cables below the wheel had been cut off to every other part of the organization, and he was just spinning the wheel.

We worked on electronic records. And, frankly, a lot has been accomplished. Not nearly as much as could have been. But, I've just—I had the feeling—first of all, these bureaucracies were at each other's throats over whose computer program they were going to use—VA's or DOD's; and we would go back and forth on this, and we'd get briefings, and so on and so forth.

And so, I think that—the bottom-line answer is to reaffirm what everybody knows. That is, there are huge problems in dealing with these veterans issues. My objective had been—I wanted the transition to—for, let's say, a soldier—to be seamless, that he almost didn't know when he passed from DOD into VA hands, because it was all done electronically, and so on. And, unfortunately, we're just not there. I mean, my own view on these issues—and I'm not an expert on veterans affairs—but, I think the idea of—if you can't get an appointment at a VA hospital within a reasonable period of time, then you're automatically granted a voucher to get help from a—from somebody in the private sector so that you actually can get treated quickly.

But, VA was as unprepared for long, protracted wars as the Department of Defense was. They were dealing with, basically—their youngest people they were dealing with mostly were Vietnam-era people, so people the Chairman's and my age. And all of a sudden, they had this gigantic influx of young men, mainly, who were grievously wounded and would need rehabilitation for years and years, and they were totally unprepared to deal with that.

Senator DONNELLY. Let me ask you one other area that you dealt extensively with, and that is trying to reduce suicides in the Active Duty military. One of the areas that we're pushing on, as well, is to try to move decision making down to platoon leaders and others who deal every day with the soldier. Do you have any additional recommendations that you think could make a difference in reducing the suicide rate?

Dr. GATES. One of the things that we discovered—and my guess is, it hasn't improved much since I left—as we went out to hire a significant number of mental health professionals to work in our hospitals, to work with Wounded Warrior Units, Warrior Transition Units, and so on, there basically weren't enough of those professionals to be able to—for us to access to be able to make as big a dent in the problem as we wanted.

One of the ideas that I had, that, frankly, I never got the chance to push, was that, just as—just as there is legislation that—if a young man or woman goes to medical school and is willing to commit to some years of service in the military, the military will pay for their medical education. One thing you all might look at is whether that could be extended to mental health professionals, as well. And it would be a twofer for the country. First of all, it would give the military more of these assets that we need, and so we could have people at almost every base and post, but, when they leave the military, they'll fill a very real need in American society as a whole.

Senator DONNELLY. Thank you.

Thank you, Mr. Chairman.

Senator MCCAIN. We'll take that suggestion on board, Mr. Secretary.

Senator Lee.

Senator LEE. Thank you, Mr. Chairman.

Thank you, Dr. Gates, for being with us. You—I think you're somewhat uniquely qualified, based on your experience as Secretary of Defense, to testify and to give us advice on issues related to reform within the Pentagon. We appreciate your service and your willingness to come back today, even though, as you note in your book, it's not exactly your favorite thing to do, to testify in these hearings. And I can't blame you.

A lot of military analysts have lamented at some length the growth, over the past two or three decades, of what they sometimes refer to as the military bureaucracy, referring, of course, to support staff and headquarters staff, whether they be uniformed, civilian, contractors, or a combination of the—all of the above, and that a lot of this occurs—this growth occurs at the expense of the military's core operational forces. And so, in other words, we get a lot of growth, a lot of movement, but not necessarily a lot of forward progress, because we're not necessarily growing the part of the military that actually does things, that actually goes in and does the work that the military is there to do. How much of this growth in headquarters and support services occurred as the United States became involved in the wars in Afghanistan and in Iraq?

Dr. GATES. Well, as your question implies, it began before those wars, but I think that the amount of money that began to flow to the Department of Defense after 9/11 really removed any constraints for hiring additional people. And so, you know, one of the things that—as you're probably aware, a couple of our commanders got into a lot of trouble by giving interviews to various press outlets that got them into trouble with the President. Well, what I discovered was that several of these commands had gone out and hired contractors to provide them with public relations advice. This was not something that it seemed to me that a combatant commander needed, but I think——

Senator LEE. At least not for the purpose of fighting wars.

Dr. GATES. Well, at least not for the purpose of why they were there. So, I—when I—in 2010, we put some very severe constraints on—in fact, we froze contractor—the number of contractors, and then put some restrictions in place that would require the different parts of the Department to begin reducing the number of contractors. We also tried, as part of the overhead effort in 19-—in 2010, when we found $180 billion in savings in overhead—the measures that we were taking included a number of cutbacks, in terms of headquarters staffing. I mentioned earlier, we had a—as part of that plan, cutting 50 general officer slots. One of the things we discovered had been a grade creep so that, where you might have a three- star commander of the air forces in Europe at one time, you now had a four-star. So, how do you push that back down? Because they all have—you know, if you go from three to four stars, you get more staff, and so on and so forth. So, I think we have kind of an—we have a pretty good idea of how we can go after those kinds of—that kind of overhead, but it requires—as I suggested earlier, it requires a continuing pressure on the institution, and accountability of—you know, "You said you were going to cut X number. Have you done it? And if not, why not?"

Senator LEE. How about the—how are these issues, meaning the relationship between the size of the DOD bureaucracy—how is the size of the DOD bureaucracy related to the scope of the missions that we become involved in around the world? In other words, if the United States were to take either a more involved or a less involved role in addressing various crises around the world, what effect might that have on the size of the headquarters and support structures for the military services and combatant commands?

Dr. GATES. I think, particularly when it comes to headquarters, whichever way you went, you could cut the numbers.

Senator LEE. You could cut them, either way, whether you're taking a more involved role or a less involved role.

Dr. GATES. Yes.

Senator LEE. So, it need not necessarily follow, from a decision to get involved in a particular conflict, that we have to grow the Pentagon, that we have to grow the support staff or the military bureaucracy to a corresponding degree.

Dr. GATES. That's my belief.

Senator LEE. Okay. I see my time's expired. Thank you very much, Secretary Gates.

Thank you, Mr. Chairman.

Senator COTTON [presiding]. Senator Blumenthal.

Senator BLUMENTHAL. Thanks, Mr. Chairman.

Welcome, Secretary Gates, and thank you for your service to our Nation, and your continuing service now.

I wonder if you could talk a little bit about the connectivity between the Department of Defense and the VA. And I know this was an issue very much on your mind when you were Secretary. From what you've seen, has there been improvement, for example, in the transfer of medical records, in the services that are provided to our military men and women when they are about to leave the military? Could you give us your assessment?

Dr. GATES. Senator, we were beginning to make some headway on sharing electronic health records when I left. In all honesty, this is an area, in the 4 years since I've been gone, where I've—I'm not aware of what's actually been done under my successors. And with VA, I would hope the progress has continued, but I must say that, just based on what I read in the newspapers and what I hear from various veterans as I go around the country, I worry that they don't see a lot of improvement.

Senator BLUMENTHAL. I think you worry with good reason, from what I know, from what we have been told in these settings, in the VA, and other fora. So, I appreciates that you do not have the same kind of access or involvement, but I think your instinct and your observations are well taken, that, in many ways, there has been very little progress in the years since you've left. And I think that the institutional barriers to progress really have to be broken down and reformed. We're here about reform.

And, as I think you have observed, probably in this very room on repeated occasions, nothing more important as a resource than the men and women who serve. With all the equipment and the organization, at the end of the day, it's really the rewards and incentives that we provide to our military men and women. And the transition to civilian life is part of what we owe them and, after-

ward, the education and skill training and healthcare that they need.

From your last 4 years in the civilian world, do you have any observation about how well our schools are doing in accommodating the needs of our veterans?

Dr. GATES. As in the public schools or higher education?

Senator BLUMENTHAL. Higher education.

Dr. GATES. Higher education? I think—so, I have affiliations with several universities. I'm the Chancellor of the College of William & Mary, I'm—was president of Texas A&M. And so, I'd get down there from time to time. We have a community college in our local town in Washington State. And just taking those three examples, I think that these—I think many universities and community colleges over the past few years have made extraordinary strides in reaching out to veterans. All three of the institutions that I just described have space allocated for veterans organizations, a lounge where veterans can go and relax together on campus, programs to help veterans, ways to get veterans together to give mutual reinforcement so that men and women who have been in combat in Iraq and Afghanistan have somebody to talk to other than a 18-year-old who just graduated from high school. And so, I have the sense that—you know, I know—I've read in the papers about all the scandals, in terms of misuse of VA funds, and so on. But, I think at—in terms of some of the for-profit schools, and so on—but, I—my experience and what I've heard anecdotally as I go around the country and talk to various—at various universities, from the most elite universities to the biggest public universities—I have the sense that they're totally unlike Vietnam. These campuses are bending over backward to make veterans welcome and to help make them successful.

Senator BLUMENTHAL. Thank you.

My time is expired, but I might just say, your observations, I think, also are aligned with mine, anecdotally. I don't have numbers or statistics, but peer- to-peer relationships and veteran-to-veteran programs, where veterans can provide relationships, and crisis intervention, I think, are increasingly common, plus the OASIS program that you just described, where veterans can go and find other veterans, increasingly common, as well. So, I thank you for being here today.

Dr. GATES. Thank you.

Senator COTTON. Senator Cruz.

Senator CRUZ. Thank you, Mr. Chairman.

Dr. GATES. Senator.

Senator CRUZ. Secretary Gates, welcome. Thank you for being here. Thank you for your many, many decades of distinguished service to our Nation and also to my home State of Texas. It's very good to see you.

Dr. GATES. Thank you.

Senator CRUZ. I want to start by talking with you about the morale of the military, which is a concern that troubles me greatly. The Military Times did a survey in 2009, and they asked soldiers whether the overall quality of life is "good or excellent." And 2009, 91 percent of soldiers said yes. In 2014, that number had dropped from 91 percent to 56 percent. Likewise, they asked whether senior

military leadership had their best interests at heart. In 2009, 53 percent of soldiers agreed with that statement. In 2014, that number dropped in half, to roughly 27 percent.

Do you share my concerns about declining morale in the military? And, if so, what do you see as the cause of these challenges?

Dr. GATES. I don't have any statistics, but I do have the sense that there is a morale problem. And I think it is—I think it's due to several things. First of all, I think it is due to the substantial and growing cutbacks in the number of men and women in the military. So, people in the military now are less confident that they will be allowed to remain in the military, that, in the force reductions, they will be turned out—in essence, be fired, and particularly for those who have some years in, and probably have families, concerns about what they will do if, because of forced downsizing, they end up out in the civilian world again. I think that there's a morale problem that derives from a lot of the budgetary uncertainty, in the sense that, as I suggested earlier, people who joined the military to fly airplanes, sail on ships, or drive tanks, are finding they don't have the same opportunities to do that anymore. That's the stuff that made it "fun" and that was one of the things that encouraged them to stay.

So, I think that these and the budgetary uncertainties and so on are all part of a challenge for our young men and women in uniform.

And then the final one that I mentioned just a few minutes ago, and that is, you go—particularly the ground forces—you go from—mostly young men who have been out in Iraq and Afghanistan on these deployments, they have this great sense of comradery and brotherhood with their fellow soldiers and marines. They've given—been given a lot of opportunity to operate independently and in an entrepreneurial way, and be innovative, and so on, and they're being brought back and put in cubicles and asked to do PowerPoints.

So, I think all those things together probably are having a real impact on morale.

Senator CRUZ. You know, in my view, another factor that is contributing, in addition to every one you just discussed, is having a Commander in Chief that fails to set clear objectives, and, in particular, an objective of winning, clearly and decisively, military conflicts in which we're engaged. In your book, "Duty," you stated that President Obama didn't appear to believe that this own strategy for Afghanistan in the Middle East would work. Is that still a concern you share?

Dr. GATES. Well, I—what I wrote about and what concerned me was that—my belief that if a Commander in Chief or a Secretary of Defense is going to send a young man or a young woman into harm's way, they need to be able to explain to that young person in uniform why that mission is important, why the cause is noble and just, why their sacrifice is worthwhile. And that was—I think the easiest way to put it, that was not a speech I heard the President give.

Senator CRUZ. No. Sadly, it was not.

One final question. The budget request that you proposed in fiscal year 2012 called for $615 billion in the base budget for fiscal

year 2016. That was the last Pentagon budget that was directly derived from the threats we face. By any measure, the world, I believe, has become much more dangerous today than it was in 2012. Do you agree with that assessment? And do you view that baseline of $615 as a—$615 billion as a reasonable baseline, given the growing threats in the world?

Dr. GATES. I would say—I've been out of this for 4 years, but I would say that, certainly, the number of challenges that we face in a variety of places in the world are more complex and more difficult than when I put together that fiscal year 2012 budget. I have seen several assessments by analytical groups that I respect, that are nonpartisan, that basically say that the Congress and the administration should go back to that fiscal year 2012 budget as the base for going forward. And I respect the views of those who say that, and I, therefore, think that that probably would be a good idea.

Senator CRUZ. Thank you very much, Mr. Secretary.

Senator COTTON. Mr. Secretary, if, as you said at the beginning, the least sincere statement in hearing like this is, "Mr. Chairman, I'm ready for your questions," perhaps the least welcome statement is, "I have a few more questions." Just two, though.

When we were talking earlier, you said that, theoretically, you think that we would need to modernize our nuclear warheads, build new ones, maybe smaller, more versatile. That's a debate we can have. But, practically, you had the devil's own time of just modernizing the warheads that we had. Why do you think that is?

Dr. GATES. Well, there—to be honest about it, there was a great deal of resistance, both within the administration—this administration—and here on the Hill, to allocating the funds for modernizing our nuclear enterprise. At a time when the—sort of, the political aspiration is to get rid of nuclear weapons, the—it was seen as the U.S. trying to improve or enhance our nuclear capabilities, when, in reality, what we were proposing was not any additional nuclear weapons, but simply, rather, trying to make the ones that we already have more reliable and safer than the very old designs that we have deployed today.

It's a very expensive proposition, but I actually allocated, within the defense budget, about $4-and-a-half billion that would go to the nuclear enterprise at the Department of Energy, but, at the end of the day, it all fell apart. But, it was part of the deal, actually, that was made with the passage of the most recent strategic arms agreement. Part of the deal that was made was that we would modernize a good bit of the nuclear enterprise in exchange for support for going forward with the newest arms control agreement. The trouble is, to the best of my knowledge—and, as I say, I've been gone 4 years—but, to the best of my knowledge, there has been no forward progress on that modernization effort.

Senator COTTON. Since you pursued this effort, despite the political headwinds, presumably you believe there are few things more important than a safe and reliable nuclear deterrent for our President to have?

Dr. GATES. Well, there is nothing more important than that.

Senator COTTON. Thank you.

Final question. The Goldwater-Nichols Act reorganized the Department of Defense to improve the quality of strategy, policy, plans, and military advice for civilian leaders. Do you think the organization set up by Goldwater-Nichols provided you with the best possible ideas, options, and advice while you were Secretary of Defense?

Dr. GATES. I would say that the policy papers and the planning that I received both from the Office—from the Under Secretary for Policy under both President Bush and President Obama were first-rate. Led—that organization was led, under President Bush, by Eric Adelman, by Michele Flournoy under President Obama. And I thought I got very high quality work from them. I thought that, on the military side, I got very good planning and very good advice from the joint staff and from the combatant commanders.

I think that the one place where the gap between resources and strategy begins to diverge is, every 4 years, when we do the Quadrennial Defense Review. And too often the Quadrennial Defense Review, which is kind of what our strategy ought to be to implement—what our military approach ought to be to implementing the President's national security strategy, gets divorced from the budget realities. And therefore, I think that reduces the value of the Quadrennial Defense Review. When we did the one in 2010, we tried to bring those two back closer together, but we didn't entirely succeed.

Senator COTTON. Thank you.

Mr. Secretary, thank you, not just from me, but on behalf of all of my colleagues and the citizens we serve, but, most importantly, the men and women of our Armed Forces, who you led for 4 and a half years of war and whose lives you helped save.

Dr. GATES. Thank you.

Senator COTTON. This hearing is adjourned.

[Whereupon, at 11:52 a.m., the hearing was adjourned.]

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