

THURSDAY, MARCH 29, 2007.

FISCAL YEAR 2008 DEFENSE POSTURE

WITNESSES

HON. ROBERT M. GATES, SECRETARY OF DEFENSE

GENERAL PETER PACE, USMC, CHAIRMAN, JOINT CHIEFS OF STAFF

HON. TINA W. JONAS, UNDER SECRETARY OF DEFENSE (COMPTROLLER)

INTRODUCTION

Mr. MURTHA. The committee will come to order.

Mr. Secretary, General Pace, Ms. Jonas, as you know today's hearing is focused on the fiscal year 2008 budget, not the funding for the war. In the future, however, this Committee is committed to ensuring that for the purpose of planning and honest accounting, wartime funding must be included in the base budget.

It is a help when you sent the supplemental up with the bill this year, which gives us an idea how much money you need. We still want to see it inside the bill. The fact is, the war cannot be viewed in a vacuum of supplemental spending bills. This war will have a long-term impact on future defense programs, spending for the future of our military.

READINESS

Today, because of the administration's mishandling of the war, the United States military is weaker than it was 5 years ago. Our forces are stretched thin and are caught in now what I consider an Iraqi civil war. It is a war that cannot be won solely by the United States military and one that can only be fought by the Iraqis.

Our military is being forced by this administration to abandon its own guidelines, well-established guidelines that have been in effect for years. These guidelines, when followed, maintain our military strength and superiority and ensure that our forces are combat ready and mission capable.

I am deeply concerned about the readiness of our forces to decisively defeat future threats. While our Navy and Air Force can be used to project power, there is no substitute for boots on the ground.

END STRENGTH

I was an early proponent of increasing our overall end strength because we are doing too much with too little. We have lost too many lives in this war, far too many have received serious and debilitating injuries. These are not just numbers.

Each number has a face that should forever be engrained in our consciousness for their sacrifice and dedication and valor. They are

the faces of our sons, daughters, mothers and fathers whose lives have been forever altered. These are the faces of those who are loved and cherished by their families and their communities. Every one of these faces deserves the best that this country can offer. They deserve missions that are clear and achievable, and the most appropriate training, the best equipment and the necessary time at home with their families and loved ones to rest and reconstitute.

I am deeply concerned that this administration has concentrated too heavily on Iraq and not heavily enough on Afghanistan and other growing conventional threats—Iran, North Korea, Russia and, in particular, China. We are desperately short of equipment at home, which not only impacts our ability to respond to disasters at home, but also our ability to train our troops in the equipment they will be using in combat.

STRATEGIC RESERVE

Our strategic reserve is severely depleted and this is an alarming situation and one that needs urgent rectification. Over the past several appropriations cycles it has been this Committee that has put the funding in for the 30,000 additional troops and the money needed for equipment and rehabilitation and replacement. Serious problems such as these do not come to light and are not solved on their own.

I was the one who, when I went over to Iraq in August of 2003, found the 44,000 shortage of body armor. We had people actually buying body armor, sending it to our troops; and we all remember that, how dismal that was, because of the miscalculation and the fact of how intense the opposition would be.

WALTER REED ARMY HOSPITAL

The Washington Post reporter uncovered conditions at building 18 at Walter Reed. Bill Young and I go out there all the time, most of the Committee goes out to Walter Reed, you go there—both of you have been there—and yet we didn't know about what happened. It takes a Washington Post reporter to find out. This is obviously unacceptable. The days of rosy scenarios and misguided optimism must end.

READINESS

Secretary, you are viewed as an honest, straight-shooting, tough leader, and I have dealt with you over long years; we have known each other and we are friends. We are counting on you to provide this Congress honest assessments, realistic recommendations, cooperation and, most importantly, open communications dialogue.

Now let me just tell you what I am talking about. Last year, Bill Young and I decided, he was chairman of the Committee at the time, that there was a need for additional money, no request from the administration, no request from the Defense Department for a supplemental appropriation. I suggested to Bill that we needed \$25 billion. He said, I think we need more.

We put \$50 billion in; no justification, nothing from anybody about what needed to be done.

Well, I sent staff out all over the country to look at this situation. When I came back, I made a report to the Committee and Dave Obey, and I had a news conference talking about the readiness, the dismal state of readiness in this country.

We sent a letter to the President July 26, 2006, asking him—making recommendations and asking for a consolidated report on how we are going to handle the readiness. We never got a reply.

This is a serious matter, one of the most serious matters facing the Defense Department at this time. We put another \$20 billion in, in addition to the \$50 billion, because we felt it was absolutely essential to readiness, in the conference.

Now, we have to have cooperation and openness between the Defense Department and this Committee. If we don't have that, we are not going to be able to solve the problems the way they should be solved. And I know you just came aboard, Mr. Secretary, and I have seen some indication things are changing—much more open.

For instance, I talked about the 30,000 troops. The Defense Department resisted that. They did not want the 30,000 troops. They didn't understand. Secretary Rumsfeld did not understand the shortages and the strain on the troops. Of course, we put it in anyway. They authorized the money; we put the money in anyway.

CONTRACTORS IN IRAQ

I actually thought there ought to be 100,000. Now there is a request for 90,000 more troops, and I know we are getting to that stage. But when I saw the other day that there were 126,000 contractors in Iraq, that made me realize what a problem we have when we have to hire that many contractors, that we pay so much more, to be out in the field in Iraq. It took almost a month for us before we could get the figure back here to us.

I am looking forward, Mr. Secretary, to working with you and getting an honest assessment of the situation as you see it, so we can help work this out for the troops and for the future of this great country.

Mr. Young.

REMARKS OF MR. YOUNG

Mr. YOUNG. Mr. Chairman, thank you very much.

Mr. Secretary, General, Ms. Jonas, thank you very much for being here today. We all have a big job before us. I am anxious to get to your testimony.

There are many, many needs in our military. We have an obligation to provide whatever equipment, whatever technology is necessary. We have a commitment to provide whatever training is necessary. In other words, to secure the Nation, we have to secure the men and women who serve in uniform, who secure the Nation. You all have been major players in that for years, and we appreciate the good work that you have done.

As we go through your testimony today and we go through the markup sessions as we get closer to the summer, it is important that we provide what you need. As Chairman Murtha has said, sometimes we don't get all the answers, sometimes we are sitting

here waiting for you to tell us what it is you really need for those dollars.

So we look forward to working with you to make sure that we have the best security that we can provide for our country and our fellow Americans; and the best protection, the best equipment for those who serve in our uniform and provide that security for the Nation.

Thank you for being here today. I look forward to your testimony.

Mr. MURTHA. Mr. Obey, does the chairman of the full committee have anything?

REMARKS OF MR. OBEY

Mr. OBEY. Thank you, Mr. Chairman.

Mr. Secretary, as Chairman Murtha says, this hearing today isn't specifically on Iraq, it is on the regular bill, but I would like to make a couple of comments in light of the President's comments yesterday.

I have been here a long time—you have, Mr. Murtha has, Mr. Young has, a lot of us have. I was here during Vietnam, I was hearing during El Salvador, I was here during the Contra war, and in the end, in Salvador; and in the end with respect to the Contra war, the controversy ended with a compromise.

I remember, for instance, after the Congress took final action on providing funds to stand down the Contras, I remember after the election when Secretary Baker came down representing a new President, President Bush, and we sat in Jim Wright's office and agreed to a sidebar compromise, sealed with a handshake, that enabled the administration to put additional pressure on the Sandinistas to hold elections, which they lost at that time.

The only way that that compromise was reached is that people who disagreed strongly sat down and, in the end, worked out a compromise. They swallowed something and they wound up reaching a solution that worked.

I think it is very important for the administration to understand, and I hope that you will use your considerable influence to remind people on the other end of the avenue that there are three branches of government. The President has his obligations and we certainly respect those, but we have our obligations, too.

The supplemental appropriation that was passed by the House last week should not be taken lightly. It is a very serious effort by Members of the House to try to send a clear message to the White House that we must understand that, in the end, Iraq will not be resolved in any pleasant way unless there is a political settlement, and that political settlement is beyond the ability of our soldiers to reach.

Our soldiers can try to help to contribute to conditions that lead to a settlement, but I think we have got to have less confrontation and more cooperation. And I would submit that that is a two-way street and it ought to start with the White House, and if it doesn't start with the White House, it certainly ought to end with the White House at some point.

So I would simply ask that you convey that to the President.

NATIONAL GUARD AND RESERVE

I would also just say one thing. I have never seen the Guard and Reserve in a more dispirited state than they are right now. When I talk to people from home, including the leadership of the Guard, it is obvious that they are under terrific strain, and I hope that you will give considerable attention to their problems, their needs and what we do to restore health to both, because they are a crucial asset to this country, and right now they are in big trouble.

Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Secretary, if you will summarize your statement, without objection, we will put your full statement in the record. And the same way with General Pace, or Ms. Jonas, whoever you wish to testify.

Mr. Secretary.

SUMMARY STATEMENT OF SECRETARY GATES

Secretary GATES. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, thank you for the opportunity to discuss the fiscal year 2008 defense budget which includes the base budget request and the fiscal year 2008 global war on terror request. My statement, which has been submitted for the record, includes additional information and details.

In summary, the budget request submitted by the President will modernize and recapitalize key capabilities in the Armed Forces to include funding increases for the next generation of ships, strike aircraft and ground combat systems, sustain the all-volunteer military by reducing stress on the force and improving the quality of life for our troops and their families; improve readiness through additional training and maintenance; and by resetting forces following their overseas deployment, build the capabilities of partner nations to combat extremists within their own borders by using new train and equip authorities, thus reducing potential demand for U.S. troops in the future; and fund U.S. military operations during fiscal year 2008 in Iraq, Afghanistan and elsewhere in the ongoing campaign against violent jihadist networks around the globe.

DEFENSE BUDGET RELATIVE TO GROSS DOMESTIC PRODUCT

I believe it is important to consider the budget request submitted to the Congress this year, the base budget and war-related requests in some historical context, as there has been understandable sticker shock at their combined price tags of more than \$700 billion.

Consider that about 4 percent of America's gross domestic product, the amount of money the United States is projected to spend on defense this year is actually a smaller GDP than when I left the government 14 years ago following the end of the Cold War, and a significantly smaller percentage of GDP than during previous times of war such as Vietnam or Korea.

Since 1993, with a defense budget that is a smaller relative share of our national wealth, the world has gotten more complicated and arguably more dangerous. In addition to fighting the global war on terror, we face the danger posed by Iran's and North

Korea's nuclear ambitions and the threat they pose not only to their neighbors, but globally because of their records of proliferation; the uncertain paths of China and Russia, which are both pursuing sophisticated military modernization programs; and a range of other flash points, challenges and threats.

In this strategic environment, the resources we devote to defense at this critical time should be at a level adequate to meet those challenges.

The cost of defending the Nation is high. The only thing costlier ultimately would be to fail to commit the resources necessary to defend our interests around the world and to fail for the inevitable threats of the future.

Thank you, Mr. Chairman, and members of the committee for the support this committee has provided to the men and women of our Armed Forces over many years. We look forward to your questions.

Mr. Chairman, I would respond to your initial comments by telling you that you and I started working together more than 20 years ago. I look forward to working with you and with this Committee. I know you have the best interests of our men and women in the Armed Forces at heart and are concerned about their well-being as well as the defense of the Nation; and I look forward to an open and candid relationship with you going forward.

[The statement of Secretary Gates follows:]

**STATEMENT OF SECRETARY OF DEFENSE ROBERT M. GATES
HOUSE APPROPRIATIONS COMMITTEE – DEFENSE
THURSDAY, MARCH 29, 2007, 10:00 A.M.**

Chairman Murtha, Congressman Young, members of the Committee:

I thank the Committee for all you have done to support our military these many years, and I appreciate the opportunity to provide an overview of the way ahead at the Department of Defense through the President's Fiscal Year 2008 Defense Budget, which includes the base budget request and the FY 2008 Global War on Terror Request.

As to the President's defense budget requests, I believe it is important to consider their combined price tag – more than \$700 billion – in some historical context as there has been, understandably, some element of sticker shock at the total.

But consider that, at about 4 percent of America's Gross Domestic Product, the amount of money the United States is expected to spend on defense this year is actually a smaller percentage of GDP than when I left government 14 years ago, following the end of the Cold War – and a significantly smaller percentage than during previous times of war, such as Vietnam and Korea.

Since 1993, with a defense budget that is a smaller relative share of our national wealth, the world has gotten more complicated, and arguably more dangerous. In addition to fighting the Global War on Terror, we also face:

- The danger posed by Iran's and North Korea's nuclear ambitions, and the threat they pose not only to their neighbors, but globally, because of their records of proliferation;
- The uncertain paths of China and Russia, which are both pursuing sophisticated military modernization programs; and
- A range of other potential flashpoints and challenges.

In this strategic environment, the resources we devote to defense should be at the level to adequately meet those challenges.

Five times over the past 90 years the United States has either slashed defense spending or disarmed outright in the mistaken belief that the nature of man or behavior of nations had somehow changed, or that we would no longer need capable, well funded military forces on hand to confront threats to our nation's interests and security. Each time we have paid a price.

The costs of defending our nation are high. The only thing costlier, ultimately, would be to fail to commit the resources necessary to defend our interests around the world, and to fail to prepare for the inevitable threats of the future.

As Sun Tzu said more than 2,500 years ago, "The art of war teaches us to rely not on the likelihood of the enemy's not coming, but on our own readiness to receive him; not on the chance of his not attacking, but rather on the fact that we have made our position unassailable."

This holds true for our national defense today.

FY 2008 Base Budget

The President's FY 2008 base budget request of \$481.4 billion is an increase of 11.4 percent over the projected enacted level of FY 2007, and provides the resources needed to man, organize, train, and equip the Armed Forces of the United States. This budget continues efforts to reform and transform our military establishment to be more agile, adaptive, and expeditionary to deal with a range of both conventional and irregular threats.

Some military leaders have argued that while our forces can support current operations in the War on Terror, these operations are increasing risks associated with being called on to undertake a major conventional conflict elsewhere around the world. This budget provides additional resources to mitigate those risks.

The FY 2008 base budget includes increases of about \$16.8 billion over last year for investments in additional training, equipment repair and replacement, and intelligence and support. It provides increases in combat training rotations, sustains air crew training, and increases ship steaming days.

Increase Ground Forces

Despite significant improvements in the way our military is organized and operated, the ongoing conflicts in Iraq and Afghanistan have put stress on parts of our nation's ground forces.

In January, the President called for an increase in the permanent active end strength of the Army and Marine Corps of some 92,000 troops by FY 2012. The base budget request adds \$12.1 billion to increase ground forces in the next fiscal year, which will consist of 7,000 additional Soldiers and 5,000 additional Marines.

Special Operations Forces, who have come to play an essential and unique role in operations against terrorist networks, will also grow by 5,575 troops between FY 2007 and FY 2008.

Strategic Investments – Modernization

The base budget invests \$177 billion in procurement and research and development that includes major investments in the next generation of technologies. The major weapons systems include:

Future Combat System (\$3.7 billion) – The first comprehensive modernization program for the Army in a generation.

- **Joint Strike Fighter (\$6.1 billion)** – This next generation strike aircraft has variants for the Air Force, the Navy, and the Marine Corps. Eight international partners are contributing to the JSF's development and production.
- **F-22A (\$4.6 billion)** – Twenty additional aircraft will be procured in FY 2008.
- **Shipbuilding (\$14.4 billion)** – The increase of \$3.2 billion over last year is primarily for the next generation aircraft carrier, the CVN-21, and the LPD-17 amphibious transport ship. The long-term goal is a 313-ship Navy by 2020.

Missile Defense

I have believed since the Reagan administration that if we can develop a missile defense capability, it would be a mistake for us not to do so. There are many countries that either have or are developing ballistic missiles, and there are at least two or three others – including North Korea – that are developing longer-range systems. We also have an obligation to our allies, some of whom have signed on as partners in this effort. The department is proceeding with negotiations with Poland and the Czech Republic on establishing a missile defense capability in Europe while we work with our other allies, including the United Kingdom, on upgrading early warning radar systems. We are willing to work with others in developing this defensive capability, including Russia. The missile defense program funded by this request will continue to test our capability against more complex and realistic scenarios. I urge the committee to approve the full \$9.9 billion requested for the missile defense and Patriot missile programs.

Space Capabilities

The recent test of an anti-satellite weapon by China underscored the need to continue to develop capabilities in space. The policy of the U.S. Government in this area remains consistent with the longstanding principles that were established during the Eisenhower administration, such as the right of free passage and the use of space for peaceful purposes. Space programs are essential to the U.S. military's communications, surveillance, and reconnaissance capabilities. The base budget requests about \$6.0 billion to continue the development and fielding of systems that will maintain U.S. supremacy while ensuring unfettered, reliable, and secure access to space.

Recapitalization

A major challenge facing our military is that several key capabilities are aging and long overdue for being replaced. The prime example is the Air Force KC-135 tanker fleet. With planes that average 45 years of age, the fleet is becoming more expensive to maintain and less reliable to operate. The Air Force has resumed a transparent and competitive replacement program to recapitalize this fleet with the KC-X aircraft. The KC-X will be able to carry cargo and passengers and will be equipped with defensive systems. It is the U.S. Transportation Command's and the Air Force's top acquisition and recapitalization priority.

Quality of Life – Sustaining the All-Volunteer Force

Our nation is fortunate that so many talented and patriotic young people have stepped forward to serve, and that so many of them have chosen to continue to serve. So far, all active

branches of the U.S. military exceeded their recruiting goals, with particularly strong showings by the Army and Marine Corps. The FY 2008 request includes \$4.3 billion for recruiting and retention to ensure that the military continues to attract and retain the people we need to grow the ground forces and defend the interests of the United States.

We will continue to support the all-volunteer force and their families through a variety of programs and initiatives. The budget includes:

- \$38.7 billion for health care for both active and retired service members;
- \$15 billion for Basic Allowance for Housing to ensure that, on average, troops are not forced to incur out-of-pocket costs to pay for housing;
- \$2.9 billion to improve barracks and family housing and privatize an additional 2,870 new family units; and
- \$2.1 billion for a 3 percent pay increase for military members.

In addition, recently announced changes in the way the military uses and employs the Reserves and National Guard should allow for a less frequent and more predictable mobilization schedule for our citizen soldiers.

Combined with other initiatives to better organize, manage, and take care of the force, these changes should mean that in the future our troops should be deployed or mobilized less often, for shorter periods of time, and with more predictability and a better quality of life for themselves and their families.

Train and Equip Authorities

Building the capacity and capability of partners and allies to better secure and govern their own countries is a central task in the larger war on terrorism. It is much better for partner countries, rather than U.S. forces, to deal with the terrorist networks within their borders.

In recent years we have struggled to overcome the patchwork of authorities and regulations that were put in place during a very different era – the Cold War – to confront a notably different set of threats and challenges.

The Congress took a farsighted step to overcome these impediments with the creation of Section 1206 authority, which allows the Defense and State Departments to rapidly and effectively train and equip partner military forces.

We are seeking dedicated funding of \$500 million in the FY 2008 base budget and \$300 million in the Supplemental to provide the combatant commanders with the resources to implement this authority. This is a joint enterprise with the Department of State that is becoming a model capacity-building effort for the Long War. The Chairman of the Joint Chiefs and the combatant commanders regard this program as the most important authority the military has to fight the war on terror beyond Iraq and Afghanistan. It allows us to help others get ahead of threats, exploit opportunities, and reduce stress on our servicemen and women.

Global War on Terror Request

The President's FY 2008 Global War on Terror Request for \$141.7 billion complies with Congress's direction to include the costs of ongoing operations in Iraq and Afghanistan in the annual Defense Department budget. Given the uncertainty of projecting the cost of operations so far in the future, the funds sought for the FY 2008 GWOT Request are generally based on a straight-line projection of current costs for Iraq and Afghanistan. This request includes \$70.6 billion to provide the incremental pay, supplies, transportation, maintenance and logistical support to conduct military operations.

Reconstitution

The FY 2008 GWOT Request includes \$37.6 billion to reconstitute our nation's armed forces – in particular, to refit the ground forces, the Army and Marine Corps, who have borne the brunt of combat in both human and material terms. These funds will go to repair or replace equipment that has been destroyed, damaged, or stressed in the current conflict. The \$13.6 billion in reset funds in the FY 2008 GWOT Request for the U.S. Army will go a long way towards raising the readiness levels across the force.

Force Protection

This FY 2008 GWOT Request includes \$15.2 billion for investments in new technologies to better protect our troops from an agile and adaptive enemy. Programs being funded would include a new generation of body armor, vehicles that can better withstand explosions from Improvised Explosive Devices (IEDs), and electronic devices that interrupt the enemy's ability to attack U.S. forces. Within this force-protection category, the FY 2008 GWOT Request includes \$4 billion to counter and defeat the threat posed by IEDs.

Afghan/Iraqi Security Forces

The FY 2008 GWOT Request includes \$4.7 billion to stand up capable military and police forces in Afghanistan and Iraq. The bulk of these funds are going to train and equip Afghan National Security Forces (ANSF) to assume the lead in operations throughout Afghanistan. As of January, 88,000 have been trained and equipped, an increase of 31,000 from the previous year.

In Iraq, more than 300,000 soldiers and police have been trained and equipped, and are in charge of more than 60 percent of Iraqi territory and more than 65 percent of that country's population. They have assumed full security responsibility for three out of Iraq's 18 provinces and are scheduled to take over more territory over the course of the year. These Iraqi troops, though far from perfect, have shown that they can perform with distinction when properly led and supported. Iraqi forces will be in the lead during operations to secure Baghdad's violent neighborhoods. As we significantly increase and improve the embedding program, Iraqi forces will operate with more and better Coalition support than they had in the past.

Non-Military Assistance

Success in the kinds of conflicts our military finds itself in today – in Iraq, or elsewhere – cannot be achieved by military means alone. The President's strategy for Iraq hinges on key programs and additional resources to improve local governance, delivery of public services, and quality of life – to get angry young men off the street and into jobs where they will be less susceptible to the appeals of insurgents or militia groups.

Commanders Emergency Response Program, or CERP funds, are a relatively small piece of the war-related budgets – \$977 million in the FY 2008 GWOT Request. But because they can be dispensed quickly and applied directly to local needs, they have had a tremendous impact – far beyond the dollar value – on the ability of our troops to succeed in Iraq and Afghanistan. By building trust and confidence in Coalition forces, these CERP projects increase the flow of intelligence to commanders in the field and help turn local Iraqis and Afghans against insurgents and terrorists.

Conclusion

With the assistance and the counsel of Congress, I believe we have the opportunity to do right by our troops and the sacrifices that they and their families have made these past few years. That means we must make the difficult choices and commit the necessary resources to not only prevail in the current conflicts in which they are engaged, but to be prepared to take on the threats that they, their children, and our nation may face in the future.

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Mr. MURTHA. Appreciate that.
General Pace.

SUMMARY STATEMENT OF GENERAL PACE

General PACE. Mr. Chairman, Congressman Young, members of the Committee, it is truly an honor, sir, to be sitting here before you as Chairman of the Joint Chiefs of Staff, representing the 2.4 million American active, Guard and reservists who serve this Nation incredibly well, and on their behalf to say thank you to each of you for what you do, not only from the standpoint of the very strong bipartisan support that you provide for the funding, but also for the trips that you make to the region, the trips that you make to the local hospitals. Your interest, concern, your travels are known and make a difference, and we appreciate that very much.

I also would like to take the opportunity to thank our troops, who are quite simply magnificent and are doing what we have asked them to do to the very, very best of their ability; and their families who sit at home and serve this Nation as well as anyone who has ever worn the uniform.

And especially the employers of the Guard and Reserve, we could not possibly do what we are doing without them. Because they are so good, there is no doubt in my mind that the employers who have let them go are working with gaps in their organizations; and we appreciate their support.

The heavy demand on our forces is not likely to dissipate in the near future, and therefore, I do appreciate—we do appreciate your support for the additional troops that have been requested.

I would ask that we take a look at the mid-grade officer level and the mid-grade enlisted level. Many of the things that we are doing with regard to individual augmentees and, especially, the training that we do with the embedded teams in Iraq and Afghanistan and the training that we do with other armed forces rests on the shoulders of our mid-grade officers and mid-grade enlisted; and right now we are peeling off some of those officers from operational units so we have enough individuals to be able to man those units so we can increase the mid-grade officers and mid-grade enlisted. That would help us enormously with the work ahead.

The partnership we have with other nations is critical. An example: The training that we have done with the Georgian armed forces has not only provided for increased capacity and professionalism on their part, but has allowed their government to participate very strongly in the global war on terror; and what we can do together to strengthen our ability to work with our partners will be very beneficial.

With regard to our own government, I think we need to find ways to help the rest of our government become expeditionary. We have great Americans in other agencies who very much want to serve our country, but our laws and regulations don't facilitate their ability to be deployed to do what they would like to do for our country. I am anxious to work with you to figure out the best ways to provide for that.

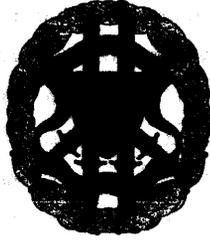
I am also anxious to work with you to figure out the best ways for interagency effectiveness. Much like Goldwater-Nichols did for the joint military, we need to seek ways to find what will allow us

to have education opportunities interagency, to have opportunities to work in each others' departments, to be able to plan together, to be able to deploy together so that we can have the same kind of synergy in our interagency as we have had as a result of Goldwater-Nichols in the military.

Mr. Chairman, thank you for your leadership. Thank you for this Committee's time. I look forward to your questions.

[The statement of General Pace follows:]

**HOUSE APPROPRIATIONS
COMMITTEE DEFENSE
SUBCOMMITTEE**



**POSTURE STATEMENT OF
GENERAL PETER PACE, USMC
CHAIRMAN OF THE
JOINT CHIEFS OF STAFF**

BEFORE THE 110TH CONGRESS

**HOUSE APPROPRIATIONS COMMITTEE -
DEFENSE SUBCOMMITTEE**

29 MARCH 2007

**HOUSE APPROPRIATIONS
COMMITTEE DEFENSE
SUBCOMMITTEE**

Chairman Murtha, Representative Young, distinguished members of the Committee, it is my privilege to report to you on the posture of the U.S. Armed Forces. On behalf of 2.4 million Active, Guard, and Reserve Soldiers, Sailors, Airmen, Marines, and our families, thank you for your continued support. Your visits to troops in Iraq, Afghanistan, and beyond; comfort to the wounded; and funding for transformation, recapitalization, pay and benefits are deeply appreciated.

America's military is the world's finest, due in large measure to the patriotic sacrifices of our Nation's Service members. I want to thank them and their families for all they have done, and continue to do, to maintain our freedom. For the first time, America's All Volunteer Force is fighting a long term war with a significant commitment of combat forces. Our troops are serving with extraordinary dedication and distinction. They are an inspiration to us all and I am honored to represent them here today.

Winning the War on Terrorism is and will remain our number one priority. At the same time, we will continue to transform our Armed Forces, strengthen Joint Warfighting capabilities, and improve the Quality of Life of our Service members and their families.

Strategic Environment

My biennial National Military Strategy Risk Assessment was recently submitted to Congress. That classified document and the Secretary of Defense's plan for mitigating risk depict the challenges we face around the globe and discuss how we will overcome them. Sustained deployments, equipment utilization, and operational tempo each impart risk from a military perspective. The current heavy demand for ground, sea, and air capabilities is not likely to dissipate in the immediate future.

As stated in my Assessment, our Armed Forces stand ready to protect the homeland, prevent conflict, and prevail over adversaries.

These missions present simultaneous and interrelated challenges of varying intensity, immediacy, and danger.

America's Armed Forces are in our sixth year of sustained combat operations. We are fighting sectarian violence, insurgency, and terrorism in Iraq and Afghanistan. Al Qaeda and its allies threaten the safety of our homeland and our overseas partners – threats made more alarming by the proliferation of Weapons of Mass Destruction. We face other threats and challenges as well:

- Iran sponsors operations in Lebanon and Iraq that are destabilizing those governments. In addition, Iran's drive to enrich uranium highlights its desire to assert greater influence in a region of vital interest to our Nation.
- North Korea's pursuit of nuclear weapons and associated missile technologies poses another strategic challenge. The launch of multiple ballistic missiles on the fourth of July 2006 coupled with the apparent successful detonation of a nuclear device in October 2006 undermines counter-proliferation efforts, threatens many, and could provoke a regional arms race.
- China's military build-up continues unabated, to include offensive strike missiles, expanded sea and air control capabilities, anti-satellite systems, cyber-attack technologies, and an increasingly capable Navy and Air Force.
- Pakistan requires continued international support to maintain stability. Given its possession of nuclear weapons and pivotal location, a stable government in Pakistan is critical to guard against transnational terrorism and ease tensions with neighboring India.
- The Abu Sayaf Group in the southern Philippines and Jemaah Islamiyah in Indonesia remain terrorist threats in the region and continue to exploit security gaps in the largely maritime tri-border region of southern Philippines, Indonesia, and East Malaysia.

- Narco-terrorists in Latin America destabilize societies, harm nations, and hold American citizens hostage.
- The governments of Venezuela and Cuba are openly anti-U.S. Together, they actively seek to create alignments to oppose us throughout the region.
- Succession questions in Cuba may lead to mass migration.
- Political and humanitarian challenges in Africa are myriad, including the specter of growing instability, genocide, civil war, and safe havens for terrorists.

Given the breadth of these challenges, their complexity, and their potential long duration, we must increase our overall capacity in order to reduce strategic risk. The proposed Fiscal Year 2008 Budget, the Fiscal Year 2007 Supplemental, and the Fiscal Year 2008 Global War on Terrorism Request match resources to these tasks. These budget requests represent a significant investment, but that investment is approximately 3.9% of our Gross National Product – relatively modest in historic terms.

We have also recently submitted an amendment to the FY 2007 Supplemental. The proposal reallocates \$3.2 billion within the pending FY2007 request to fund our new way forward in Iraq and Afghanistan. This revised request better aligns resources to meet our goals without increasing the Supplemental.

Win the War on Terrorism

We must prevail in the Global War on Terrorism. Sustaining operations in Iraq and Afghanistan, while maintaining readiness to respond to new contingencies around the globe, is a heavy burden for our current force structure. Nearly a million American men and women in uniform have deployed to Iraq and Afghanistan, and more than 400,000 have been deployed more than once. Presently, more than 200,000 troops are deployed to the Central Command area of

responsibility; another 210,000 are elsewhere overseas. Most of our Army Brigade Combat Teams and their Marine Corps regiment equivalents receive only one year at their home station before deploying again - and that year is spent actively preparing to redeploy overseas to fight. We will have twenty Brigade/Regimental Combat Teams deployed to Iraq, with another three in Afghanistan, one in Korea, and one in Kosovo. This drives our units to operate at about a 1:1 "deployed:at-home" ratio - which is about half the time we believe is necessary to sustain readiness for the long term.

To accomplish our missions in Iraq and Afghanistan and remain prepared for other challenges, the President and Secretary of Defense have announced a number of personnel initiatives. These include the increase of force structure for the Army and Marine Corps, and policy changes to the way we mobilize our Reserve Component. The Army and Marine Corps are both focused on using this added troop strength to grow their operational forces. We are committed to building an active Army of 48 Brigade Combat Teams. That is an increase from a previous goal of 42. For the Marine Corps, we are adding one Regimental Combat Team. The Army is also civilianizing military positions, cutting its non-operational force structure, and reallocating those manpower savings to combat units. The Marine Corps is also implementing policy to ensure all Marines have the opportunity to serve in a combat zone.

Approximately 38,000 individual augmentees have deployed to headquarters such as Multi-National Force-Iraq, the International Security Assistance Force in Afghanistan, and U.S. Central Command. Nearly 13,000 others have helped train Afghan and Iraqi forces. Most of these positions are filled by mid-grade leaders normally serving in operational units. Increased manning in these mid-grade ranks, to include the Army's request for an additional 2,852 field grade officers, will fill requirements without undermining combat units.

Our weapons, equipment, and supplies have been reduced by combat loss and consumption in Iraq and Afghanistan during the past five and a half years. We have also used significant resources in disaster relief operations responding to the Asian Tsunami, Hurricane Katrina, and Pakistan's earthquake. The FY2007 Supplemental and FY2008 Global War on Terrorism Request include a total of \$51.5 billion to reconstitute our Joint Forces. While it will take some time for newly authorized troops to become available for deployment and for reconstitution of equipment to take effect, our men and women in uniform are grateful for the much needed additional manpower and resources that are on the way.

The challenges we face are not ours alone; they threaten many others. Working with partners improves our ability to defeat terrorist networks and increases regional stability and security. Our regional security cooperation efforts in Latin America, particularly in Colombia where great progress is occurring, help local militaries protect democratic governments and build partnership capacity to counter terrorist, narcotic, and other illicit activity. In the Far East, our support for Southeast Asia maritime security in the Strait of Malacca and the Sulu and Sulawesi Seas helps fight terrorist and criminal activity. Combined Joint Task Force-Horn of Africa and the Trans-Sahara Counter-Terrorism Partnership deter terrorist activity, provide humanitarian assistance, and improve the ability of African countries to foster security within their own borders. And, we are establishing a new unified command for Africa to better integrate U.S. interagency efforts and partner with other nations and international organizations.

Boosting the capability of other countries' forces and providing direct action support to commanders in the field requires that we expand our irregular warfare capabilities. Irregular warfare includes long duration unconventional warfare, counter-terrorism, counterinsurgency, clandestine operations, and military support for stabilization and reconstruction. Our Special Operations units perform these missions in

Iraq and Afghanistan, and deploy to approximately forty other countries around the world. To answer these demands, we are expanding the size of our Special Operations Forces and we have established the Marine Special Operations Command. We are also moving forward with the Global Special Operations Force Posture plan that will maximize the number of Special Operations Units forward deployed.

In addition to physical battlefields, the Global War on Terrorism has a significant information component. Our enemies use propaganda to deliver their message and justify their actions. We counter the enemy's efforts most effectively when our actions and words reinforce America's strategic goals and national ideals. We deny our foes success in mobilizing sympathizers when local and global audiences understand the enemy's true intent. The Joint Staff, the Combatant Commands, and the Office of the Secretary of Defense are working together to ensure greater consistency and timeliness in our strategic communication efforts.

At its most basic level, winning the War on Terrorism means defending our homeland. To better protect the United States from direct attack, our Armed Forces are working closely with civilian leadership in federal, state, and local governments to provide an effective response in time of crisis. The Navy and Coast Guard are strengthening maritime domain awareness. The Air Force maintains surveillance and interceptor alerts to provide air sovereignty protection. The Army is investing in expanded biological weapons detection equipment and vaccines. And we are continuing to increase the capability of our Chemical Biological Radiological Nuclear and High Yield Explosive Consequence Management Response Forces and seeking more resources to better respond to multiple events in different locations. Contingency plans are continually refined so that the Armed Forces are prepared to assist civil authorities in the event of another terrorist attack. We are creating additional Weapons of Mass Destruction response teams. Moreover, we are working with coalition partners, through intelligence sharing, coordinated planning, and

agreements such as the Proliferation Security Initiative to prevent the spread of Weapons of Mass Destruction.

Additionally, your Armed Forces are prepared to assist in responding to natural disasters. In such events, we would provide support in the form of manpower, logistics, transportation, communications, and planning, just as we did following the devastation of Hurricane Katrina. Likewise, military planners are focused on the dangers of a possible global Pandemic Influenza, to ensure our readiness to execute military missions and support civil authorities.

Accelerate Transformation

The evolving diverse threats to our Nation make it imperative that we adapt and innovate. Transformation is a continual effort to significantly increase our ability to deter and defeat America's foes. It is an ongoing process of rethinking our doctrine and operational concepts; fashioning professional education and training to meet new challenges; restructuring our organizations and business practices to be more agile; improving our personnel policies; adapting our planning systems to be more responsive; reforming our acquisition and budget processes; and harnessing advanced technology. It is not an end state. It is a mindset and a culture that encourages innovation and fresh thinking.

We need a dramatic leap forward in our relationship with interagency and international partners. Today's many challenges – conventional, insurgency, terrorism, and the proliferation of weapons of mass destruction – require that our Armed Forces work closely with our civilian government counterparts and multinational partners. Much like Goldwater Nichols accomplished for our Armed Forces two decades ago, we should assess what new or revised authorities are needed to enhance interagency coordination, and build a more joint and integrated process. To increase our government's overall effectiveness in the War on Terrorism, we must improve three areas.

First, we must improve our ability to build partnership capacity. Our struggle against violent extremists requires that we fight people who hide in countries with whom we are not at war. The best way to do this is by augmenting the capacity of those countries to defeat terrorism and increase stability – helping them overcome problems within their borders and eliminate terrorist safe havens. Building partnership capacity leverages the local language, knowledge, and culture of indigenous forces, which reduces requirements for our own forces. To this end, I support legislation to extend and expand past enacted 1206 and 1208 authorities for educating, training, and equipping foreign forces for counter-terrorism operations. Such authorities increase our ability to share resources among agencies. Additionally, I support authorization for a National Security Initiative Fund, under Congressional oversight and managed jointly by the Departments of State and Defense. Such a fund enhances our agility in coordinating and harnessing resources to address changed circumstances and policies, and will complement congressionally granted transfer authority and emergency supplemental appropriations.

Second, we need greater expeditionary capabilities in U.S. government civilian agencies for stabilization and reconstruction operations. The Global War on Terrorism requires all instruments of national power – not just the military. US government civilian agencies have a vital role to play in overseas operations. Greater investment in these agencies is required if they are to be more effective. To increase their expeditionary capability, the President has proposed the creation of a Civilian Reserve Corps for the State Department. We strongly support this initiative to boost our Nation's capability to deploy civilian expertise in tandem with our military.

Third, we must enhance interagency effectiveness. Today's many national security challenges cross the boundaries of specific government departments. We need to improve our collective approach and ensure

decisions are implemented in a coherent and timely manner across agencies. Just as the Goldwater-Nichols Act established a system of incentives and requirements to foster Jointness among military officers, we need to find ways inside of our government to encourage interagency expertise. Rewarding interagency education, interagency experiences, interagency collaboration, and interagency planning will facilitate better synergy between departments. We can go beyond the education we provide our military and civil servant professionals by integrating our National Defense University within a National Security Education Consortium. We can strengthen and institutionalize mechanisms for interagency coordination by building on the success of interagency centers such as the National Counter Terrorism Center and Combatant Command Joint Interagency Coordination Groups. We can expand our interagency exercises. And, we can increase planning capacity in civilian agencies to improve our execution of operations.

Strengthen Joint Warfighting

To win the war and continue the process of transformation, we are strengthening our Joint Warfighting capabilities. By employing our Service branches in a joint manner, we leverage their complementary capabilities. We can and should, however, go beyond our current level of jointness by moving from an interoperable force to an interdependent force. We have already had some successes. For instance, naval aviation is now responsible for all airborne electronic warfare. Air Force Unmanned Aircraft Systems provide key intelligence for all Services. Moreover, Navy and Air Force security, communications, and logistics elements fill joint requirements in Iraq and Afghanistan.

Combatant Commanders have identified shortfalls in our persistent Intelligence Surveillance and Reconnaissance capabilities, such as shortages of platforms, sensors, and processing infrastructure. To better support our Intelligence Surveillance and Reconnaissance

needs, we are budgeting for more capacity. We are also refining integration between our unmanned assets, human intelligence operations, and our analysis capabilities – improving all.

Warfighter demands for satellite platforms and related terminal programs continue to grow as we field more bandwidth-intensive systems, deploy to austere locations, and connect more tactical users to our Global Information Grid. To meet our requirements for beyond-line-of-sight and reach-back communications, we must maintain military satellite communications launch schedules, leverage commercial capabilities, pursue efficiencies, and continue research and development initiatives.

America and our friends around the globe are increasingly dependent on networked communications systems to store, modify, and exchange data. Interruption of our access to cyberspace could significantly damage national defense and civil society. The Armed Forces' new cyber strategy sets a course that calls for the development of new organizations, intellectual capital, and greater interagency coordination. To ensure unity of effort, U.S. Strategic Command's Joint Task Force – Global Network Operations is working with the Combatant Commands, the Services, and the Interagency to strengthen and integrate defensive and offensive cyber capabilities. We are reviewing the authorities and responsibilities required for dealing with cyberspace threats, particularly as they apply to our relationship with other U.S. government agencies. Changes in authority and policy must ensure that the entire U.S. government is able to meet current and emerging threats.

We must also enhance our capability to engage targets globally and rapidly to strengthen strategic deterrence and response. We are developing conventional long range strike capability, improving missile defense, and modernizing our national command and control. These efforts will ensure our strategic deterrence capabilities remain relevant.

Improve the Quality of Life of our Service Members and our Families

Our men and women in uniform are our most precious resource. We must continue to ensure their welfare and that of their families. The most advanced ship, aircraft, or weapon system is useless without motivated and well-trained people. Every day, our Soldiers, Sailors, Airmen, and Marines serve our Nation with distinction. We do well to honor their service by providing for them and their loved ones.

The funding of the FY2007 Military Construction, Quality of Life, and Veteran's Affairs appropriation by House Joint Resolution caused a \$3.1 billion shortfall in the Base Realignment and Closure (BRAC) appropriation. This shortfall jeopardizes our ability to complete BRAC actions within statutory deadlines and creates negative effects on the movement of our troops and their families in support of our global defense posture restructuring. I urge the Congress to correct this shortfall by providing the necessary funds at the earliest opportunity.

Predictability of deployments for all Service members is a key factor to quality of life. Sustainable force rotation policies are needed to spread the burden across the Active and Reserve Components. Greater mobilization predictability for Reserve Component members, and their families and employers is required. To accomplish this, the Secretary of Defense has established a new Total Force Policy. The mobilization of Reserve Component forces will be managed on a unit, instead of an individual, basis - and with a goal of one year maximum mobilization, followed by five years at home. This predictability will improve the quality of life in our Guard and Reserve while fostering greater unit cohesion. Stop Loss for both Active and Reserve forces will be minimized.

To our families, protecting our troops in combat is the most important measure of quality of life. All Defense Department personnel in Iraq and Afghanistan have state of the art body armor. As technology improves we are procuring the next generation of body armor. Likewise,

thanks to your continued support, currently all of our tactical vehicles that operate off forward operating bases in Central Command's area of responsibility have armor protection. And we are purchasing vehicles explicitly designed from the wheels up to limit Improvised Explosive Device damage. To further counter Improvised Explosive Devices, we established the Joint Improvised Explosive Device Defeat Organization. Teaming with private industry, we continue to make progress in this vital endeavor.

Providing for our troops and their families also means caring for our wounded. Our military medical system saves lives everyday – and helps them heal here at home. The efforts of our medical professionals and recent advances in medicine, technology, and rehabilitation techniques make a huge difference. Injury survivability rates are at a historic high - nearly 9 in 10 of all wounded troops survive, many of whom would have died in past conflicts. We are also working to address the effects of Post Traumatic Stress Disorder. Many injuries have a profound impact on troops and their families, and our health care system is dedicated to doing everything possible to bring them back to duty, if they wish – or, through our Military Severely Injured Center and the Services' wounded warrior programs, help our wounded return to society empowered to make a positive difference.

Conclusion

I testify before you today with tremendous pride in the performance of your Armed Forces. Some are in combat. Others stand guard. All are at war helping deter attacks on our Nation and allies.

Like World War II did for the Greatest Generation, this war will define this generation, and our troops are doing an extraordinary job. They serve this Nation superbly, willingly, and unflinchingly – volunteers all. The sacrifices they and their families bear for our entire Nation warrant our deepest gratitude. Like so many who have gone before them, their heroism is awe inspiring. It is an honor to serve alongside them.

Thank you for your support.

Ms. JONAS. No statement.

FORCE READINESS

Mr. MURTHA. Mr. Secretary, as you know, we have had numerous hearings on readiness alone. In 2001 all active duty Army divisions were rated at the highest readiness level. They were fully manned, equipped, and trained and only some Reserve units were not ready to go to war.

Since the beginning of the Iraq war, the readiness of our forces, both active and Reserve, has plummeted. In fact, Army military readiness has declined to levels I haven't seen since we were here before, after the Vietnam War.

It is not individuals in the military, it is the units themselves that I have a concern about. The vast majority of our active duty Army units here at home are critically short of equipment and personnel, causing them to be rated at the lowest readiness level; however, there is not one Army National Guard combat unit that is fit for deployment.

We know we have got basic training, advanced training, then we have got unit training. What I worry about as much as anything, I have seen figures where there are 50,000 military deployed to Iraq in the wrong MOS. Why do I worry about that? I worry because Abu Ghraib is an example. When you put people into a prison, who have no training at all in that prison, and we see the results of what happened at Abu Ghraib. That reserve unit that was in that prison had absolutely no ability to handle that prison, and we had a disaster there.

We understand that we have to make adjustments, but I start to worry when I see C-17s, which cost so much more to fly, are taking the place of C-130s because the C-130s, you have completely deployed them. I don't know whether they are filled up, what the schedule is, but when we start to make those kind of changes, we get into a bind in my estimation.

How do you respond to this, Mr. Secretary? How do you respond to what you are doing now? We talked a little bit privately before what you are working on. How do we rectify this problem, working with you and where do we put the money to make sure that we are able to solve this problem?

END STRENGTH

Secretary GATES. Let me start and then invite General Pace to add his thoughts.

Before I took this job, two of the concerns that I had were, first, that our ground forces weren't large enough, and second, that we were stressing the National Guard too much.

I think that the proposals that you have in front of you and the decisions that we have made make a good start at addressing the readiness. You and Chairman Skelton and others on this committee and on Armed Services for a long time have supported an increase in the end strength of the Army and the Marine Corps.

The proposals that you have before you would begin funding an increase, as you suggested, of 92,000 in our ground forces—65,000 in the Army, and 27,000 in the Marine Corps. Of those 65,000 in the Army, 30,000—it would make permanent the 30,000 that you

had put in on a temporary basis. So increasing the end strength is an important start.

LIMITING MOBILIZATION TIME

In the fiscal year 2008 budget we have \$46 billion for refit and reconstitution of the Army, another 10 billion-plus for the Marine Corps. I announced a few weeks ago a change in our approach to the use of the Guard and Reserve, beginning with—and what I have been told has been very well received—limiting mobilization time to a year inclusively, mobilization on a unit basis. This is a reversal of picking volunteers from various units so the young people that train together deploy together, minimizing the use of stop loss. And setting as a goal a return to our stated policy of 1 year deployed, 2 years here at home for the active component, and 1 deployed, 5 years at home for the Reserve component.

I think we all realize there is going to be a period of transition before we can get to that. But those are some of the measures that we have put in place to try and deal with these readiness issues.

MILITARY OCCUPATIONAL SPECIALTY MISMATCHES

The MOS issue is a serious one, and there are some specialties where there are some real shortages. Military police is one, engineers is another. And that is something that we have to take a close look at as well.

I think that these several decisions that have been made over the last few weeks at least put us on a path to begin getting where we need to be on readiness.

But let me ask General Pace.

PRISON GUARDS

Mr. MURTHA. Let me just ask, on the prison guards, now I understand you are sending 2,200 Air Force MPs to be prison guards, is that accurate, that is, Air Force people?

Secretary GATES. I wasn't aware that they were Air Force, but General Petraeus has asked for 2,200 military police; that is correct.

Mr. MURTHA. You see what worries me, MPs are not prison guards. That worries me. I wish you would look at the type of training they have, Mr. Secretary, make sure they have the type training before they get to that prison, or we will have another disaster similar to the other.

Also, I don't know how you get a handle on having to put people in the wrong MOS, but I know how well trained military people are if they are in the right specialty and how difficult it is if they are not in the right specialty.

But go ahead, General Pace.

EQUIPMENT SHORTFALLS

General PACE. Thank you, Mr. Chairman. We should focus on readiness. As you know, we have about 40 percent of our Army and Marine equipment either currently deployed in Iraq or in our depots being repaired, at least 60 percent of these spread out over the remainder of the force.

Mr. MURTHA. Before I forget, talk also about the repositioning because as I understand all repositioning, except for one area, have all been used up with these deployments.

General PACE. When you add the fact that in addition to the 40 percent that the Army started out this war, \$56 billion of equipment short, meaning that the table of equipment called for X amount and the amount they actually had in their parking lots was \$56 billion less than that; and all that is being consumed during the course of the war—

Mr. MURTHA. \$56 billion just for the Army?

General PACE. The Army started in 2001–2002, \$56 billion in what the Chief of Staff of the Army says “potholes in the lawn,” meaning that he had—

Mr. MURTHA. In 2001?

General PACE. Yes, sir. Equipment that was on his list, the table of equipment that was not in the Army. So they started out that way.

Then we have had 4-plus years of war that have been consuming our equipment that is either now currently in Iraq or in our depots to be repaired.

SUPPLEMENTAL FUNDING REQUEST

Mr. MURTHA. So what are you talking about moneywise?

General PACE. We have in this budget proposal, between the supplementals and main budget itself, about \$20 billion for Army Guard and Reserve, and there is another \$46 billion between the supplemental fiscal year 2007 and the budget for 2008 for the Army, and there is another \$10 billion in those two for the Marine Corps as we move forward, which is what the depots can handle to be able to repair the equipment as quickly as possible.

Mr. MURTHA. So you are talking about \$30 billion—more than \$56 billion now shortfall. I have seen \$40 billion with the National Guard and \$100 billion for the Regular. Is that an accurate figure?

General PACE. Maybe Ms. Jonas can help with that. What we do have in the current request budget is \$46 billion in 2007–2008 for the Army, \$10 billion in 2007–2008 for the Marine Corps, and then an additional \$36 billion for the Guard and Reserve starting from 2005 to 2011 in the budget.

Mr. MURTHA. Would you go through what you asked for in the supplemental and the regular bill? Just give us an idea how long it will take to get this backlog down.

General PACE. Sir, it will take end of war plus 2 years to work off the backlog. So we have the depots working. Without being able to project end of war, I can't tell you exactly how long, but the projections are that with the end of the war or the end of major combat operations plus 2 years to work off the backlog of what will have been—

Mr. MURTHA. Ms. Jonas, you need to give us what we are talking about. I need to know specifically what we are talking about; how much this year, and how we will accomplish this 2 years after the war ends?

Ms. JONAS. Certainly, Mr. Chairman. As the Chairman of the Joint staff has just said, just to be clear, for fiscal year 2007 to 2008, the Department has requested you provide a portion of this,

\$46.4 billion for the Army—this is what we call reset and reconstitution—and another 10.2 billion for the United States Marine Corps. You may recall, sir, of amounts you provided in Title IX, \$17.1 billion was for the Army. So they are spending those down. So that is important. Then the period of time that the Chairman was discussing on the Guard is 2005 through 2013, another \$36 billion; for the 2008 to 2013 period, it is about \$20 billion for the Army.

We will get you a sheet, sir. I will walk you through all that. But it is a substantial amount. Historically we have tracked that we have spent about \$61 billion so far since 2005, which the Committee has provided.

Mr. MURTHA. One of the problems, Mr. Secretary, we get so many bad estimates from the Department, and you know what I am talking about. They said the whole war would cost \$50 billion. The Under Secretary said this. We like to see something in writing, something we can put our hands around, and something we can start to make sure we are putting the money—working with you, getting the money where we need to put the money.

[The information follows:]

- As the attached table indicates, the Congress has appropriated and the Department has invested \$65.0 billion in reconstitution for our forces. An additional \$50 billion is pending approval by Congress in the FY 2007 Emergency Supplemental (\$12.4 billion) and the FY 2008 President's Budget (37.6 billion).
- Examples of our reconstitution efforts since FY 2003 include:
 - M1 Abrams Tanks: 33 destroyed, 23 replaced
 - Bradley fighting vehicles: 81 destroyed, 76 replaced
 - Stryker vehicles: 24 destroyed, 24 replaced
 - Amphibious Assault vehicles: 27 destroyed, 22 replaced
 - HMMWVs: 3,258 destroyed, 2,888 replaced.
- We anticipate that reconstitution of equipment will continue for at least two years after the end of major operations in Iraq and Afghanistan.

Mr. Young.

PREPARING FOR OTHER THREATS WORLDWIDE

Mr. YOUNG. Mr. Chairman, thank you very much. Our attention and the attention of the Nation is on the war on terror, Afghanistan and Iraq, as it properly should be. But there is another world out there. There are other potential threats that are not related to the war on terror that are related more to a possible conventional-type threat where we would be dealing with nation against nation or armies against armies.

Does this budget that you propose today also face that possibility of necessary preparedness? Let me give you just one example and then ask you to comment on this. I know we can't get into a lot of detail on this subject in an open session, but with the Chinese antisatellite test in January, this is worrisome to me, and I am sure it is to you, but that indicates that Iraq and Afghanistan are not the only areas that we have to be concerned about. Does your budget adequately deal with being prepared to deal with what we used to refer to as two MRCs. What is our situation today, and are we preparing to be able to handle whatever contingencies there might be aside from the war on terror?

Secretary GATES. Mr. Young, we have in the budget for fiscal year 2008 \$177 billion in request for future challenges; \$101 billion

of that is for procurement of new modernized systems, Navy, Air Force and Army force modernization; and \$76 billion for research and development. So we think it is important to have readiness not only for our ground forces, but also to be prepared to meet the full range of threats to the country, just as you have just been commenting on.

We are concerned about the modernization programs in both China and Russia, and so we have a significant amount of money in this budget targeted on the kinds of weapon systems that would give us the full range of capabilities.

Mr. YOUNG. So you are assuring us that we are not ignoring other necessities or other requirements.

Secretary GATES. Well, what I am assuring you of is we have a lot of money in the budget. We are certainly prepared to have a dialog with you about whether it is going to the right places and so on. Based on what I know about it, I think that it is a significant investment in those future challenges.

UNFUNDED SERVICE REQUIREMENTS

Mr. YOUNG. As we go through our hearing process as we prepare to mark up the 2008 bill, we are going to glean from the services unfunded requirements, requirements that the services have that are not in the President's budget. And we do the very best that we can to meet those unfunded requirements as well. That list of unfunded requirements gets to be pretty big.

What happens here? Is it that DOD doesn't request those items, or is it that OMB cuts them out once they filter your request through to the Congress? What happens there?

Secretary GATES. Since I haven't been involved so far in the preparation of the budget at that level, I will ask Ms. Jonas to respond specifically. But I would point out that the fiscal year 2008 budget is about 11 percent over the fiscal year 2007 budget, and an increase of about \$49 billion. So certainly compared to the last time I was in government, OMB and the approval process seem to have given the Defense Department a significant boost for fiscal year 2008 to deal with the challenges that we face.

Since that process took place with OMB before I got here, let me ask Ms. Jonas to respond.

Ms. JONAS. Thank you, sir.

Mr. Young, the Department obviously, as the Secretary has indicated, got, we believe, a fairly significant increase over the prior year, and as the Secretary articulated, particularly our investment accounts are up substantially. So these are the key areas.

If you look at by service what the increases were, the Army received the bulk of the increase, about a \$20.4 billion increase over the prior year. But the other services, the Navy was up about \$9.1 billion, the Air Force about \$8.3 billion and Marine Corps \$4.3 billion. So we think we have got a pretty substantial investment.

Obviously there are things that the services would like to do that we were not able to fit within our fiscal guidance, but one of the examples, for example, is the MRAPs, which you are all familiar with, and I believe we are taking care of that, trying to take care of that through requests in the supplemental. We have a re-

programming before the committee to try to get at some of those things.

DEFENSE BUDGET RELATIVE TO GROSS DOMESTIC PRODUCT

Mr. YOUNG. Mr. Secretary—and thank you for that information—besides the 11 percent increase that you talk about, you also mention the fact that—in your testimony that the defense budget request is at 4 percent of GDP, which you say is historically low. What would be the average? If 4 percent is historically low, what would be the average?

Secretary GATES. Actually I have that information. In 1968, in the height of the Vietnam War, it was 9.8 percent of GDP. In 1953, toward the end of the Korean War it was 11.7 percent of GDP. And in 1991, at the end of the Cold War, it was 4.4 percent.

Mr. YOUNG. How do you account for that? We have been very aggressive with our military. How did we drop down to the 4 percent? Did we leave something out, did we not do something we should have done, or have we just gotten more efficient?

Secretary GATES. I would like to think we have gotten more efficient, but I wouldn't bet on it. Let me provide what I believe is the right perspective on this. One of my favorite sayings is experience is the ability to recognize a mistake when you make it again, and the fact is 5 times in the last 90 years the United States has disarmed after a major conflict: World War I, World War II, Korea, Vietnam, then the Cold War.

Then we discovered that the world really hadn't changed, that the nature of people hadn't changed. So after disarming both military and intelligence capabilities, then we have to ramp up again. I think that one of the reasons what you are seeing is really a legacy of the post-Cold War peace dividend that people talked about, and now we are in a position of trying to recover from that. That is one of the reasons the Army was \$56 billion in the hole in 2001 was because of this trend line over a period of years that actually began in the first Bush administration when I was still in government. I think that is one of the reasons why we are at the level we are.

PREPARING FOR FUTURE CONTINGENCIES

Mr. YOUNG. I thank you very much for that. I appreciate your being here. We need to make sure that we work together to provide whatever it is we need to secure America from the threat of terrorism, but we also need to be prepared for any other contingency. I mean, Korea is out there, I mentioned the—North Korea, I should say. I mentioned the Chinese antisatellite tests, other nations that are—blow hot and cold with the relationship to the United States. You have got Iran making all kind of threats. So I just want to make sure that we are prepared for whatever contingency we might get. Thank you very much.

SYSTEMS PROCUREMENT CYCLE

Secretary GATES. If I might just respond, with your permission, Mr. Chairman, frankly, this is one of the areas where I think this committee and where the Congress plays such an important role,

because the reality is on particularly major weapon systems you are looking at a 10- to 15-year deployment and procurement cycle. No President is in office more than 8 years. The weapons systems that we deployed, the strategic weapons that we deployed in the early Reagan administration and then used in the Gulf war in 1991 were, in fact, systems that were initiated during the Nixon administration, the Carter administration, and had to be sustained through multiple Presidential administrations, and the reality is you all are the only ones that provide any continuity in terms of making sure that these things get funded over a period of time and that they go from initiation to fulfillment.

And so I think that is part of the role where this partnership between the two branches of government is so important. We can initiate these things, but they have to be things that we all agree on so they can be sustained over a long period of time.

Mr. MURTHA. The F-22, I asked somebody the other day how long ago did they start it; 17 years ago it started. I think it took them 15 years to get the Abrams tank through the system. You are absolutely right. This is why we are trying to stabilize the budget. These supplementals outside makes it very difficult for us to do what you are saying that we should do together.

Mr. YOUNG. Mr. Chairman, on that point, something that you and I have discussed many times, it takes so long to develop like the F-22 or whatever. Probably the best airplane development program in history was the SR-71. It was from conception to being operational was less than 2 years.

Secretary GATES. Those intelligence guys move a lot faster.

Mr. MURTHA. Mr. Obey.

Mr. OBEY. Thank you, Mr. Chairman.

I can't help but observe that if we had term limits, as some people seem to want to prescribe, that given what the Secretary just said and what you just talked about, there wouldn't be a single person on this committee who had been around when the F-22 or any of these other systems were first originated. It does help to have institutional memory once in a while.

CONTRACT SERVICES

Mr. Secretary, I would like to talk to you a bit about contract services. Your 2008 budget request includes \$298 billion for contractual services, but only \$163 billion for personnel compensation, which includes all military pay and DOD civilian pay. That comes out to roughly 39 percent of the entire 2008 budget of \$770 billion.

A couple of questions first. Why is that contracting number so large? Would you tell us for the record what that percentage of your overall budget has been for the last 12 years, and could you tell me who in DOD has oversight of contractual services and supplies? Do you have an official in your office who has oversight responsibilities for that \$298 billion worth of contractual services?

Secretary GATES. Yes, sir, I do, and that is the Under Secretary Ken Krieg.

With your permission, let me ask Ms. Jonas to respond to the specifics of your question.

Ms. JONAS. Sir, the information that I have is that the amount of funding that was awarded, contract awarded, for fiscal year 2006

was \$295 billion. That is the latest information. And that is up about \$26 billion from the prior year.

Mr. OBEY. How far do your numbers go?

Ms. JONAS. What I have right now, I just have the 2006 and 2005 numbers. I could probably get that.

Mr. OBEY. I would like to see what it is on a 12- or 15-year trend line.

Ms. JONAS. Okay, sir.

[The information follows:]

- The \$770 billion is not FY 2008 budget authority. It is an aggregated total of planned FY 2008 obligations. Planned obligations include obligations resulting from the FY 2008 budget authority and obligations resulting from multi-year appropriations carrying forward from multiple previous fiscal years.

- These planned obligations are projections based on historic obligation performance. The planned obligations include both base budget and supplemental appropriations.

- For example, the FY 2008 planned obligations for the Aircraft Procurement, Army appropriation (a three-year appropriation) reflect 85% of the FY 2008/2010 budget authority, 10% of the FY 2006/2008 budget authority and 5% of the FY 2005/2007 budget authority.

- Another example is the Research, Development, Test and Evaluation, Navy appropriation (a two-year appropriation). Planned obligations reflect 93% of the FY 2008/2009 budget authority and 7% of the FY 2007/2008 budget authority. Planned obligations for the Military Personnel appropriations are 100% of FY 2008 budget authority.

- The \$298 billion in planned obligations identified for contractual services includes much more than contractual services. It includes planned obligations for research and development contracts; spending for supplies and materials; intra-governmental transfers of funding such as working capital funds; travel and transportation; and the operation and maintenance of Defense facilities.

- The Department's budget request is based on budget authority, not planned obligations. The Department's \$481.4 billion budget request includes:

- \$283.5 billion to pay, operate, maintain and support U.S. military forces worldwide,

- \$176.8 billion to develop, test and procure weapon systems to include investing in the next generation technologies, and

- \$21.1 billion to construct needed infrastructure and family housing facilities.

- The FY 2008 budget request also includes \$141.7 billion to continue fighting the Global War on Terror. This includes:

- \$75.6 billion to fund GWOT military operations including supporting U.S. and coalition forces and the commander's emergency response program, constructing critical facilities and accelerating the capabilities of the Army's brigade combat teams and the Marine Corps's regional combat team,

- \$37.6 billion to replace and repair battle damaged/lost equipment with the latest technologies available,

- \$15.2 billion to protect U.S. forces to include procuring the latest technology in force protection equipment and countering improvised explosive devices,

- \$8.6 billion to support military and non-DoD intelligence activities, and

- \$4.7 billion to train and equip Iraq and Afghan security forces.

OTHER CONTRACT SERVICES

Mr. OBEY. A subcategory of contractual services and supplies in your budget is labeled "other contract services." Your 2008 DOD budget requests \$210 billion for other contract services. What is purchased with other contract services?

Ms. JONAS. Mr. Obey, I am glad that you asked the question. I think my staff knows this. One of the words I try to ban from our vocabulary is the word "other" because it is not very helpful when examining budgets, when looking at budgets.

Mr. OBEY. Two hundred twelve billion is a pretty big other.

Ms. JONAS. I am right with you, and I understand your concerns about it. One of the things that my office is doing is working—we have established—for example, on the cost of war reports, the use of “other” in a category of other services was complained about by GAO and others, so we have established a working group with GAO and also having outside experts work with us to try to break that down in meaningful categories. We will work with your staffs here to take the information in the budget and work with Ken Krieg’s staff to get you the kind of detail to break that out.

Mr. OBEY. Give us some examples now what that “other” stands for. What does it cover?

Ms. JONAS. The Department contracts for many types of things; service contracts, logistics, transportation, supplies, these types of things.

Mr. OBEY. Is that all included in “other”?

Ms. JONAS. I would like to take a look at it and get some specifics on that. Again, Ken Krieg’s office does do that. We will get back to you on breaking that down so you can have more clarity on it.

Mr. OBEY. But you can’t give us some specific examples now what “other” covers?

Ms. JONAS. Again, there are types of contracts that are put into various categories; logistics, supplies, transportation.

Mr. OBEY. I would like to know what distinguishes “other” from “other.”

Ms. JONAS. I got that. I agree with the spirit of what you are saying, and we are trying to work to get more clarity on that for you, sir.

CONTRACT OVERSIGHT

Mr. OBEY. The GAO and the Special Inspector General for Iraq Reconstruction have both testified that DOD does not keep complete or accurate data on the number of contracts or the number of contractors in Iraq. Both agencies have also reported that there is little, if any, oversight to those contracts, and that the Department is woefully understaffed in its contract oversight offices.

Given that fact and the fact of what your own IG has found on contract management within the Department, how can the Department justify reducing appropriation requests for oversight of Iraq reconstruction efforts given the, quote, fewer required work years as suggested by your Department’s justification materials?

Ms. JONAS. Mr. Obey, my understanding is we have a slight increase in the number of folks for the IG, and that is an important function. I have about 4,000 auditors at the Defense Contract Audit Agency which review contracts. Last year they reviewed about \$346 billion worth of contracts, did over 35,610 audits. So this is an important function for us.

With respect to the Iraq contracting numbers, my understanding is what we have provided to the Committee from the acquisition and technology and logistics office is that there are about 126,000, as the Chairman mentioned in his opening statement, contractors in Iraq.

So what Ken Krieg has done is to change the regulations, the acquisition regulations, to make sure that those people be tracked. My—

Mr. MURTHA. If the gentlemen would yield. The inspector general said to us, we need your help in getting this information. We need to get this under control. We need to know how much we are paying for contractors versus troops. For instance, I am over there, there is a guy filling fuel into a fuel truck. Beside him is a civilian. The civilian is supposedly getting \$80,000 a year; the PFC was getting \$25,000. We need to get some idea. And if the inspector general can't get a handle on it, we need to see some figures and really get this under control. This is a major thing here with so much money being spent.

EARMARKS

Mr. OBEY. Let me simply make another point. I have not been the largest fan of congressional earmarks in the Congress, but I do take some umbrage when people will question Congress's right to direct funding to this program or that program through an earmark, when at the same time the contracting process presents an immense opportunity for the executive branch to go far beyond what the Congress does with respect to its earmarks in directing funding and the problem with contracting.

From what I have seen across government so far, you have had an effort to keep down the number of people who are employed by government directly, but we have gone the contracting route, which in many ways has become more expensive, more convoluted, and less subject to oversight, and more subject to taxpayer abuse.

Mr. MURTHA. Let me just add to what the Chairman is saying. We are spending \$8.4 billion a month. We have got to get this contractor thing under control. They were falling all over themselves. You have heard me say this before, Mr. Secretary. I am over there. And I had to work my way through the Blackwater contractors. There is something wrong when we have got so many people out there, and we are just solving this problem, and more and more money being poured in when we might be able to do it some other way. This is something we need to work together.

I took 5 percent out of contracting because I wanted to get a better handle on it. Before we go to conference on the big bill, we need some real information on this.

GUANTANAMO TRIALS

Mr. OBEY. Just one last question, Mr. Chairman, on Guantanamo. One of the most distressing things to me about this war is that one of the reasons given for going to war is that we wanted to spread democracy, and we want to do that because democracy sums up our values and our ideals, and yet we seem in the process to have violated those values and then justified that violation of values on the grounds that we have important values that we are trying to expand around the world. So we are sort of chasing our tail logically.

I think Guantanamo is a perfect example of that. There has been considerable controversy about whether Guantanamo is serving a useful function, whether it, in fact, is sullyng our reputation inter-

nationally. And we have had people there for many, many years at this point.

My question to you, sir, is how long is too long, and what do you think should be happening with Guantanamo in order to bring our conduct back into line with our values?

Secretary GATES. Mr. Chairman, I came to this position believing that Guantanamo should be closed. I know that people have expressed that as a wish; the President has expressed it as a wish. Part of the problem that we have encountered is, first of all, I think that my own view is that because of things that happened earlier at Guantanamo, there is a taint about it, and it is one of the reasons why I had recommended or pressed the issue of trying to get the trials moved to the United States, because I felt that no matter how transparent, no matter how open the trials, if they took place at Guantanamo, in the international community they would lack credibility.

The reality is there are people at Guantanamo we would like to turn back to their home countries, and their home countries won't take them. There are also some number of people at Guantanamo that, frankly, based on their own confessions, should never be released. Now, I am not the Attorney General, I am not a lawyer, so I don't know if—

Mr. OBEY. The Attorney General isn't much of a lawyer either from what I have seen lately.

Secretary GATES. I don't know whether putting them in the military prison system provides the capacity to keep them incarcerated, but I know that there are some people down there that, if we release them, have made very clear that they will come back and attack this country. And so how we deal with that over the long term, frankly, I think is a challenge that rests before both the Congress and the executive branch, and it may be that it requires some kind of a statutory approach to deal with it in terms of how do you keep these people who are self-confessed terrorists, who will come back and attack the United States if they are ever released for the long term?

Mr. OBEY. I appreciate your concern about it, and I hope that we can work to find some way to correct this problem, because, as you say, it is a stain on our reputation, and we can't afford it.

Thank you, Mr. Chairman.

Mr. MURTHA. I sent Mr. Moran down. We came to the same conclusion, we just didn't have a solution at this point. I want it closed. I wish it would be closed. I agree with the Chairman. But it is not that easy. We have got to find a way to get this thing worked out though.

Mr. Dicks.

EMBEDDING U.S. TROOPS WITH IRAQI FORCES

Mr. DICKS. Welcome, Secretary Gates, and General Pace and Tina. Good to see you back here.

I just had a chance to be over there, and I want to ask you how are we doing on the embedding process between the U.S. forces and the Iraqi forces? How is that going, and can you kind of give us a general overview on that?

General PACE. Be happy to, Mr. Dicks.

I just talked to Admiral Fallon this morning, who had just visited with both General Petraeus and General Odierno. Two different factors; one with regard to the embedding in the Iraqi Army as an entity, the 150 or so battalions that are in the Iraqi Army right now, 10 to 20 U.S. members with each of those battalions. That embedding is going extremely well. The strengthening of those units by virtue of the fact that they are able to get helicopter support, fixed-wing support, medivac support has emboldened them now to the point we have 10 Iraqi battalions operating independently, another 86 that are working in the lead in their sectors, another 28 that are side by side with the U.S., and another 20-plus that—

SECTARIAN VIOLENCE

Mr. DICKS. Have we seen a drop in sectarian violence? We used to have these body counts every night. Has that declined?

General PACE. Good news and bad news there, sir. The good news is that in Baghdad, for example, the death squads that were targeting each other have been reduced significantly. So that piece has been reduced. The bad news is that the large bombs going off perpetrated by al Qaeda have increased. So, for example, you have had in the last couple of days huge truck bombs that have gone off. Part of the good news there is that the perimeter securities for the most part has held up, and the bombs have been going off outside the intended targets, but you do have an increase in violence perpetrated by vehicle-borne explosives by al Qaeda trying to reincite the kind of violence that they had incited last year at this time by bombing the Golden Mosque.

BENCHMARKS

Mr. DICKS. That is the reality. What about the benchmarks? In our bill we put in, it said whether the government is making substantial progress in meeting its commitments to pursue reconciliation initiatives including enactment of a hydrocarbon law, adoption of legislation necessary for the conduct of provincial and local elections, reform of current laws governing the de-Baathification process, amendment of the Constitution of Iraq, and allocation of Iraqi revenues for reconstruction projects.

Mr. Secretary, how is the Iraqi Government doing on these issues? When we had our meetings down at the White House and talked to you about this before, I mean, all of us realize that the Iraqis have to do this part of it. Every general we have had, including Petraeus, says there isn't a military solution; you have to have this reconciliation occur between the Sunnis and the Shi'as. Is that happening?

General PACE. First of all, I would like to just acknowledge that I agree with what the Chairman said at the outset and what you just said: There is no military solution to this, there has to be a political solution, and the political solution is reconciliation among the Iraqis themselves.

There has been progress in two areas. They are very close to passing a hydrocarbon law. It appears that the necessary compromises have been made, and they are moving—they appear to be moving forward with that. I am told that the de-Baathification law

will soon be sent to the council; soon, meaning days, week or two, to the Council of Representatives for passage. So in those two areas there seems to be progress.

In terms of the willingness, outside of these legal aspects, the willingness of the government to allow operations against all targets regardless of sect has progressed. There has not been political interference along those lines, so we have been able to go after both Sunni and Shi'a bad guys.

Secretary GATES. In the other areas we have not yet seen progress on the provincial elections law, and we have not seen significant progress on the constitutional amendments. So in those areas, we have not seen progress. In a couple of areas we have seen—

Mr. DICKS. Is our ambassador—is Zal gone now? We have the new ambassador, is Crocker in place?

Secretary GATES. I think he gets there in the next couple of days.

Mr. DICKS. When we were there, Zal was working on all these things day and night. You know, who is in charge of working with the Iraqi government to try and convince them of the importance of moving these things forward?

Secretary GATES. Well, it is principally the U.S. Ambassador, but I would say that General Petraeus certainly is weighing in with his influence as well, for all the reasons we just talked about.

Mr. DICKS. You know, again, no one wants a defeat here. We want to see this succeed if possible. There is a lot of skepticism up here about it, basically because the Iraqis have not been—have not fulfilled these commitments that they have made, and they are long-standing now. So I just hope the administration will continue to keep pressure on it. I think sometimes some of the actions up here on the Hill serve to keep pressure on the Iraqi government. And the President said this, the commitment of the American people is not open-ended here. I mean at some point, we have to see something happen beyond just the military activity in these other important areas that I mentioned in order to believe that there is a chance to succeed. So I just hope you guys will keep the pressure on the Maliki government.

Secretary GATES. Absolutely.

Mr. DICKS. Let me ask you on another matter—

Mr. MURTHA. Let me stop you for a minute. There is a vote on. I am going to stay here. So if anybody wants to vote, go vote and come back because I am going to stay here. We will continue the hearing, because the Secretary has to leave at noon time. There is just one vote.

Mr. DICKS. I think I am finished at this point.

Mr. MURTHA. Mr. Moran.

DEFINING VICTORY IN THE WAR ON TERRORISM

Mr. MORAN. Thank you, Mr. Chairman. Mr. Secretary, your predecessor, when he was asked by a member of the media when he felt that the global war on terrorism would be won, he said, when we have captured or killed all who would do harm to America or its allies or who have the potential to do harm to America or its allies in the future. Now, that is a substantial portion of the world's population today, let alone the 62 percent of Iraqis who say

it is okay to—think it is okay to kill Americans in order to end the occupation of their country.

But Mr. Brezhinsky, in an article in the Outlook section of The Washington Post on Sunday, suggested that the whole concept of a global war on terrorism is really a misnomer, that we are talking about a tactic that it is normally used in an asymmetrical military conflict. I would like to ask you how you would define victory in this global war on terrorism.

Secretary GATES. Well, first of all, I think that the challenge we are going to face from the jihadists is one that is going to be with us for decades, and I think—my own view would be that it will taper off, terrorism has always been, as Dr. Brezhinsky I think would agree, has always been a tactic of the weak against the strong. And I think you won't eliminate it all together ever. But what you can do is over time, reduce it to a level that you can continue daily life without feeling imperiled or putting civil liberties at risk. I think that this jihadist threat that we face will be dealt with principally by, as the old saying goes, draining the swamp.

I think that we and other nations need to look at the issues that—social and political and economic conditions, that give rise to the kind of despair that would lead people to strap on suicide vests. It is a matter of political solutions. It is a matter of economic development. We have to do that in partnership with other nations. There are a handful of these people we will have to capture or kill, but at the end of the day, it seems to me that success is in working with other countries, including those from whence these people come for the most part, in terms of reform, in terms of change, in terms of giving hope to people. I think that is a very long-term process.

Mr. MORAN. Well, I think that is a good answer, a far better one than your predecessor gave.

Mr. MURTHA. Let me say, that is as good of an answer as I have heard, Mr. Secretary. I appreciate what you are saying. It is a strategy for stability.

GUANTANAMO DETAINEES

Mr. MORAN. Yeah. Thank you, Mr. Chairman. It is a little unsettling to think that we will be at war for generations to come. As Mr. Brezhinsky and others have suggested, the self-inflicted damage on our society and our economy, let alone our international credibility, has been greater than bin Laden ever could have imagined with the terrorist act of September 11. You talked about Guantanamo. There have been 772 people that have gone through Guantanamo.

If you put aside the 14 high-value targets that were recently moved there, plus the one additional terrorist suspect that was just sent there. So let's put them aside because they really haven't been associated with Guantanamo as much as other attention places. But it is now almost 5 years, isn't it, that this place has been open. And of the 772, while some do fit that definition and there are probably, let's just say about 72, 60 to 90 would be the high end of those who we could charge, they have all been described as shooters or killers by the President and particularly by the Vice President. But that is really not the case. They were rounded up,

described as enemy combatants but they were basically in the wrong place at the wrong time.

Now, it appears that virtually all of them have a relatively extreme religious bent, with regard to Islam but, of course, our judicial system doesn't punish people for their beliefs but rather their actions. If we cannot charge these people, should we be detaining them indefinitely?

Secretary GATES. I think this is a question, Mr. Moran, that I probably ought not answer off the cuff. Let me take that question and give you a thoughtful answer.

[The information follows:]

America is still a nation at war. Indeed, we continue to be engaged in armed conflict with Al Qaeda, the Taliban and associated forces in Iraq, Afghanistan and other places across the globe. During this conflict, we have detained some of the most dangerous enemies of the United States and its allies in the global war on terror. While the Department has no wish to become the world's jailer, the law of war provides clear legal authority to detain enemy combatants until the end of the conflict.

This authority to detain is well-established and has been affirmed by the U.S. Supreme Court. Moreover, this authority is separate and distinct from any criminal allegations the United States may decide to address with regard to any particular detainee, either through Military Commissions or some other process.

The reason is clear. The threat posed to U.S. national security by some of the hard-core enemy combatants detained at Guantanamo is so high that release before the end of the conflict creates substantial risk. To mitigate the threat posed by these particularly dangerous terrorists, and to prevent them from returning to the battlefield during the ongoing conflict, the law of war provides that they may be detained until the conflict ends. Nevertheless, as a result of processes established by the Department of Defense to review the threat posed by individual detainees, 385 have been transferred or released to their home governments or other appropriate countries.

The question of whether we should continue to hold high risk detainees at Guantanamo without criminal prosecution is one that will be decided by the policy of the United States, not the Department of Defense. Until that question is decided, the Department will continue to hold some detainees under the law of war in order to prevent them from returning to the fight against the United States and our allies.

Mr. MORAN. Well, I think—and you know, going back to your thoughtful response to the definition of victory, it is something that falls in your lap because it is the Defense Department policy to detain them indefinitely. And of course, as you have said, it is eroding our own credibility and our own—the reputation we seek to establish and sustain in terms of what we are there for, what we represent, the founding principles of habeas corpus and the like.

If the Committee were to decide to close down Guantanamo, as you suggested, the President, in concert with the Secretary of State, we understand would there be military brigades in the United States capable of detaining the people that we could charge or even if you moved all of them, for that matter?

Secretary GATES. Without specifically knowing the answer to the question, I would assume that we have the capacity, the actual physical capacity. My understanding is that there are about—between 350, 375 left at Guantanamo at this point. As I say, I think there is a substantial percentage of those people—frankly, we would like to take—send back to their home countries if we can get their home countries to accept them.

Mr. MORAN. You have sent 400 already.

Secretary GATES. We have sent a bunch already. And then there is this hard core and the numbers that I have heard are in the

same ballpark as what you have just said, probably a hundred or fewer. And so the question, I think, that we are having trouble dealing with, and it is an area where frankly, I think there needs to be some dialogue between the Congress and the administration is, is there a way statutorily to address the concerns about some of these people who really need to be incarcerated forever, but that doesn't get them involved in a judicial system where there is the potential of them being released, frankly? And I just don't know the answer to that.

Mr. MORAN. I understand that, Mr. Secretary. But as you said in your response to how we might some day achieve victory, and what is a battle of ideas more than military conflict, this is one of the things that is undermining that objective. As the chairman has said repeatedly, Abu Ghraib has done so much damage, and Guantanamo continues to inflict that kind of damage in terms of our credibility that—I think the committee would appreciate you giving some thought to pragmatically, logistically how we could achieve the closure of Guantanamo, whether it be at Quantico, Fort Leavenworth, Charleston, you would know best.

PRIVATE SECURITY GUARDS IN IRAQ

But I think it is time that you might give us some suggestions in that regard. We have talked about, you know, contracting. And it is—I know the chairman feels this. It is embarrassing for the Committee to pick up articles—for example, last month in *The New York Times Sunday paper*, it said that the—it used an example, with troops short in Iraq, Congress in 2003 waived a ban of the use of private security guards to protect military bases in the United States.

The results of the first \$733 million were dismal, according to the General Accountability Office. The Army found that more than 25 percent of the money went to sole source contracts at 46 of 57 sites, and the screening of guards—and Mr. Chairman, I just want you to listen to this for a moment. The screening of guards that the GAO found, 61 guards had been hired despite criminal records. This is what we have been trying to underscore, the laxity. And it just comes back to haunt us. Imagine hiring—

Mr. MURTHA. Go back over that again. What are you talking about?

Mr. MORAN. Thank you for your attention, Mr. Chairman. The GAO examined how the Army had used the waiver that we had given them in 2003 in order to outsource the security at military bases. They spent \$733 million. The GAO found that in 46 of 57 sites they were sole source contracts, and 61 guards were hired despite the fact they had criminal records. So here we are hiring guards to protect our military bases, and this is a lapse lacks, the contracting was.

And then beyond this—just one more point, Mr. Chairman. Beyond this, for that contract, the Army gave \$18 million in incentive payments to reward good performance. So that is not the point I wanted to make, Mr. Chairman. That is why—it is not that we are opposed to contracting when it is done professionally.

Good lord, in my district, I don't want you to stop contracting. But gosh sakes, the lax oversight. And to have 126,000 contractors

in Iraq, you question who is really fighting this war, is it Blackwater, is it AEGIS? When our troops are getting paid a quarter of what we are paying them. So that is a—again, it is an area of so much concern. And I trust that you share that concern. Are you going to try to do an overhaul of this contracting process, Mr. Secretary?

Secretary GATES. I will take a look at it. I know that about 20 percent of those 126,000 are U.S. citizens. The rest are Iraqis or—

Mr. MORAN. Well, that is a break. Well, no, actually I suppose it is really not if you are talking about—if we are trying to turn the country over to the Iraqis.

Secretary GATES. So anyway, yeah, it is a matter of concern. It was one of the reasons, frankly, why I supported the continuation, both in my confirmation hearings and subsequently of the special Inspector General for Iraq.

Mr. MORAN. We appreciate that. Mr. Hamry, Mr. Gansler, Bill Perry, any number of studies have been done. The Committee is reviewing all those. We would very much appreciate your cooperation in coming up with some kind of comprehensive way to address this, not to eliminate contracting but to get a handle on it.

Secretary GATES. Yes, sir.

Mr. MORAN. Mr. Chairman—oh, well, maybe I guess Mr. Tiahrt is here. I don't want to take too much time. I have so many questions to ask of the Secretary, but I don't want to—I appreciate your lenience.

Mr. MURTHA. Let me just announce, the Senate passed 51-47 the bill. We have to have some serious negotiation now, Mr. Secretary, about getting this bill—I think it is a damn good bill from a fiscal standpoint. We have to resolve these other differences because we are quite willing and ready to negotiate about this. Mr. Tiahrt.

Mr. TIAHRT. Thank you, Mr. Chairman. Ms. Jonas, Mr. Secretary, General Pace, welcome. Mr. Secretary Gates, greetings from Wichita.

KC-135 TANKER REPLACEMENT

Secretary GATES. Thank you.

Mr. TIAHRT. It is good to have you here, and I don't think we have had a chance to talk much, but we are very proud of you back in Kansas. Glad you are in the position you are in. I wanted to talk just briefly about the tankers, KC-135 replacements, and we finally got an RFP released. There was a couple of things that didn't occur. One, on the RFP, I had hoped that there would be disclosure of subsidies for anybody that was competing for the tanker, and that was left out of the RFP.

Quite often, Airbus will use startup subsidies and I thought that ought to be part of consideration. But because of an ongoing WTO claim or suit, that was left out. But the second thing that has happened since the release of the RFP is that I have been hearing that the performance specifications are changing after the RFP was released. I don't think that is a good idea. And it is sort of typical of problems we are having in procurement. We are having a hard time establishing a baseline. We saw this with the F-22. That is why it takes 20 years to get a new product online for an airplane

nowadays, and I would hope that we have established a good baseline and stick to that baseline so we get a product—I don't know if there needs to be some kind of a change to a product later on, or if it is that significant, perhaps we should recompetete.

We have waited a long time for the tankers, so I hope we don't have to recompetete that. But I think we should hold the line on performance specs and not be changing. I think, you know, you can play check or you can play checkers, you need to know what the rules are, and when you change the rules, it is difficult to play.

READINESS

The other concern I have comes up with the supplemental funding we passed in the House and, as the Chairman pointed out, 51-47 in the Senate. Part of the language in there is we have to be fully mission capable before troops can be deployed, and it looks like we are at a stalemate right now because there are some significant differences on who is going to make determinations, whether it is the commanders in the field or whether it is Congress. And if we hold off this debate and are unable to get funding to the Department of Defense by the 15th of April, how will that impact our troops' readiness? How will it impact personnel? There are really three criteria for fully mission capable: personnel, training and equipment. How would that be impacted if we don't get funding for the supplemental by 15th of April?

General PACE. Sir, if I may, first, thank you. And to reassure you and the Congress and most importantly the moms and dads and husbands and wives of our troops, that regardless of the debate, the fact is and will continue to be, that we will not deploy any young servicemember who is not fully trained and equipped for the mission that we want them to do, number one.

Number two, to answer your question, if we get to the 15th of April, specifically for the United States Army, then the Army has told us that they will have to begin curtailing some training here at home for Guard, Reserve and for units, which means that the baseline for those units will be reduced as far as their capability. And when they are called, it will take them longer to be ready and could over time delay their availability to go back into combat.

Second, quality of life initiatives for the service will have to be reduced, again, past 15 April, because money that is allocated to that will have to be shifted to the funding of the war.

Third, there will be some repair of equipment back here that will have to be reduced until we can get the funding. If it goes past 15 May, then you have those plus additional problems. It will begin to impact depots, which is where the backlog of our major equipment is right now. It will increase training of active forces and could very well impact—because of that reduction in training, would then potentially impact the availability of those folks to deploy, meaning that potentially you would have troops who are currently serving overseas would have to be extended because we are committed to not sending troops over there until they are fully trained and equipped for the mission.

It could potentially then delay acceleration of the Army brigades that we are modularizing, the acceleration being to get them that new equipment, to get them reconfigured so that they are into the

pool of individuals who could deploy, which means, again, that those are currently fully manned, trained and equipped and would have to bear more of the burden.

Mr. TIAHRT. So you are saying there is a chain reaction?

General PACE. There is, sir, and there are more things but I will stop there.

Mr. TIAHRT. Thank you. My concern is if you look at the training, and you mentioned training. Very seldom do our troops train on the same equipment that they are going to be using in the field because we think the best equipment, the most safe equipment, we move it to the field right away. So sometimes they end upstaged in Kuwait before undergoing training, which I have seen, before they get into theater into Iraq. The other thing is that there may be—I don't think you mentioned this, but I don't know of any equipment that would be disrupted if we are unable to get the supplemental funding, but there is a lot of money in the funding for equipment.

General PACE. I am not sure what you mean by disruptive, sir, but it will certainly, over time, disrupt the amount of equipment we can repair, it will impact the purchasing of repair parts and spare parts that will be available both here and overseas.

READINESS NOTIFICATION

Mr. TIAHRT. Okay. The other thing that concerned me about the language, is we had 15 days notice before any troops could be deployed, 15 days' notice in writing to Congress, and I thought back about the tsunami when we sent troops right away. Troops, water, food, deployed them right away. If we had to wait a 15-day lag before we did such a task, I think that would be a little bit disruptive. There is a lot of concern—in fact, in the New York Times today it was reported U.S. commanders in Iraq won't know until this fall whether they can begin to relax the surge or whether they will be able to measure any type of—they didn't say measure, but didn't know if we could relax before the surge.

Do you sense that there is some success in the surge? Is it working? Is it fulfilling the expectations or the accomplishments that were set out? And I am concerned that much of the public and many Members of Congress don't believe victory is possible. So can we complain what our overarching vision is for a stable secure Iraq? What is the goal that we are trying to push to in near term and long term?

Mr. MURTHA. Mr. Tiahrt, the Secretary went into this in great detail and I asked the members not to talk about the supplemental. This is about the 2008 bill.

Mr. TIAHRT. My apology, Mr. Chairman. I wasn't here when you made those ground rules. I apologize. We will go to another question.

ACQUISITION REFORM

The acquisition reform that—we talked a little bit about it, Mr. Dicks talked a little bit about it I believe. I think we are seeing—we mentioned the F-22. I think there are some certain fundamental things that have been bantered around the Department of Defense for some time that really haven't taken root, and one of it

is the acquisition of workforces. It is an aging workforce, as you know, and within the next 5 years, many are of retirement age.

But I think there is a need for us to look at having a more specialized area in procurement reform like a three star in each service that is the head of acquisition, a career path for many that are in the acquisition process. I think our program managers in some cases are matrixed out of having effective decision processes in a procurement. We also need to have some pretty smart system engineers to make sure any changes to a system are not going to delay or have a system cancelled.

And it seems like our independent cost estimates don't have a whole lot of—they are not as effective as they probably could be. We don't get good decision-making opportunities. Is there anything in procurement reform that is an initiative that you have undertaken or started that will help us get products to the warfighter much quicker than what we have in the past?

Secretary GATES. Sir, nothing since I have been on the job. But maybe Ms. Jonas could address that in the context of some of the other initiatives that are underway.

Ms. JONAS. Thank you, Mr. Tiahrt. Again, I think Under Secretary Krieg has sent a report to Congress on some of the reforms that they would undertake. One of the issues I think this committee knows well is when a program is stretched out for a period of time, it can cost more, and so we would like to reduce the period of time in which the programs are being developed, and there was an earlier discussion about how long it would take to get the F-22 together.

So when you stretch out a program, that tend to increase the cost. I think Chairman Pace has talked in previous testimony about the idea of a three-star, or I don't know if you want to address that, sir.

General PACE. I have talked about three-star, sir. One thing I would like to point out is that in previous reform, we have cut the service chief out of the acquisition process. And I would ask that we have dialogue about that because we now have a service chief who has accountability publicly when something goes wrong with one of his programs who does not have the authority inside the acquisition process to have impact. I think that would be helpful to the country to have them in that process in a way that fits.

AIRBORNE LASER

Mr. TIAHRT. The last question I wanted to raise is related to the airborne laser program. Missile defense is pretty complex. We have got it broken down into three phases. The airborne laser is kind of an initial phase where we can take out something that is on its initial ascent. It is a program that has been very successful, but as we see sort of collapsing budgets on the procurement side because of other demands, this is one program that was potentially being restricted—or for the ongoing testing and evaluation. And with the success we have had, I don't know if you have had an opportunity to see the airborne laser, Mr. Secretary, but with the success in the program, it seems like one that needs to be very important, especially when we consider what is being purchased by Iran as far as the ability to launch missiles now, the same with North Korea with

their tests that go back for 4, 5 years now. And have you had a chance to look at the airborne laser program and have any evaluation to it yet?

Secretary GATES. No, sir, I have not.

Mr. TIAHRT. Well, it is a good program. It is one I hope to take a long look at. It is at a very critical stage, they are proving technology works in the lab. So far it has worked very well in the field and we are very close to having something that is deployable, and I hope we won't cut that program short. Thank you, Mr. Chairman.

Mr. MURTHA. Ms. Kaptur.

Ms. KAPTUR. Thank you, Mr. Chairman. Welcome, Mr. Secretary, welcome, General Pace and Ms. Jonas. Secretary Gates, you must be a true patriot to take the job that you have, and I don't view you as a Republican Secretary of Defense. I view you as an American Secretary of Defense.

BUDGET ESTIMATING

In terms of this Member of Congress, there is a lot of confidence building that the Department has to do with me based on some history we have had over the last several years and I would like to share some of that with you. First of all, the budget itself, I hope we don't get any more budget submissions from the Department that actually underestimate the true costs of the global war on terrorism. It has happened every single year under prior leadership over there.

And either one of two things is going on. Either the Department is purposefully underestimating the costs and therefore, Congress—that then coming back to us later to add supplementals or it doesn't know what it is doing. But in either case, neither are acceptable to this member. So I am hoping that in your budget submissions, they will be accurate and that we won't have these gigantic supplementals being requested in future years. It is a very bad way for this Committee to have to operate and a very bad way for our country to operate, and it indicates to me that your predecessors didn't know what they were doing.

In that regard, I want to focus on two topics in my questions. One is contracting, which others have referenced before, and the second is something relating to a group of soldiers, Marines about to be deployed from Camp Pendleton.

CONTRACTING

First on contracting, and again this goes back to the confidence level building with this member. For months I have been trying to gain take from the Department of Defense information about a particular contractor named AEGIS, A-E-G-I-S. I asked the former Secretary of the Army for information on AEGIS. His answer to me was, you go to Central Command. I said, well, sir, where would that be? He said Baghdad. Okay. I asked General Schoomaker when he was before the Committee for all contracts that had been let by the Department to AEGIS, his answer to me was, I don't have responsibility for that. That is over in the procurement and contracting side of the Department. I did go to Baghdad, and Congressman Dicks was with me. He was the leader of that CODEL.

We experienced a rather unusual briefing at a building that we assume is rented by AEGIS in Baghdad, and they only focused on a very narrow part of the contracting dealing with the reconstruction contract, totally avoiding the contract that had been signed by the Department. I still don't know who signed it, with AEGIS. And they gave a very incomplete explanation. Then this month—and I am going to ask the Chairman's consent to place this article in the record.

Mr. MURTHA. Without objection.

Ms. KAPTUR. Sure enough, here is a whole article about AEGIS and the tens of thousands of private security contractors they are coordinating in Iraq. It is a foreign company. This article states that it is the second-largest foreign armed force in the country, all paid contractors. And according to this article, the gentleman who heads that company had been with British military for a number of years, but is notorious for other mercenary involvements in places like Sierra Leone, Papua New Guinea and it goes on to talk about some of the people that are contracting that we are paying for.

I read this, and I thought, I still haven't been able to get a straight answer from the Department. So I am placing this on the record. I would greatly appreciate if somehow from DOD you could unearth every contract that has been signed by the Department. I don't care whether it was Polish in provision authority, whether it was reconstruction, whether it was department. I want to know the amount of the contract. I want to know when it was signed. I want to know who signed it. I want to know the terms of the contract. And the bottom line question for me is, rules of military engagement. Under what rules are they operating? Why do I ask this question? Because back at the beginning of the war, when four contractors who were not AEGIS, although I don't know that they weren't being supervised by AEGIS, were killed in Fallujah.

[The information follows:]

Based on the CENTCOM January 2007 Contractor Census, the contract with Aegis Defense Services (contract number W911SO-04-C-0003) consists of four elements with a total value of \$382,158,660.14 and provides a variety of security functions at the operational and national level. Under this contract, Aegis is supporting the U.S. Army Corps of Engineers (Gulf Region and Central Division) as well as the Joint Contracting Command. This contract consists of approximately 1,000 employees in Iraq as of 5 January 2007, of which approximately 250 are Iraqis. Furthermore, the contract was last modified on February 3, 2007 and runs through May 31, 2007.

Before I understood that they were Blackwater security, I asked myself the question, why aren't the Marines coming in to get them? And that is when I first began to understand, this is not a normal war. The chairman sent another 124,000 or whatever contractors. We have never fought an engagement like this one. So I am trying to get at the bottom of what is going on with this engagement, sir, and I would greatly appreciate just a straight answer. I am trying to understand the whole by looking through the key hole of this particular contractor, what is going on. Then I have questions about, you know, how much are we paying? I would just implore you, it has been months, months since I have been asking this question. So you can understand my lack of confidence. Related to that—

Mr. MURTHA. If I could, if you would provide as the overall thing we talked about, part of what she is asking, I think we really get into this not only generally but in detail. So the questions she is asking—I don't know that we can expect to get every single contract, but we want to have a wide range of detail about these contractors, especially the sole sourcing and how that came about and who handles—who makes a decision—

Mr. DICKS. Mr. Chairman, just on that point just for a second. Ms. Jonas said that they have an auditing group that goes through these contracts. They ought to be able to figure out which ones are for Iraq and which ones aren't, I would think.

Ms. KAPTUR. And quite frankly, Mr. Chairman, I am quite interested in who this company is hiring and the backgrounds of those who apparently—they have weapons, they have vehicles, they are going around in that country. I want to know what backgrounds. I want to know which countries they are from and what their jobs are. I am that concerned about this particular company and what is happening inside Iraq relative to our engagement there. Thank you very much for listening to that.

CONTRACTOR COSTS

Mr. Chairman, when I asked the question of where is the money being spent? Because we know some of these fellows are earning \$184,000 a year. Let me go to this and this relates to the Marine Corps—

Secretary GATES. That means they are making as much as I am.

Mr. KAPTUR. Pardon?

Secretary GATES. That means they are making as much as I am.

Mr. MORAN. More than us.

Mr. MURTHA. And it is tax free.

EQUIPMENT FOR TROOPS

Mr. KAPTUR. There is all kinds of insurance, kidnap insurance. Our Marines don't get that. But my question relates to, okay, where is this money going? And then I hear this, I was in my church last Sunday in Ohio. I had a grandma come up to me. One of her relatives is a petty officer on the U.S. Stennis, being deployed now off the ship to go drive a truck into Iraq. I had a Naval Reserve officer 20 years in the Naval Reserve come up, father of four children, just baptized his fourth child last weekend. He said, Marcy, I am no longer reserve. I am now active duty. I don't know what is going to happen.

He said I want to tell you this, this is no longer Naval Reserve. We are all activated. Then I get this memo from a young Marine out there at Camp Pendleton ready to go into Al-Anbar. Mr. Chairman it is only one paragraph I want to read into the record here. This young man did not have the proper inserts for his Kevlar vest. He is small. They gave him medium. He couldn't shut the vest. He shoots a gun that has a laser-guided sight in it with no visor to clip over his own glasses, and his family wanted to buy him glasses when he came home before he went into theater, but they didn't know if they should buy him glasses or if it was the military's job. He will be gone in two weeks. They are sending him over there.

So he didn't have the proper—of his own glasses, and he didn't have the visor that goes down so he can see the site. But then here is what he says, in my unit there seems to be a problem with supply, getting little essentials like duct tape, 550 cord, CLP which is the oil we use to clean and lubricate our rifles, and fire retardant gloves. Most of the time we will run to the PX before a field op to buy duct tape and 550 cord and most of us accept it as a sacrifice we have to make. They pay for it themselves. We are paying for the things the battery should be supplying us.

I am asking myself, is it appropriate? I voted all this money for a war I never believed in, and people from my district are being deployed without the proper equipment. Then he says, recently I found out that the gear the unit is issuing us for deployment, an extra pair of boots, fire retardant gloves, and so on. If supply doesn't have it, you are required to buy it yourself. Usually it is a problem of having your size in stock. If they don't have it, the usual response is—and he quotes the guy behind the counter—sucks to be you, you will have to buy it yourself. A pair of boots will run you \$80 to \$120 in town depending on quality. The fire retardant gloves are \$30 and are necessary. He was trained on a howitzer, but he is being sent into Anbar to go door to door.

We are required to wear them on field ops and are effective against preventing burns. However, they wear out very easily. And as I said, they are expensive, and we are only issued one pair. Our yearly uniform allowance is somewhere around \$200. Most of that is spent on dry cleaning uniforms, getting them altered, getting new rank insignias sewn on, buying a new cover or new cammies. A new set of cammies is \$80. I am expected to have five sets of desert cammies for deployment. I was issued two at boot camp which I still have, plus one that was issued by supply. The cammies issued by supply are used, and for me, a size too big.

Now, Mr. Chairman, thank you for letting me enter that in the record. What am I voting all this money for when young people from my district are being deployed into a very dangerous area, doing assignments they weren't trained to do, and they don't have the proper equipment, they are being asked to pay for it themselves? See, Mr. Secretary, why I have a lack of confidence in the money I am voting for?

Secretary GATES. I would love, Ms. Kaptur, to—I don't obviously need to know the name of the young soldier, but I would love to know—

Ms. KAPTUR. I won't give it to you, sir. He was scared to death that I would even read it today.

Secretary GATES. But if I can get the unit.

Ms. KAPTUR. I am afraid to give you the unit. All I can tell you is there are large numbers being deployed from Pendleton into Anbar. I do a special fundraising campaign in my district to get these young men and women what they need. Why should they be having to go through this?

Mr. MURTHA. The time of the gentlewoman has expired. Mr. Secretary, you can see why we are so concerned. These are people. And we see them out there. We just can't send them in there without what they need, and we have to work this out. We send in 44,000 without their body armor, and now hearing these stories. And I

know if you knew about the individual, you would take care of it. But we are talking about overall we have to get this thing straightened out. We can't have these troops going in without what they need, and they need to be trained in the MOS that they are going to operate in.

Mr. Cramer, is he back there?

Mr. CRAMER. I am here. Yes, sir. I tried to wait on Mr. Moran but he wouldn't finish. He was full of conversation when I left here.

Mr. MURTHA. Let me just say, we have about 20 minutes so I will have to limit a little bit to time.

PRESSURE ON THE MALIKI GOVERNMENT

Mr. CRAMER. Yes, sir. Mr. Secretary, welcome, and I think you are a breath of fresh air. I have listened and watched you carefully, followed your career carefully as well and I was there at the Army caucus breakfast the other week when you spoke there, and your words were brief, and the questions were tough of you, and I want to get into some of the questions that—and make sure I heard what I think I heard from you there. The question was about the supplemental and where we are. And you made some remarks about the pressure that we have caused on the Maliki government, the Iraqi government there and how helpful that was. If I heard you right, that is what I thought you were saying. I particularly have been frustrated with their lack of progress.

And as new as I am to this subcommittee, it is frustrating to hear how unaccountable they have been for their investment in this war, their timely seat at the table with spending money, making sure it is spent in the right way. Incredible issues. I want to give you the chance to further comment about how you think we can keep this pressure on the Maliki government, the Iraqi government and transfer part of this responsibility to them.

Secretary GATES. I would make two comments, Mr. Cramer. First, what I said at the Army caucus breakfast was that I believe that the debate here on the Hill and the issues that have been raised have been helpful in bringing pressure to bear on the Maliki government, and on the Iraqis in knowing that there is a very real limit to American patience in this entire enterprise.

One of the things that I have tried to deal with is to try and have some perspective in terms of what we are asking of the Iraqis. I mean, we have asked a lot of our own people and to Ms. Kaptur's comments and the chairman's comments, I feel a personal responsibility for every one of the soldiers sailors, airmen, and marines that are out there. It is just like the way I felt about the students at Texas A&M.

And I know in loco parentis is an old-fashioned concept, but I still believe in it, and I feel personally responsible for the well-being of those kids, and I shouldn't call them kids, but when you have as much white hair as I do—

But the Iraqis are trying—this government has existed for a year in Iraq, a little—about a year. Not one of these people has ever run anything before. Many of them were in exile, in opposition, some of them in jail. And I think that what a lot of times people have characterized as broken promises or unfulfilled commitments is not as much a lack of will as a lack of capacity. They are trying to do

something in Iraq that has never existed in the 5,000-year history of the country and that is to create a government that actually serves the people.

And so they are creating a whole new culture at the same time. That doesn't mean we have to give them unlimited time, and that is why I say I believe the debate up here has been helpful. But I do think we need to understand the importance of our helping them develop that capacity so they can fulfill their commitments to us.

MEASURING EFFECTIVENESS OF THE SURGE

Mr. CRAMER. Thank you for that. I want to also get you to—there have been angles of this in questions asked before. How will the Department measure the effectiveness of the surge?

Secretary GATES. Well, let me offer my initial thoughts and then ask General Pace to add. I think that it is in the military area that we have the first indications of how the Iraqis are doing and how things are going, if you will. In terms of the Iraqis keeping their commitments, in terms of the troops they are providing, in terms of the numbers of those troops that are showing up, in terms of their taking the lead in operations, in terms of being able and willing to go into all neighborhoods, to go after all law breakers, and as I said on TV a week ago Sunday, in those areas I think the answer is so far so good.

I was a little disturbed frankly to hear that one of our military officers, and I don't know who it was, saying it will be fall before we have some good idea. I think General Petraeus has said that he expects to be able to evaluate how the surge is going or how the campaign is going, if you will, by summertime, and I would hope that would be my hope as well. Let me ask General Pace.

Mr. MURTHA. I think we will have to let that answer stand because of the time limitations. Mr. Boyd.

ACCOUNTABILITY AND STEWARDSHIP

Mr. BOYD. Thank you very much, Mr. Chairman. And Mr. Secretary, General Pace, Ms. Jonas, welcome. Mr. Secretary, I want to go to the comments of others who say that we are glad that you are where you are. I want to ask you a question that maybe you can—would know something directly about. You know as public servants, we are all charged with being good stewards and accountable for the money that we take from the taxpayers and spend on government services, providing—in your case, providing security for the American people.

And I think it is a well-documented fact, you know it, you read about it a lot that the Department of Defense has been the work commuter in terms of accountability and stewardship of the public dollars, maybe any Federal agency certainly over the last few years. I quote a GAO report which we reiterated a report from a year earlier that says, "we cannot reliably know how much the war is costing, examine details on how funds are being spent or have historical information useful and determining future funding needs. They found a "basic weakness in financial management systems."

Certainly as the manager of the Department of Defense, you begin to look at these things. Can you tell the committee what

guidelines that you may be considering or have already put in place to improve the process of accounting for the money, that the American people have given to the Department of Defense? And I have two other questions, one is, do you consider your books auditable? And third is, what can Congress do to help you get your fiscal house in order?

AUDITABLE FINANCIAL BOOKS

Secretary GATES. First, I think our books, if they are not auditable should be, and I think as best as I know, four months on the job, they are auditable. In terms of what the Congress can do to help, frankly this is an area that I haven't been able to get into yet. I understand the concern up here. I also understand reputation of the Department in this regard. There have been some changes and reforms undertaken over the last several months in terms of financial management. We would be happy—I know we are short on time. I can ask Ms. Jonas to answer that or we can answer it for the record.

Mr. MURTHA. I think if we could answer it for the record. Appreciate it.

[The information follows:]

The Department's responsibility for over \$600 billion in annual appropriations with it a series of plans, programs, and initiatives to protect our resources and further efforts to improve financial management across the department. To move us toward our goal of a clean audit opinion on all of the Department's statements, the two most significant are contained within its Financial Improvement and Audit Readiness and the Enterprise Transition Plans.

The Department completed the first version of the Financial Improvement and Audit Readiness Plan in December 2005 and updated the Plan in September 2006. This Plan charts a course toward financial improvement for the Department that will be confirmed with favorable financial audits. This plan details an integrated path to sound financial management. The key milestones presented in the Plan are steps that will be taken to improve internal controls, resolve material weaknesses, and advance DoD's fiscal stewardship. The Plan is integrated with other business transformation efforts including the Enterprise Transition Plan and Office of Management and Budget Circular A-123, Appendix A.

The Enterprise Transition Plan details the schedules, milestones, and costs for 106 key transformational programs and initiatives across the Department of which 44 impact financial improvement and audit readiness.

Although the Department is not ready for a complete audit of its books, it has made and continues to make significant progress toward that goal. For fiscal year 2006, it received unqualified ("clean") audit opinions on 15 percent of its assets and 49 percent of its liabilities. In addition, it received a qualified opinion on 6 percent of its assets and 28 percent of its liabilities. Finally, it received favorable audit results on three accounts at the Department level, i.e., Appropriations Received, Federal Employees Compensation Act Liabilities, and Investments.

Mr. BOYD. Mr. Chairman?

Mr. MURTHA. Go ahead.

Mr. BOYD. I will certainly look for that as part of the record. But I would certainly, in response to your statement, that the Department is auditable, I understand Ms. Jonas has said that she expects records covered about 72 percent of the assets, DOD's assets, and about 80 percent of its liabilities would be ready by 2010. Is that an accurate statement?

Ms. JONAS. Yes, sir.

Mr. BOYD. That number certainly needs to be improved, I think we all agree.

Mr. MURTHA. Let me understand what you are saying, Ms. Jonas. They are not auditable now?

Ms. JONAS. Mr. Chairman, this is a little bit complicated, but there are basically appropriations accounts which you are all very familiar with. And this is how our auditing and accounting systems work right now. They are divvied up by appropriation account. And you are very familiar with that on this Committee. The Chief Financial Officer Act of 1990 then required that we use a different standard. It is called the generally accepted accounting principles. These are the standards by which other businesses, et cetera, audit their books. So we have two sets of accounting rules. We feel confident—

Mr. MURTHA. Two sets of books or rules?

Ms. JONAS. No. Two sets of rules, sir. The accounting reports that we provide regularly to this Committee, they are known as 1002 accounts which record obligations and commitments, and basically it is cash accounting. We feel very confident in that. What Mr. Boyd is talking about is the generally accepted accounting principles and being able to audit the Department according to those standards, and we are working toward it and the figures he cited are correct.

Mr. MURTHA. Mr. Rothman.

OFFICER ATTRIBUTION

Mr. ROTHMAN. Thank you, Mr. Chairman. Mr. Secretary, General, Ms. Jonas, thank you for being here and for your service. Mr. Secretary, I wanted to read to you something that was sent to me in e-mail by an officer from my district who is serving in Afghanistan along the border with Pakistan. And then I would like your comments, if possible, about the problem of officer attrition in the military.

Quote, I can tell you that many of the soldiers here don't give a blank about the Iraq war right now. One battle at a time out here. But they are very tired, they are extremely disturbed with the low pay raise given to our military this year. How can you expect the military to re-up if their government leaders won't support a pay raise to even match the annual inflation in the face of what we are being asked to do in these days and times?

The soldiers do not understand where why there is a parity pay with our civilian government employees. As for the officers, there is no such thing as a re-up bonus. For us, it is just another series of never-ending deployments, and for many including me, there is only one answer to that, show me the door out. Why can't there be re-up bonuses for officers like there is for enlisted? Professional college-educated leaders with deployment experience are needed in our ranks more than anyone else right now. But the strain of long back-to-back deployments with no reward for staying active is forcing many to get out.

Mr. Secretary, what are you doing to ensure that our best and brightest young officers remain in the military?

TOUR LENGTH

Secretary GATES. Well, the first thing, we talked about at the beginning of the hearing, and that is trying to make sure that these

officers and enlisted know that help is on the way. The increase in the in strength reconstitution and reset, trying to get back to the 1 year deployed, 2 years at home for the active force, 1 year deployed, 5 years at home for the Reserve component.

MILITARY PAY

Those are the kinds of things that we are trying to do. We are looking into additional compensation. We provide compensation for units that are extended now. I would tell you that while I haven't been able to get into the specifics in terms of the officer core, I know that overall recruitment and retention, we are meeting all of our goals. There are some—the only place where the Army is falling a little bit short on retention, on meeting their retention goal is at the e-5 e-6 level, which is a concern that the chairman mentioned earlier, and I have heard just anecdotally that there are problems in terms of retention at the captain level among the officers. So those are things that I think we need to look into. It is obviously a concern. I think we have in the 2008 budget a pay increase of 3 percent for the military and the civilians in the Department, but it certainly is a concern. And you know, this is the first significant war in American history since the revolution that we fought with volunteers, and so figuring out the stresses on the force and what we are going to need to do in terms of long-term retention I think is something we have to work on together because this is a first for all of us.

Mr. MURTHA. Mr. Chairman, did you have any comment on that, sir?

CAPTAINS

General PACE. The only thing I would add is we need to pay particular attention at the captain level, as you implied, because we do have sufficient numbers of captains who are staying on active duty. That is not the problem. What we need to understand clearly is 4 years ago, how many captains wanted to stay for how many billets? Today how many captains wanted to stay for the same number of billets? We have sufficient numbers, but are the numbers coming down, number one, who want to stay. And number two, what is the quality of those officers? Are we retaining a good spread of the quality? And we are working on that.

Mr. BOYD. General, when do you think you will have that answer or those answers to those questions?

General PACE. Sir, I know specifically the chief of staff of the Army and the Marine Corps are working on that. I can find out and get back to you for the record, sir.

[The information follows:]

Current Army officer losses are very close to the historical norm. The average Army Competitive Category (ACC) Captain annual loss rate between 2004 and 2006 was 12.9%. The projected ACC Captain annual loss rate for FY07 is slightly lower at 12.6%. Today the Army has a shortage of 1,914 Captains in the ACC. The current ACC Captain fill-percentage is 88%. The primary reason for this shortage is rapid structure growth. Captain structure has grown by 2,039 authorizations since 2003. Captain structure is projected to grow by approximately 3,000 more authorizations over the next several years.

Current USMC officer losses are below the historical norm. The average USMC Captain annual loss rate between 2004 and 2006 was 10.1%. The projected Captain

loss rate for FY07 is 10.3%. Today, the Marine Corps has no shortage of Captains. The current Captain fill rate is 108%. Captain structure has grown by 80 authorizations since 2003 and projected to grow by approximately 886 authorizations over the next several years as part of the 202K end strength increase.

Mr. MURTHA. The time of the gentleman has expired. I predicted a year and a half ago we would have this problem, and you know, increasing the strength but the Department of Defense was against increasing the strength. You know, it is just simple, if you are going to deploy people for a long period of time and you don't have enough people, you are going to have problems, that is what it amounts to. If you make some suggestions to us what we can do to help you with people at that level, we would be glad to help.

General PACE. Thanks.

Mr. MURTHA. Mr. Bishop.

MILITARY END STRENGTH CHANGES

Mr. BISHOP. Thank you very much. Let me associate myself with the remarks of my colleagues, welcoming you and wishing you well in your new undertaking. Again, dealing with force structure. The Air Force is in the midst of a plan to draw down its force structure by 40,000 personnel since 9/11. And the Navy has decreased its in strength about 40,000; plans to draw down another 12,000 through fiscal year 2008. With the simultaneous and significant increase in strength in the Army and Marine Corps, there is speculation that a continued precipitous drawdown of airmen and sailors would lead to a degraded ability to support the boots on the ground.

The decision to draw down the size of the Air Force and the Navy was made at a different time frame than we see now. And as we find the Army and the Marines increasing their force structure, staying in operations, would it be wise to continue—wouldn't it be wise rather to stop the reduction of personnel? And if they are required to continue supporting the ground operations and performing in lieu of tight missions, a continued drawdown of the Navy and the Air Force, it would be counterproductive, seemingly. Can they be realistically expected to support their current missions and maintain the required readiness levels with a downsized force structure as is being undertaken now?

Secretary GATES. Mr. Bishop, you have got it exactly right. And I think that particularly with the increase in the in strength of the ground forces, the Air Force is going to have to take a pause on the downsizing and see what their additional requirements are going to be, both for equipment and manpower in terms of dealing with an increased size of the Army and Marine Corps, and they are going to do that.

Mr. BISHOP. I am told that some naval personnel are also being shipped, particularly in the surge and being put on the ground. Some of them even to provide guard duty and some of the—

Secretary GATES. Well, Ms. Kaptur mentioned having a sailor on the Stennis being assigned to drive a truck, and I want to look into that because this is the first I have heard that the naval personnel are being assigned those kinds of responsibilities. In terms of the Navy, I think that the issue is a little more complex in terms of their going to ships and to activities that are actually more efficient, and so they may not need as many. For example, the new

class of aircraft carrier requires a couple of thousand fewer personnel to man it than the current Nimitz class, but let me look at the Navy side and get an answer back to you on the Navy. But I will tell you that the Air Force is relooking at their program.

C-17 VERSUS C-5

Mr. BISHOP. Okay. The Air Force has indicated its desire to retire between 15 and 30 C-5A transport aircraft, and are seeking relief from an authorization restriction on the retirement of the aircraft. But the service is not requesting any funding for additional C-17s, and the contractor I am told has begun to notify suppliers that the program will be ending. If the Air Force is able to retire some of the C-5A fleet, would that create a requirement for more C-17s? And are you conducting any type of analysis to determine the cost benefit of modernizing the avionics and the engines on the A models versus procuring additional C-17s?

Secretary GATES. If I may, Mr. Bishop, may I take that for the record and get back to you.

[The information follows:]

Yes. The Air Force continually examines force structure options needed to meet operational requirements. In the strategic airlift mission area, this examination gains a certain amount of urgency today given the imminent closure of the C-17 production line and updated cost and schedule estimates to modernize the avionics and engines on the C-5. We are currently refining our analyses to develop informed decisions on the most cost-effective mixture of C-5s and C-17s to meet strategic airlift requirements.

Mr. MURTHA. The time of the gentleman has expired. Mr. Kingston.

Mr. KINGSTON. Thank you, Mr. Chairman.

Mr. Secretary, do you get daily progress reports on Iraq and Afghanistan, or weekly, or every other day, or whatever?

Secretary GATES. All of the above.

REPORTS TO CONGRESS ON IRAQ

Mr. KINGSTON. We don't. What we get is a little bit here from the State Department, a little bit there from the Pentagon, and frequently those reports over the last 5 years—and I am proud to represent four military installations including the 3rd Infantry, and I have defended the administration's policy in Iraq, but it is very difficult for me to follow the trend and see the progress that we are or are not making.

To give you an example, we had a hearing about a month ago, and it was the first time I heard that the oil production level is actually about what it was pre-war, and the electricity was about the same too. We have been told many times that the number of IED attacks have gone down, only to find out a month later they are not down.

I guess we get interim reports and there is a lot of spiking, but I can't tell if we are winning or losing or this has been a good month. Maybe that is not our business, particularly trying to follow this and support it as we see and make decisions as a committee, and we have genuine disagreement and respectful disagreement on where we are going.

I had this conversation with your predecessor. But we cannot get consistent information—we cannot get reliable information consistently. What I would love to hear you say is you understand that that is a huge problem. Really, the IED attack rate is going up. We just need to know. We will take the information. But it is almost like there has been a tendency to report rosy news and then there is kind of a blackout period. We just can't follow it.

Secretary GATES. Well, I have discussed this with Chairman Skelton and what he and I agreed was that we would provide, we and the State Department would provide a briefing on a monthly basis, both State and the Defense Department, for the entire House. We had the first one of those, I think, about 2½ weeks ago. Our hope had been to schedule one before you all went out for Easter. We are still willing to do that. My understanding was there was a problem. But General Pace, Secretary Rice, and I came up and briefed about 60 or 70 Members of the House here. We are happy to provide monthly reports to you all.

Mr. KINGSTON. Mr. Secretary, those briefings tend to be often classified, and you walk out of the briefing and whatever you have been told is already in the newspaper, CNN and cable. So Members have turned a little bit, ever since 9/11 when we have been having these briefings, Members are a little bit cynical—not everybody—but the reason why you had 60 instead of 435 I think speaks volumes, plus people are pulled this way and that way. I think what this Committee would like would be just a regular flow of a Friday report.

Mr. DICKS. Would the gentleman yield? The gentleman can avail himself of the intelligence reports that come in on a daily basis to the Committee and to the Intelligence Committee. As a Member, you can avail yourself to those reports, which will give you a very good picture of what is happening.

Thank you for yielding.

Mr. KINGSTON. I would not have yielded if I thought it was an unfriendly question.

Mr. DICKS. I didn't think it was.

Mr. KINGSTON. Let me say this. We do get a lot of the information, but we get it sporadically. As Mr. Dicks said, it has to be proactive on a Member. What I would like is to get a weekly or whatever—daily, biweekly, bimonthly, whatever—that you can actually follow the trend and know what you are talking about. Again, reliable information and consistent information. I am asking that as a member of the committee. I think members of this committee are a lot closer to the debate on the war than general Members of Congress. We spend a lot more time on this, for example.

When we first went to Afghanistan we were actually invited to the War Room at the Pentagon, and then those invitations petered out. I don't even know if they are open or not. But we did have that. Again, I just want the information so that—like the sports page, I want to know who is winning and who is losing.

Secretary GATES. I am told by one of my colleagues that we do provide a weekly update that does include the oil production, electricity and so on. I think it is e-mailed up here. We will be in touch with you and find out why you are not getting it.

Mr. KINGSTON. And then, having that analysis, if that is good or bad—because I can't say, because some of the information we get is classified. But what we get in a hearing like this from, say, Defense, National Security, CIA, will say something differently. I don't want to go into the details of that because this is an open hearing, but frequently we are getting one story here and another there. That is what makes it so hard to follow. I certainly appreciate it.

Mr. MURTHA. The time of the gentleman has expired. You see, my concern we have, Mr. Secretary. The rosy picture that we got, the next day it would turn out to be the opposite.

I think you have been able to address that very well today. Matter of fact, we require a report, a quarterly report, and in that report we look at it carefully, and that is where the oil production and electricity production and so forth—and I look at it every time it comes out.

But the point is if you are honest with us, as you have been, we will be able to work together getting these things solved, because we not only have a short-term problem, we have a long-term problem.

When Mr. Kingston, who had been defending the administration so vigorously all this time, has a concern, you can see—and Mr. Young, who is as close to anybody in this as the Congress, has a concern. This is the committee that funds every cent, except the military construction.

So we have got to have more openness, more honesty from the standpoint of okay, it's bad news, but let's take the bad news as it is and let's try to solve this problem.

I am just concerned about the troops, I am concerned about the hardship on them. And it is easy to say we will send them back with less than a year at home. To me, that is each individual going back. The families suffer. We are going to call them up when they have been out in the IRR.

I know you are forced to do this because of the policy of having to come up with troops. But, as I say, it is the first time I voted against the volunteer army. I thought everybody ought to serve. I didn't think we should have just people, just a select few people serve in the military. I thought everybody ought to. The volunteer army worked all right for a long time but we are struggling now, as you well know.

We tried to pass a draft. Two of us voted for it. I don't think you are going to see a draft in the near future. But we can't continue to have 126,000 contractors, Mr. Secretary. We have got a lot of work to do, and hopefully we can reduce some of this cost and put it where it should be in the areas where we need the help.

Any closing comments, Mr. Young?

Thank you very much. The Committee now adjourns until April 17th.

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

ACQUISITION AND PROCUREMENT REFORM (GENERAL)

Question. Mr. Secretary, a charge of the new majority is to give increased scrutiny over government contracting. By my count, there have already been 7 hearings dedi-

cated to Defense contracting oversight. It's an issue that comes up in every hearing this Committee has. Over the last several years, major defense research organizations have analyzed the topic of acquisition and procurement reform. These studies have been produced by CSIS, the Defense Acquisition Performance Assessment, the Defense Science Board Task Force, Acquisition Advisory Panel, and RAND. These reports recommend sweeping changes to dramatically improve the Department's ability to stabilize and integrate key elements of the acquisition and procurement process. Yet, your testimony doesn't indicate how the Department will address some of its shortcomings in these areas. This reform is important to the budget and how we best allocate our precious resources.

Mr. Secretary, how will you ensure this Committee that the Department will make acquisition and procurement reform a priority? Which reforms from past studies will you implement? How can this Subcommittee help you get control of these expensive programs?

Answer. Pursuant to section 804 of the John Warner National Defense Authorization Act for Fiscal Year 2007, Public Law 109-P64, we have provided the Congress our first report on the Department's ongoing Acquisition Transformation initiatives and the goals that we have established to achieve change. The Department has reviewed the underlying reports that serve as the basis for this report: Defense Acquisition Performance Assessment Project (DAPA, January 2006); Defense Science Board Summer Study on Transformation: "A Progress Assessment" (February 2006); the Center for Strategic and International Studies, "Beyond Goldwater Nichols: U.S. Government and Defense Reform for a New Strategic Era" (July 2005); and the Quadrennial Defense Review (February 2006).

Recognizing that each of these reports was commissioned by different authorities and for different purposes, our review concluded that their respective recommendations have common themes. Those themes have been converted into our current initiatives and for the purposes of this report are put into a framework of workforce, acquisition, requirements, budget, industry and organization. A sense of urgency has been established by the Department to streamline and simplify the Acquisition System with aggressive initiatives to provide lasting solutions for predictable performance. DoD is tracking milestones to ensure that the desired outcomes in this transformation are achieved. We look forward to keeping you informed and working with you and the Congress on Acquisition Transformation.

ACQUISITION AND PROCUREMENT REFORM—SOLE SOURCE CONTRACTING

Question. Mr. Secretary, last week Senator McCaskill asked you and Mrs. Jonas about sole source contracting. The data on the benefits of competition are overwhelming. Competitively awarded contracts obtain higher performance at lower costs due to produce and process innovation.

You were not able to answer Senator McCaskill's question: for the record, but I am hoping that you've already looked into the matter and can tell us how much money was spent on sole-source contracts and how much was spent competitively in FY06? Has this amount been trending up over the last five years? Why?

Answer. For FY 2006, DoD awarded \$295.0 billion in contracts up from \$144.6 billion in FY 2001. Competition is the preferred method of contracting. The percentage of DoD dollars competitively awarded increased from 58.0% in FY 2001 to 62.4% in FY 2006.

1. For FY 2006, \$184.2 billion or 62.4% of total DoD contract dollars were competitively awarded up from \$83.9 billion or 58.0% in FY 2001.

2. For FY 2006, \$110.8 billion or 37.6% of total DoD contract dollars were not competed (vice \$60.7 billion and 42.0% in FY 2001).

a. \$68.4 billion (23.2% of total DoD contract dollars) were attributed to actions citing the Competition in Contracting Act "only one source", or sole source authority (vice \$36.0 billion and 24.9% in FY 2001)

b. \$17.9 billion (6.1% of total DoD contract dollars) were justified by other exceptions to competition such as unusual and compelling urgency or national security (vice \$7.9 billion and 5.4%)

c. \$6.4 billion (2.2% of total DoD contract dollars) were follow-on actions to prior competitions that are placed with a particular contractor to continue or augment a specific competed program (vice \$8.7 billion and 6.0%)

d. \$18.2 billion (6.2% of total DoD contract dollars) were awards to Government activities, mandated by international competition, authorized by statute (e.g., awards to Federal Prison Industries, 8(a) sole source awards), or are brand name purchases for resale in commissaries and exchanges (vice \$8.2 billion or 5.7%).

ACQUISITION AND PROCUREMENT REFORM: ACQUISITION WORKFORCE

Question. Mr. Secretary, I've read some of the reports about acquisition and procurement reform oversight, and each one of them highlights that the current acquisition workforce is unable to effectively oversee our increasingly complex weapons systems. I know that in the 1990s Congress decided to slash DOD's acquisition workforce and it has been reduced by over 50% between 1994 and 2005. The anecdotal evidence I hear from program managers and contracting officers at the Pentagon is that they are overstretched and don't have adequate support to perform oversight properly. I believe that this has helped exacerbate the cost explosion in acquisition and procurement. Mr. Secretary, I'm concerned with federal employees from the baby boom generation retiring soon, we will not have a sufficiently well-trained civilian workforce.

How are you addressing the acquisition workforce shortfall? What is the Department doing to promote career development so it doesn't lose its talented employees to the private sector? Has the Department considered giving retention bonuses for existing employees or recruitment bonuses to lure qualified managers back from the private sector?

Answer. I share your concern and the Department is working hard to ensure we have the right acquisition workforce capability now and in the future. Your question had three parts.

The first part was "How are you addressing the acquisition workforce shortfall?" The answer is strong senior leader involvement and effective human capital planning are critical. In June 2006, the Department published both the DoD Civilian Human Capital Strategic Plan (HCSP) and the DoD Acquisition, Technology & Logistics (AT&L) HCSP. Maintaining a high performing, agile and ethical acquisition workforce is a top priority—in fact, it is Goal 1 of our DoD acquisition strategies. Additionally, the Department established the AT&L Workforce Senior Steering Board (SSB) to strengthen senior leadership collaboration and integration on human capital initiatives. The board includes Component Acquisition Executives (CAEs), senior functional leaders, and the Deputy Under Secretary of Defense (Civilian Personnel Policy). This governance structure provides a strategic focus that facilitates alignment with the components to integrate workforce initiatives. Since May 2006, there have been four SSB meetings. This forum has generated significant momentum enabling the exchange of best practices and initiatives. We want our workforce shaping decisions to be data driven. Accordingly, as part of the AT&L HCSP Data Green initiative, we have made significant progress on workforce analysis to support targeting of AT&L human capital strategies and initiatives. We have created the AT&L Workforce Lifecycle Model (WLM) which provides a comprehensive, insightful picture of the current workforce. We have been working with RAND to develop a preliminary projection model to understand how the workforce will change over time. Through the use of this information, we will work with the components to target college and minority recruitment so we appropriately attract and include the next generation, target retention of the current workforce, and recruit experienced second career professionals. I believe that our efforts are on the right track to mitigate the impact of the looming Baby Boomer retirements.

The second part of your question was "What is the Department doing to promote career development so it doesn't lose its talented employees to the private sector?"

Consistent with the Quadrennial Defense Review and DoD human capital strategies, we are strengthening leadership and management development programs for civilians who represent 88% of Do D's AT&L workforce. We are also updating our workforce certification framework to deliver more performance-based, targeted, and just-in-time training. We have already updated our engineering certification requirements to increase experience and training requirements for certification. We are strengthening succession planning and management of key acquisition positions to ensure we have fully qualified program managers and other professionals to perform critical acquisition functions. We have an on-going initiative to update and assess acquisition competencies for the acquisition workforce. We have updated competency models for program management, life cycle logistics and contracting. Between now and June 2008, the Department will begin workforce assessments which will assist employees and supervisors in establishing improved development plans. This will help our senior leaders to better define organizational workforce planning and development strategies. Finally, training is essential to workforce development and ensuring that they have the right skill sets to meet the mission. This is an area where we are best in class. The Defense Acquisition University (DAU) has fielded multi-dimensional training and performance support that reaches our workforce, 24/7, around the world when and where they need it. Since 2001 DAU has increased students trained from 46,000 to 109,000 per year. The DoD acquisition training pro-

gram provided by DAU is recognized nationally and internationally as one of the best training programs of any public or private sector organization. The American Society of Training and Development recognized DAU as the number one corporate training university in America, and DAU has also been recognized by Training Magazine, Chief Learning Officer Magazine, and several other publications for their training excellence. AT&L workforce members today (and we are leveraging our assets federal-wide) have significantly better access to knowledge and performance-enhancing assets and use is rapidly increasing.

The third part of your question was "The Department considered giving retention bonuses for existing employees or recruitment bonuses to lure qualified managers back from the private sector?"

Yes. As a result of the FY07 National Defense Authorization Act, Section 853, proposals are being developed and the details are being worked to address smart use of bonuses for the right individuals on key acquisition positions. Recruitment and retention bonuses codified in 5 USC 5753 and 5 USC 5754 are important tools and provide us flexibility to attract and maintain an agile workforce. The Department's authority under title 5, United States Code (USC), section 9902(j) to reemploy annuitants with full salary and annuity is one of the flexibilities that we have been effectively utilizing to ensure we maintain the right skills to carry out the acquisition mission. The reemployed annuitant authority provides the Department with the flexibility to attract talented men and women with the expertise and corporate knowledge needed for critical positions and to temporarily mentor the next generation of civilian employees, thus allowing us to bridge the knowledge gap while we continue to implement our workforce and succession plans. We will continue to take full advantage of these and other human capital flexibilities to attract and retain well-qualified, high-performing employees.

I look forward to working with the Congress as we deploy and execute our initiatives to improve the overall quality of our acquisition workforce.

IRAN

Question. Mr. Secretary, the world's relationship with Iran seems to be growing tenser with each passing month. Last month the President confirmed that a component of Iran's Revolutionary Guards has been linked to various deadly explosive devices—EFPs—that are being used in Iraq to kill and injure coalition forces. Just last week, the Iranian navy captured and detained a British vessel—including 15 sailors and marines—patrolling inside of Iraqi waters. Meanwhile, the President has sent an additional aircraft carrier to the region, in a move that you yourself said was to show Tehran that the war in Iraq was not making the U.S. vulnerable. The Associated Press reported that on Monday that two strike groups of warships and 100 U.S. planes conducted simulated attack maneuvers off the coast of Iran.

Mr. Secretary, is our military preparing for war with Iran? If not, would you spell out in detail the circumstances that would cause you to recommend to the President that the United States undertake military action in Iran against organizations or individuals who are believed to be contributing to the violence against coalition forces that is occurring in Iraq?

Answer. We remain committed to a diplomatic solution to the Iranian nuclear program. We do not seek a military confrontation with Iran. Nonetheless, our armed forces remain capable of addressing any contingency that may arise. To this end, the Department of Defense is strengthening our defense relationships with partners and allies, including working with them to eliminate illegal proliferation of nuclear or ballistic missile components and technology.

Question. Furthermore, Mr. Secretary, I know that you have been working more closely with Secretary Rice than your predecessor.

Have you urged her or the President to take more active roles in diplomatically engaging Tehran in the military issues that we face in Iraq and the predicament the British are now facing?

Answer. The United States has offered a diplomatic way forward by seeking engagement with Iran. Secretary Rice and her Foreign Minister colleagues from China, France, Russia, and the United Kingdom issued a statement following the United Nations Security Council Resolution 1747 reaffirming our strong desire to find a way to the negotiating table. Within UNSCR 1747 itself, the elements of a long-term agreement to address our concerns with Iran are clearly articulated. Diplomacy remains an option that the Iranian regime can take advantage of at any moment, provided that Tehran verifiably suspends uranium enrichment.

BRAC QUESTION

Question. Mr. Secretary, the 2005 Base Realignment and Closure recommendations have caused great apprehension for Northern Virginia. This region is distinguished nationally as the area that will experience both the greatest single displacement of jobs, primarily from leased space, and the largest growth in relocated employment at Fort Belvoir. I am particularly concerned with the impact of the relocation to Fort Belvoir. The magnitude of the BRAC realignment to Fort Belvoir is unprecedented. Over 23,000 Department of Defense (DoD) personnel, a workforce equivalent to that of the Pentagon, are scheduled to relocate there by 2011. In the recently released draft environmental impact statement (DEIS) for the relocations, Army Corps of Engineers identified thirteen necessary transportation mitigations "to maintain the transportation system's operational performance at an acceptable level of service and delay." Absent these improvements, the Corps of Engineers anticipates the following: In the areas immediately surrounding the EPG, severe congestion will last 3 to 4 hours each peak-hour period. Access points to EPG will only be able to process between 40 to 50 percent of the projected peak-hour demand for both the morning and evening commutes. Queuing of traffic from the access point to the EPG will back up onto I-95. This queuing will extend the morning congested period between one and two hours. In the evening peak period, this congestion will spread over several additional hours. If the main access point to the EPG is not completed, there will be only one road entrance point for all vehicular traffic. Work arrivals will be spread out over an 11 to 12 hour period due to limited capacity. Bottlenecks resulting from BRAC traffic will negate the improvements made to regional congestion by major transportation projects such as the Springfield Interchange "Mixing Bowl," the I-95 Fourth Lane project, and the Woodrow Wilson Bridge project. Without proper action, military readiness will also suffer. After BRAC realignment there will be nearly 100 tenant organizations at Fort Belvoir, including the Missile Defense Agency Command Center, the Defense Threat Reduction Agency, the National Geospatial Intelligence Agency, the Defense Logistics Agency, and the Intelligence and Security Command (INSCOM). These are some of the most sensitive, operationally demanding, and technologically advanced activities in DoD; however, they are as vulnerable to the issue of traffic as any other employer. The necessary transportation improvements have been identified, but the funding sources have not. To date, neither the Army nor the Office of the Secretary of Defense have indicated a willingness to fund infrastructure projects off Fort Belvoir property. The Commonwealth of Virginia and Fairfax County have expressed their willingness to contribute funding for the necessary transportation projects. In order to implement BRAC successfully, all levels of government—federal, state, and local—must shoulder their share of the burden. Mr. Secretary, my questions are as follows:

Given that the BRAC realignment is imposing these impacts on the region, doesn't the Department of Defense have the responsibility to pay for some of these off-post transportation mitigations?

Answer. The Office of Economic Adjustment (OEA) can provide technical and/or financial assistance to communities to assist them in assessing transportation impacts from installation growth; identify necessary multi-modal transportation improvements and possible funding sources for these improvements. To date, OEA financial assistance has supported several community transportation planning needs.

The Department of Defense also may assist "growth" communities through the Defense Access Roads (DAR) Program. In normal circumstances, the DoD and Federal Highway Administration (FHWA) work with the State transportation agencies to encourage adequate consideration of DoD needs. The FHWA and DoD expect State and local transportation agencies to develop and maintain public roads providing access to military installations. However, when extraordinary military impacts occur, the DAR program allows the FHWA to improve highways with DoD funds using normal Federal-aid procedures. The DAR program, which is coadministered by the FHWA and the Military Surface Deployment and Distribution Command (SDDC), only addresses highway improvements. It is not clear that transit facilities would qualify as a defense access road under 23 USC 210. If an installation identifies a need for a transit facility, however, we would examine the specific nature of the facility and the request on a case-by-case basis.

In BRAC 1988, some of the cost associated with the Defense Logistics Agency movement from Northern Virginia to Fort Belvoir was paid for using BRAC funds. A portion of the Fairfax County Parkway was certified for Defense Access Roads (DAR) funds. The total cost of the project was \$12.1M; Department of the Army BRAC funds paid \$8M; the remaining \$4.1M was paid by standard Department of the Army Military Construction (MILCON) funds.

Question. Has your office budgeted to fund any of the necessary off-post transportation mitigations identified by the Fort Belvoir DEIS?

Answer. The Department has not budgeted any of the off-post transportation mitigations identified by the Fort Belvoir draft environmental impact statement (DEIS).

Question. If the mitigations are necessary because of the BRAC realignment, has DoD made contingency plans for potential lawsuits from the locality or State?

Answer. When faced with litigation the DoD Office of General Counsel works with attorneys at the Department of Justice to respond, both at the trial court level and on appeal. If a lawsuit relating to the congressionally approved BRAC recommendations affecting Fort Belvoir is filed, DoD anticipates addressing it via the same working relationship with the Department of Justice.

Question. During the BRAC hearings in 2005, Army officials suggested that the realignment at Fort Belvoir would cost approximately \$2 billion in new construction for the relocation of new employees. I have heard that this estimate increased to up to \$3-4 billion.

What is the most current estimate for the cost of construction of the physical facilities needed to implement the BRAC recommendations?

Answer. The Department's FY2008 Budget request included 25 military construction projects at a cost of \$2.7B to implement five BRAC 2005 recommendations that relocate personnel to Fort Belvoir.

Question. If capital construction for the Fort Belvoir BRAC realignment is not complete by the BRAC-imposed deadline of September 15, 2011, what steps has OSD considered for extending leases in existing office space in Arlington County and Fairfax County?

Answer. The Department plans to vacate the leased office space in Arlington and Fairfax counties identified for "closure" or "realignment" under BRAC 2005 by the legislated deadline.

Question. Furthermore, what additional contingency plans has OSD made in the event that the realignment cannot be achieved by September 15, 2011?

Answer. The Department plans to implement the BRAC 2005 recommendations by September 15, 2011. This assumes that the \$3.1 billion reduction in Fiscal Year 2007 will be restored. If this is not the case, military construction projects and other expenditures related to the movements of missions contained in the FY 2008 President's Budget will need to be re-baselined.

Question. Has your office begun consideration or had discussions of extending the BRAC deadline beyond September 15, 2011?

Answer. The Department plans to implement the BRAC 2005 recommendations by September 15, 2011. This assumes that the \$3.1 billion reduction in Fiscal Year 2007 will be restored. The Department has embarked on assessing the domino impact the \$3.1 billion reduction in Fiscal Year 2007 will have on the Fiscal Year 2008-2011 implementation program should it not be restored as well as our ability to meet the statutory deadline of September 15, 2011. The complexity and duration of many implementation actions required FY 2007 funding. Military construction projects and other expenditures related to the movements of missions contained in the FY 2008 President's Budget will need to be re-baselined.

DON'T ASK, DON'T TELL

Question. Mr. Secretary, I would like to revisit an issue that has come before this Subcommittee previously, but it has particular relevance to the overall capability of our military forces. As has been well publicized, the readiness levels of our troops is at an all-time low. While deployed units in Iraq and Afghanistan are at peak readiness, 88 percent of the non-deployed units are rated at the lowest levels of readiness. 75 percent of our Army Guard and Reserve received the lowest readiness rating. These non-deployed units make up our strategic reserve and our capability to defend ourselves elsewhere in the world. The deterioration in readiness is due in part to the shortage in the military's end strength during a time of war. These problems are exacerbated further by extended deployment of soldiers and Marines, and shortened 'out of combat' dwell times. As a result of these circumstances, both the Army and Marine Corps have submitted proposals to increase their authorized end strength significantly. Ironically, there is a large pool of well trained soldiers and willing recruits that are prohibited from serving their country, simply because of the sexual orientation. According to the latest GAO report, 11,000 Service members have been discharged under the Department of Defense's "Don't Ask, Don't Tell" policy since 1993. 800 of these persons discharged had skills deemed "critical" by the military, including linguists, intelligence analysts, doctors and infantrymen. Furthermore, the same report indicated that the "Don't Ask, Don't Tell" policy has cost the Department of Defense over \$200 million to replace fired service members.

Question. Mr. Secretary, from a strictly resources perspective, as we continue to experience the great need for well trained soldiers, isn't it time to revisit the Department's "Don't Ask, Don't Tell" policy?

Answer. Discharges stemming from military members violating the Homosexual Misconduct Policy account for less than .3 percent of all military discharges that the Department incurs annually.

The DoD is bound to implement the laws passed by Congress. In this case, the Homosexual Conduct Policy implements title 10, United States Code, section 654, and requires the DoD to separate from the Armed Forces members who engage in or attempt to engage in homosexual acts; state they are homosexual or bisexual; or, marry or attempt to marry a person of the same biological sex.

We are committed to a fair and just implementation of that law and are committed to treating all Service members with dignity and respect while enforcing the provisions of the law.

Question. As the President's top military advisor, does it still make sense to continue excluding individuals from military service based on sexual orientation?

Answer. Respectfully, I must clarify a key point: There is no ban from Military Service based on sexual orientation. The Department of Defense's (DoD's) Homosexual Conduct Policy implements title 10, United States Code, section 654, which requires the DoD to separate from the Armed Forces members who engage in or attempt to engage in homosexual acts; state they are homosexual or bisexual; or, marry or attempt to marry a person of the same biological sex. The law establishes the basis for separation from the Armed Forces as conduct, not orientation. Our policy reflects the law.

The Department is committed to treating all Service members with dignity and respect, and will continue to follow Congressional direction on homosexual conduct.

INCREASING THE SMALL BUSINESS THRESHOLD

Question. What does the Department of Defense think of the \$23 million threshold, and is it pursuing a raise in this inadequate limit?

Answer. The Department of Defense (DoD) has generally been concerned that small businesses need the benefits small business status provides in order to mature and become capable of competing with DoD contractors. The Department is having discussions with the Small Business Administration and the Office of Federal Procurement Policy concerning a number of North American Industry Classification System codes and their associated small business size thresholds, including the \$23 million threshold you ask about.

Question. Would the Department consider advocating for a "transition phase," one that would allow small businesses to continue to compete up to and including at the \$100 million if they agree to mentor another small business?

Answer. This is a suggestion the Department would like to explore. The ability to mentor requires a developed business with sufficient staff, financial resources and experience to capably assist a small business. Our experience in the DoD Mentor Protege Program (MPP) has shown that some graduated 8(a) small business proteges possess these traits and therefore have the potential of becoming successful mentors. We have had occasion to approve graduated 8(a) small business firms as mentors under the MPP.

Our Office of Small Business Programs for the Department of Defense would be pleased to meet with you or a member of your staff to learn more about your plan.

Question. Disruptions of cash flow, late payments and late release of funds. Disruption of cash flow caused by late payment or late releases of appropriated funds can significantly affect the day-to-day operations of government contractors. With late payments, contractors often have to maintain an expanded workforce at their own expense. While larger contractors can absorb these costs, it is more difficult for small business to remain financially solvent and execute the contract. In a 2004 GAO report, a random sample of small business owners demonstrated some of the challenges that these companies face when they are paid late in the fiscal year. Most of the sample had to obtain a line of credit or use personal resources to finance day-to-day operations. For those that relied on a line of credit, they paid 2 to 4 percent more for the credit than the rate used by DoD to calculate late payment interest. The Department of Defense must recognize the burden of these late payments on small businesses.

What is DoD doing to get payments delivered on-time to contractors, particularly to those impacted most by the late payments?

Answer. A contractor payment requires three documents: A contract, a vendor invoice and a receiving report from a government activity. Payment timeliness is primarily determined by the receipt of the invoice and receiving report in the govern-

ment paying office. Paper documents take more time to process than those received electronically; therefore, we have embarked on moving from receiving paper documents to an electronic process through the use of our Wide Area Work Flow System. To that end, we've partnered with several external entities (National Association of Credit Managers and the Federal Government Receivable & Research Bureau) to educate this community on the importance of electronic commerce within DoD. We've focused our attention on these agencies because they cater to the small business community and their individual needs. As of March 07, 84% of our total invoices were received electronically, our average invoices on hand for the past two fiscal years has decreased from FY 05 of 1.87% to FY 06 at 1.23% and we are on track to continue these improvements.

Ensuring that the small business goal is being met. The small business act of 1953 directs that at least 23% of federal government prime contracts go to small business. The ongoing trend within today's defense industry is that successful small businesses are often acquired by one of their larger competitors. Despite the acquisition, these absorbed small companies often keep their preferential contracts, but bottom line revenues go to the larger companies. Many contracting opportunities for legitimate, independent small business are not awarded because the requirement is being met by these acquired small businesses. DoD counts these acquired contracts in its calculation of the small business requirement, creating what I believe to be an artificial and unrealistic total.

Question. What is DoD doing to ensure that the small business goal of 23% is being met by legitimate small businesses?

Answer. The Department of Defense (DoD) is working to ensure that achievement of the 23 percent small business goal is met through awards to legitimate small businesses. There are two areas of focus: (1) ensuring the contractors' representations and certifications are accurate and up-to-date prior to award and (2) ensuring the integrity of data in reporting those awards.

Obtaining proper representations and certifications relative to size status is vital to ensure legitimate small businesses receive awards. With the Online Representations and Certifications Application (ORCA) system vendors verify by submission of an offer/bid that the representations and certifications currently posted electronically in ORCA have been entered or updated within the last 12 months and that they are current, accurate, complete, and applicable to the pertinent solicitation. A vendor's representations and certifications are considered "expired" and are invalid if a vendor does not update its application annually, unless an amended representation and certification is provided directly to the contracting officer with the offer/bid. An offeror/bidder is determined as not eligible to receive awards under any of the small business programs if proper size status is not certified.

Accurately reporting awards to legitimate small businesses is also an important part of the process. Currently, the Federal Acquisition Regulation (FAR) provides that a vendor retains its size status for the life of a contract. A change to the FAR is in process to implement the Small Business Administration Recertification Rule. DoD looks forward to implementing this change.

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

EXPANSION OF AIR FORCE REQUIREMENTS

Question. In fiscal year 2006, the Air Force began a plan to draw down its force structure by 40,000 personnel. The goal was to use savings associated with the drawdown for modernization and recapitalization. Mr. Secretary, the OSD directive for the Air Force to draw down 40,000 personnel was made in a very different time that we see today. The Army and the Marines are increasing their force structure by a combined 92,000 troops to sustain operations. Every indicator we have is that the Air Force is becoming strained as well.

Wouldn't it be wise to stop the reduction of personnel?

Answer. The Air Force has been engaged in combat for the past 16 years while transforming into a smaller, leaner and more capable force. This transformation was in the Fiscal Year 2007 President's Budget submission, where the Air Force reduced 40,000 full time equivalent Active Duty, Guard, Reserve and Civilian positions to help pay for one of the services top priorities, the recapitalization and modernization of its aging aircraft and spacecraft inventories.

The Air Force is clearly linked to Joint ground force operations, so a plus up of Army and Marine forces will require an increase in Air Force capabilities to support

it. For example, Air Mobility units are intrinsically tied to supporting the Army and Marines with logistical reach to go and be supplied anywhere in the world. This support goes beyond aircrews and aircraft, to include maintainers, logisticians, and supply technicians to name a few. Additionally, weather teams, tactical air control, and other forces are imbedded with or closely tied with the ground forces, so there will be an increased demand in these career fields.

The 2006 Quadrennial Defense Review called for an Air Force comprised of 86 modern combat wings to fulfill its role in the 1-4-2-1 strategic plan. The Air Force is short of this force structure now by approximately 20,000 active duty funded authorizations and projects resource levels for the foreseeable future that will continue to fall short of this mark. Knowing what we know today, the Air Force clearly needs additional funds and end strength to halt manpower reductions and remain at the projected Fiscal Year 2008 level of near 330,000 and to ensure the manpower is available to resource essential future bomber, Intelligence, Surveillance, and Reconnaissance, combat Airmen, and other emerging joint war fighting capabilities.

Question. An internal OSD memorandum was issued in late 2005 requiring the Air Force to draw down 40,000 personnel. At that time, the Air Force was not seeing the kinds of strain it is showing today.

Is your office doing anything to determine if the Air Force needs more people than it currently has if it is going to continue supporting operations and performing in lieu of missions?

Answer. The primary reason we made the tough choice to reduce end strength was to meet missions within a constrained budget. The funds were used towards sustaining essential recapitalization and modernization.

The Air Force uses many tools to assess manpower requirements and clearly makes a case for funding requirements above those currently programmed. We normally tie end strength to changes in mission or workload; however, in the case of recent reductions, mission demands remain essentially at the same level. Knowing what we know today, the Air Force clearly needs additional funds and end strength to halt manpower reductions and ensure the manpower is available to resource essential future bomber, Intelligence, Surveillance, and Reconnaissance, combat Airmen, cyberspace, and other emerging joint war fighting capabilities. What we need are the appropriate budget topline increases and manpower end strength. Without the topline increases, we simply shift risk and mission degradation to another underfunded portfolio (readiness, modernization, etc).

C-5 AND C-17 REQUIREMENTS

Question. The Air Force has indicated its desire to retire between 15 and 30 C-5A transport aircraft and is seeking relief from an authorization restriction on the retirement of these aircraft. However, the service is not requesting any funding for additional C-17s and the contractor has begun to notify suppliers that the program is ending.

Mr. Secretary, if the Air Force is able to retire some of its C-5A fleet does this create a requirement for more C-17s?

Answer. Relief from retirement restrictions is part of a comprehensive strategy of divestiture, procurement, and modernization that allows the Air Force to effectively manage aircraft inventory, balanced across the Total Force, and ensures continued support to our combatant commanders. In our mobility portfolio, the Mobility Capabilities Study concluded that a strategic airlift fleet of between 292 and 383 aircraft was sufficient to support our National Military Strategy with acceptable risk. Subsequent Fiscal Year 2007 National Defense Authorization Act language established a strategic airlift requirement of 299 aircraft beginning in Fiscal Year 2009. The current program of record includes 111 fully modernized C-5s and 190 C-17s (total of 301 aircraft). As such, any retirement of C-5s would require an equivalent replacement of aircraft and capacity that could be filled by C-17s.

Question. Is your office conducting any analyses to determine the cost benefit of modernizing the avionics and engines on the A models vs. procuring additional C-17s?

Answer. Yes. The Air Force continually examines force structure options needed to meet operational requirements to include evaluating the most cost-effective mixture of C-5s and C-17s to meet intertheater airlift needs. This examination gains a certain amount of urgency today given the imminent closure of the C-17 production line and updated cost and schedule estimates to modernize the avionics and engines on the C-5.

Question. The C-5A fleet has some of the lowest mission capability rates of any Air Force platform. However, the Avionics Modernization Program (AMP) and Reliability Enhancement and ReEngining Program (RERP) are anticipated to improve

performance and enhance mission availability. There is significant uncertainty within the Air Force on whether or not to proceed with modernizing the C-5A fleet. If they do not modernize the A models, it will create a requirement for more airlift—presumably C-17s.

Who is leading the evaluation of whether or not to modernize any remaining C-5As and is the requirement for more C-17s influenced by that evaluation? When will we know the results?

Answer. The Air Force and Air Mobility Command continually examine force structure options needed to meet operational requirements to include the most cost-effective mixture of C-5s and C-17s to meet strategic airlift needs. This examination gains a certain amount of urgency today given the imminent closure of the C-17 production line and updated cost and schedule estimates to modernize the avionics and engines on the C-5. Three C-5s are in the RERP testing now. As we learn more from the results of these tests, we will be able to further define the tradespace.

JOINT STRIKE FIGHTER ALTERNATE ENGINE

Question. The statement of the managers on the Fiscal Year 2008 Appropriations Act stated clearly “the conferee direct the Department of Defense to fund the continued development of both the engines in the fiscal year 2008 budget submission.” No money is included in the request for this program.

Mr. Secretary, why has the Department completely disregarded the Congress’ direction to fund the JSF alternate engine development program in the fiscal year 2008 request?

Answer. The Department faced difficult decisions in preparing the fiscal year 2008 budget request. The Joint Strike Fighter (JSF) alternate engine program competed for available resources with other Department priorities. The Department chose to resource other programs and wait for the three Congressionally-directed studies to complete their analysis of the benefits of competition. The three studies are now complete. The studies all found intangible benefits to competition in general. However, the results from two of the studies also indicate that it will be difficult to achieve a net return on the investment for an alternate engine. For example, the Institute for Defense Analysis (IDA) study determined that 8.8 billion in constant FY06 dollars would be required to develop, maintain and procure a second engine, \$2.1 billion of this would occur in fiscal years 2008–2012. They noted that this amount would require a 40 percent savings rate in production costs. Production savings of this magnitude appear implausible based on savings of 11–18 percent achieved in historical engine competitions. If Operating and Support (O&S) costs were effectively competed in addition to procurement costs, the required savings rate would fall from 40 percent of procurement costs to 18 percent of total costs. Because the Department of Defense has not typically linked procurement and O&S costs in a single competition, IDA found no historical data with which to estimate plausible O&S savings under such an acquisition strategy. IDA assessed that competition can be expected to bring nonfinancial benefits in the form of fleet readiness, contractor responsiveness, and industrial base robustness. The Department continues to believe that managing the risk with a single engine supplier is the best use of the available resources.

Question. The Institute of Defense Analysis’ report is due shortly. What if that report’s conclusions support an alternate engine?

Answer. The Institute for Defense Analysis (IDA) completed their analysis and their report has been briefed to both the Senate Armed Services Committee and House Armed Services Committee Professional Staff Members. IDA determined that there were benefits due to competition in particular, non-financial benefits in the form of fleet readiness, contractor responsiveness, and industrial base robustness. However, IDA also concluded that production savings resulting from competition likely would not be enough to overcome the \$8.8 billion required to develop, maintain and procure a second engine. The Department would have to achieve savings in procurement and Operating and Support (O&S) costs on the order of 18 percent to realize net savings from competition. Because the Department of Defense has not typically linked procurement and O&S costs in a single competition, IDA found no historical data with which to estimate plausible O&S savings under such an acquisition strategy.

[CLERK’S NOTE.—End of questions submitted by Mr. Murtha.]