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HEARING

ON

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2009

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

AIR AND LAND FORCES SUBCOMMITTEE HEARING

ON

BUDGET REQUEST FROM THE UNITED STATES TRANSPORTATION COMMAND AND AIR FORCE MOBILITY AIRCRAFT PROGRAMS

HEARING HELD
APRIL 1, 2008

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FISCAL YEAR 2009 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST FROM THE UNITED STATES TRANSPORTATION COMMAND POSTURE AND AIR FORCE MOBILITY AIRCRAFT PROGRAMS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
AIR AND LAND FORCES SUBCOMMITTEE,
Washington, DC, Tuesday, April 1, 2008.

The subcommittee met, pursuant to call, at 1 p.m., in room 2118, Rayburn House Office Building, Hon. Neil Abercrombie (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. NEIL ABERCROMBIE, A REPRESENTATIVE FROM HAWAII, CHAIRMAN, AIR AND LAND FORCES SUBCOMMITTEE

Mr. ABERCROMBIE. Hello, everybody. Thank you for coming today.

This is a hearing on the posture of the United States Transportation Command (TRANSCOM) and the Air Force mobility aircraft program.

Today, the Air and Land Forces Subcommittee meets to receive testimony from Air Force officials on the posture of the United States Transportation Command and the status of Air Force mobility aircraft programs.

Our panel of witnesses today includes the honorable Sue Payton, Assistant Secretary of the Air Force for Acquisition.

Welcome and aloha to you, Ms. Payton.

Secretary PAYTON. Thank you.

Mr. ABERCROMBIE. General Norton Schwartz, commander of the United States Transportation Command.

Nice to see you again, General. Aloha.

And General Arthur Lichte, commander of the Air Force Mobility Command (AMC).

Aloha to you, General.

Three main issues the subcommittee will strive to understand, three main issues, although some people may think that the only issue facing the Air Force at this time in terms of acquisition is the continuing saga of the tanker, which we will not be concentrating on today.

If there are questions in that regard, Ms. Payton, am I correct that you would be quite willing to sit with anybody and speak to those who may want to comment? But I would prefer today that we go on with the substance of the other elements that are at issue.

Secretary PAYTON. Yes, sir.

Mr. ABERCROMBIE. Does that make sense?

Secretary PAYTON. Yes, sir.

Mr. ABERCROMBIE. And I do want to thank you for the briefing that we had, which I feel exercised the—I almost said exorcised, but exercised all the relevant territory that needed to be traversed on this, without going into the proprietary—past the proprietary boundaries, and I do thank you for that.

Secretary PAYTON. Thank you.

Mr. ABERCROMBIE. And you would be quite willing to have that kind of discussion with any member that desires it, if they were not able to be there, correct?

Secretary PAYTON. Yes, sir. Yes, sir.

Mr. ABERCROMBIE. Okay. The issues then I am hoping that we will deal with today, the Department's mobility requirements and aircraft inventory for both short and long-range airlift aircraft.

I am going to go over this. We have your testimony, obviously, but I want you to know where I think we are going to zero in, and you can perhaps attune your summary remarks in this area.

The mobility requirements, the short and long-haul airlift aircraft, the degree to which the projected budget meets the airlift requirement—this is very important to us—and the Air Force requirements and operational needs for the Joint Cargo Aircraft (JCA) program, those three items.

Concerning the Department's mobility requirements in the airlift aircraft inventory, there appear, in my judgment, to be conflicting views within the Department as to what the C–5 and C–17 inventory should be.

Ms. Payton, I am sure you know there are lots of discussion about this in terms of keeping lines open and all the rest of that. I don't want to get into that, per se. That is not the question.

The question here is what you believe the C–5 and C–17 inventory should be.

TRANSCOM states 205 C–17s and 111 C–5s. Air Force planning officials state 248 C–17s and 52 C–5s.

And, General Lichte, in your written statement, you indicate the actual program of record of 189 C–17s and 111 C–5s doesn't provide what is really needed. This is what I extract from your testimony.

There also appears to be a mixed message on what size the C–130 fleet should be. On the one hand, the Air Force indicates that 395 C–130 aircraft are enough, but then eight C–130J aircraft are included in the Air Force unfunded requirement list.

Regarding the C–17, currently, the last C–17 will be delivered in June 2009, 14 months from now. There is a 34-month lead time for key C–17 components.

The budget request does not include funding for additional aircraft—excuse me.

The budget request does not include funding for additional aircraft or funding for shutting down the C–17 production line. Yet, 15 C–17 aircraft or $3.9 billion are included in the Air Force unfunded requirements list.

You see where I am going, Ms. Payton and General Lichte.

Secretary PAYTON. Yes, sir.

Mr. ABERCROMBIE. I have to reconcile this in order to make recommendations that make some sense. And let's set aside for the moment, I hope, for our conversation's sake, anything that is in the papers of general circulation about what members are saying needs to be done or not done or what is a good idea or what isn't.

That is a political dimension that I hope we can avoid in the sense of the premises of our discussion.

Six key Department of Defense (DOD) mobility studies were recently delivered to the committee—six. However, we understand the mobility studies do not account for several key factors—this is what we have derived from that—despite six different papers that were read.

The end strength growth of 92,000 personnel for the Army and the Marine Corps. Now, if I am wrong on some of these things, and you do have studies that take this into account, we don't have them as yet and I am quite happy to get those or if you are in the course of doing it, that is another thing, but we need to know that.

So let me cite the other factors. This is now with the mobility study and in anticipation of what we need to recommend.

End strength growth of the 92,000 personnel—and I understand that that is on paper right now. That is not necessarily here and the time factor and all that may alter proposals in this area. But nonetheless, that is what is proposed to this point.

Again, mobility requirements for the Army's Future Combat System (FCS) and Army modularity. Again, believe me, you are not going to have to make much of an argument to me that the Future Combat System is, at best, problematic.

But for planning purposes and recommendation purposes, we have to take this into account.

The determination by the Army that its FCS, the Future Combat System, manned ground vehicles are too large to fit into a C–130 aircraft. Use of dedicated C–17s as an intra theater airlift role for which they are extensively being used.

These are some of the factors we don't think have been taken into account in the studies we received or taken into account fully in the studies we have received to this point.

All these factors call into question the value of the recently completed airlift studies, the value in the sense of being a comprehensive baseline against which to try and make our recommendations.

Concerning the final issue, we would like to better understand the Air Force's rationale for its procurement plans for the Joint Cargo Aircraft.

According to our understanding of the conclusions of the Department's airlift studies, the Air Force airlift capability would be better met by investing in other mobility aircraft rather than a Joint Cargo Aircraft.

That is something I think we need to speak candidly about today, if we can.

There also appears to be a significant unit cost difference between the Air Force and the Army version of the aircraft that needs to be reconciled.

The Army says its version will cost $36 million and the Air Force version reportedly is projected to cost $61 million per aircraft.

We, therefore, need to better understand the JCA requirement, the Joint Cargo Aircraft requirement and the cost structure. It seems the Pentagon first made the decision to procure the Joint Cargo Aircraft and then did studies associated with the procurement decision, perhaps using outdated information or incomplete information and perhaps now is trying to determine what the program costs are.

I am not trying to judge ahead of time. I am just giving you the impression that can be made by reading what we have read to this point.

There has been enough nodding of heads out there in my direction. So I presume I have said quite enough to give you pause for thought.

And so with that, I would like to turn to my good friend and colleague from New Jersey, my mentor on this committee. So anything I say which makes sense he can take credit for, but he also has to take the blame.

That is Mr. Saxton.

STATEMENT OF HON. JIM SAXTON, A REPRESENTATIVE FROM NEW JERSEY, RANKING MEMBER, AIR AND LAND FORCES SUBCOMMITTEE

Mr. SAXTON. Mr. Chairman, thank you.

Mr. Chairman, you have done a great job here opening this hearing this morning.

My opening statement reflects, to a large degree, some of the points that you made.

Let me make one overarching point before I actually get into my statement. That is that we are here today facing a situation, which I have said before, and I strongly believe that we collectively, as a government, have failed to provide the proper level of funding for our military services across the board.

Today's discussion will be reflective of that, in my opinion. We simply can't buy what we need, with the dollars that are made available, to do what we need to do to support our warfighters and to provide the level of national security that our country needs and deserves.

The White House plays its part. Congress plays its part. The input that we all get from various sectors, the Department of Defense plays its part. But the fact of the matter is that when we get to the top line, it is too low.

It is not often that circumstances permit us to engage the operational commanders and the acquisition officials in the same forum. So I would like to thank them all for being here today. We appreciate it very much.

This is a unique opportunity. I would like to thank Chairman Abercrombie for assembling this panel of witnesses for the subcommittee.

Global mobility is a key component of our national security. The ability to globally project strategic national security capabilities and to provide responsive support to the U.S. Government, multinational and nongovernmental logistical requirements is the heart of USTRANSCOM.

Without this capability, the rest of our defense posture and our ability to provide global humanitarian relief and support for our friends and allies is largely irrelevant.

This simple fact is the reason that I have been such a longstanding advocate of the Department's strategic airlift programs, especially, in this case, the C–17.

Mr. Chairman, you have often heard me express concerns, as I did a minute ago, about the current trends in defense funding levels. All of the Department's sustainment, modernization and recapitalization programs are severely constrained by the top line that is inadequate to ensure our military is ready and equipped to support the national military strategy.

Unanticipated cost growth in programs such as the C–5 Reliability Enhancement and Reengining Program, RERP, and the C–130 Avionics Modernization Program, AMP, only increase these challenges.

I am very glad to have Ms. Payton with us today to discuss the challenges the Air Force is having in fielding required capabilities to the warfighter on time and on cost.

As I have said, we simply cannot afford to do all the things that we need to do and there is no longer room in the budget to compensate for poorly defined and poorly managed programs.

As you all know, Secretary Young recently certified to Congress that the C–5 RERP program was essential to national security, that there were no alternatives which provide equal or greater military capability at less cost, and that the modified program cost is reasonable.

The modified program includes performing the program of 52 C–5Bs and C aircraft and only modernizing avionics on the remaining 59 C–5A aircraft.

The total program cost for the restructured C–5 program, modernization program is projected to be $7.7 billion for the 52 aircraft.

Now, I would like to bring your attention to the fact that in 2005, the mobility capability study, which was used as an analytical basis for determining the C–5 inventory requirement, states that 112, not 52, 112 modernized and reliability improved C–5s are required to make the Department's strategic airlift requirements.

It is unclear to me how we are going to be able to meet the stated requirement for strategic airlift if we are going to perform reliability improvements to less than half of the C–5 fleet—52 aircraft.

Reliability equates to availability and availability renders capacity. This was the original thought behind the C–5 RUP program of procuring C–17s. Improving the reliability of the existing C–5 fleet was thought to be more affordable than to gaining the needed organic capability.

Now we are faced with a dilemma. We are only going to perform reliability enhancements on 52 C–5s at a cost of $7.7 billion and, at the end of the day, we are not going to achieve the minimum organic strategic airlift force structure capability to support the stated requirement of 33.95 ton-miles per day.

I noted that Secretary Young, in his testimony before this subcommittee last month, stated that the new tanker, the KC–45, would be used to fill the remainder of the airlift gap.

General Schwartz, I hope that you will be able to expand on that statement a bit and explain to us how a tanker, which, as you have said in the past, is going to be used as a tanker first and is going to also be used to offset the shortfall in strategic airlift requirements.

I raise these points because the Department's fiscal year 2009 budget request does not include funding for any C–17s. No funding in the budget request for 2009 means that the C–17 line will be shut down unless this body takes steps to keep it open.

We now know that the C–5 modernization program will not meet the requirements identified in the 2005 MCS. We must also account for the end strength increases of the Army, as the chairman pointed out, and the Marine Corps, the mobility requirements of the Army's Future Combat System, as the chairman also pointed out, and the fact that we are over-utilizing the current C–17 fleet.

In fact, I noted in one of our accompanying notes here that some of the C–17 aircraft are already on restricted status.

That said, I would like to hear from each of our witnesses as to their thoughts on the wisdom of shutting down the C–17 production line at this time.

Ladies and gentlemen, let me just conclude by saying I know this is a top line problem, and I know that you are struggling to do your jobs within the constraints that we and the White House seem to be determined to impose.

And so I look forward to working with you to work through these problems that the chairman outlined and that I reiterated, and we look forward to hearing your testimony.

Mr. ABERCROMBIE. Thank you, Mr. Saxton.

Without further ado, then, and without objection, I hope we will proceed to the panel's testimony and then go into questions.

All the witnesses' prepared statements are included in the hearing record.

So in light, Ms. Payton, of the opening comments, perhaps you could address your summary remarks in that vein and we can proceed apace.

STATEMENT OF HON. SUE PAYTON, ASSISTANT SECRETARY OF THE AIR FORCE FOR ACQUISITION

Secretary PAYTON. Yes, sir. Thank you very much.

Good afternoon, Chairman Abercrombie and Congressman Saxton and all the distinguished members of this committee.

It is my distinct honor to appear before you today to testify on the state of several Air Force mobility and tanker programs.

I am further honored to be joined by General Norton Schwartz, the commander of U.S. Transportation Command, and General Arthur Lichte, the commander of Air Mobility Command.

I look to these gentlemen as my customers.

I look forward to discussing how the Air Force is committed to modernizing and recapitalizing our aging aircraft to protect our Nation and support our airmen, while providing the best value to the American taxpayers.

In the interest of time, I will limit my opening remarks to the KC–45A, the C–5 modernization, C–130J production, and C–27, also known as the Joint Cargo Aircraft or JCA.

The KC–45A is our number one procurement priority. The KC–45A tankers will provide greater overall capability than the current inventory of 500-plus KC–135E and KC–135R tankers, which will take several decades to replace.

With the average age of the fleet over 47 years, when the last KC–135R is retired, it will be more than 80 years old. It is also absolutely critical for the Nation to move forward on this program pending the findings of the GAO protest investigation.

The Air Force spent an unprecedented amount of time and effort with the offerors, ensuring opening communications and a completely transparent process, and I am extremely proud of the KC–45A acquisition team and I am certain that the Air Force selected the best overall value to the warfighter—the taxpayer—based on the competition evaluation factors.

With regards to our strategic airlift fleet, modernization of the C–5 fleet remains an Air Force priority to meet combatant commanders' requirements.

The last time I testified before a subcommittee of the Senate with General Schwartz, Secretary Wynne had announced that the C–5 Reengining Reliability Program was in a critical Nunn-McCurdy breach.

And I am very pleased to tell you that on February 14th of 2008, the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L) certified the restructure of the C–5 RERP.

The certified production program consists of modernizing the remaining 47 C–5Bs and two C–5Cs.

A key component of the intra theater airlift modernization effort is our C–130J. As of February 2008, we have fielded 63 of the 87 funded C–130J aircraft. The current C–130J multiyear procurement contract ends in fiscal year 2008 and we will be using suboptimized additional procurements through annual contracts to procure future aircraft until a new multiyear program contract can be negotiated.

As a joint Army-Air Force program, the JCA is uniquely qualified to perform time-sensitive mission-critical re-supply. On February 29, Office of the Secretary of Defense (OSD) sent the required six reports and certification required by Fiscal Year 2008 National Defense Authorization Act.

We are now prepared to move forward with this joint program. I look forward to your questions on that.

The men and women in Air Force acquisition take great pride in developing on our promise to deliver war fighting capabilities on time and on cost.

I am very honored to represent them in front of this committee, and I thank you again for the opportunity to be here. I look forward to any of your comments and questions.

[The prepared statement of Ms. Payton can be found in the Appendix on page 62.]

Mr. ABERCROMBIE. We will move now to General Schwartz.

STATEMENT OF GEN. NORTON A. SCHWARTZ, COMMANDER, UNITED STATES TRANSPORTATION COMMAND, U.S. AIR FORCE

General SCHWARTZ. Chairman Abercrombie, Congressman Saxton, distinguished members of the committee, it is my privilege to be with you today representing the more than 140,000 men and women of the United States Transportation Command.

We are a supporting command and our number one mission is provide outstanding support to the warfighter and our Nation by rapidly delivering combat power and sustainment to the joint force commander, providing the utmost care, moving our wounded troops from the battlefield to world class medical treatment facilities and redeploying our forces home to their families.

As the Department's distribution process owner, USTRANSCOM also leads a collaborative effort within the logistics community to improve the broader DOD supply chain.

We execute our mission through the many fine people in our component commands, the Army's Military Surface Deployment and Distribution Command, the Navy's Military Sealift Command, and the Air Force's Air Mobility Command, led by General Art Lichte, whom I am honored to have up here with me today.

The components provide the mobility resources and the expertise necessary to execute military and commercial transportation, terminal management, aerial refueling, and global patient movement through the defense transportation system.

Our effectiveness is the direct result of the hard work and dedication of these professionals, and I am grateful to you and all of Congress for the needed support you provide.

I could not be prouder of the TRANSCOM team and our national partners.

Today, we are supporting the global war on terror (GWOT) and keeping our promises to the warfighter.

The delivery of much needed Mine-Resistant, Anti-Ambush Protected (MRAP) vehicles to protect our troops continues to be a top priority. To date, we have delivered more than 4,900 MRAPs to the U.S. Central Command (USCENTCOM) theater and by the beginning of next week, we will top 5,000.

Delivered almost exclusively by air in the early stages and as production levels declined, we have reached a balance between air and surface modes of transportation to optimize distribution.

We continue to advance to normalized transportation operations throughout the Central Command. In 2007, we initiated the first U.S. flagged commercial cargo flights into Afghanistan and Iraq since combat operations began and increased the use of alternative air and seaport facilities in the regions, thus broadening our capability to provide the best possible support to our warfighters.

We have also focused on improving the quality of life for our people. Through the Families First program, we are improving household goods shipments, as this recurring event directly effects the lives of our service people and their families.

We now protect household goods with full replacement value. In addition, the defense personal property system, the web-based software which will better facilitate household moves will be fully integrated into all shipping offices later this year.

We are also transforming the military deployment and distribution enterprise by incorporating best commercial practices wherever it makes sense.

Much like Fortune 500 companies, which realize savings through the use of transportation management services, our Defense Transportation Coordination Initiative (DTCI), in partnership with the Defense Logistics Agency (DLA) and the services, will use a commercial transportation coordinator to help manage a significant portion of DOD routine freight movement.

We are currently implementing DTCI at three Continental United States (CONUS) sites and, in fact, the first shipment occurred yesterday at Puget Sound, and we are encouraged by the potential savings and improved support we can provide as DTCI expands to additional sites throughout the coming year.

It is through a combination of military and commercial capabilities that USTRANSCOM fields a transportation and distribution system that is unmatched anywhere in the world.

As we look to the future, rapid global mobility will continue to be a key enabler and ensuring the appropriate mix of lift assets is vitally important to the mission.

My top acquisition and airlift recapitalization priority is our tanker fleet. I am encouraged that the KC–X is now under contract, albeit under protest, and the Air Force will proceed with this very important procurement program consistent with the pending determination by the Government Accountability Office (GAO).

The KC–X will provide multipoint refueling, significant cargo and passenger carrying capability and appropriate defensive systems and it will be a game-changing platform for the future of global mobility.

I am also encouraged by the Department's decision to certify the C–5 modernization program. The Nation needs the outsized and oversized lift capability provided by a reliable C–5 as a complement to the C–17.

We are optimistic that the newly certified modernization program will deliver the needed reliability and performance to make the C–5 a more productive platform.

With these modernized C–5s, I remain convinced that the 205 C–17s, 111 C–5s and commercial capacity provides the right balance to meet our strategic mobility requirement.

Despite our very substantial military force structure, USTRANSCOM will always depend on a mix of government-owned and commercial assets. We should guard against overbuilding the organic airlift and sealift fleets, which could place our longstanding commercial partnerships at risk.

A critical national capability for projecting military power and sustaining forces is a viable Civil Reserve Air Fleet. The continued success of craft relies upon the strength of our U.S. flagged airlines.

We are, however, looking toward the post-Operation Iraqi Freedom (OIF) timeframe, when lift requirements will decrease substantially. Given that eventual reality, we are looking at innovative ways, such as the craft assured business initiative, to encourage participation, thus ensuring the long-term health of this program.

As we look to the future, two important studies will address increasing Army and Marine force structure, unit positioning, equipment modernization, including the Army's FCS program, and other changes that may alter or influence the lift demand signal.

These study efforts, with extensive TRANSCOM participation, will deliver in January and May 2009, respectively.

I am grateful to you, sir, and the committee for allowing me to appear before you today to discuss these and other important issues. I thank you for the essential support that you provide in enabling our capabilities, and I look forward to your questions.

Thank you.

[The prepared statement of General Schwartz can be found in the Appendix on page 69.]

Mr. ABERCROMBIE. Thank you.

General Lichte.

STATEMENT OF GEN. ARTHUR J. LICHTE, COMMANDER, AIR MOBILITY COMMAND, U.S. AIR FORCE

General LICHTE. Mr. Chairman, Mr. Saxton, distinguished committee members, thanks for the opportunity to appear before you today.

As a total force team of over 133,000 active duty, Air National Guard and Air Reserve mobility airmen, Air Mobility Command is a proud member of the United States Transportation Command joint team, and we are proud to provide global reach to our nation's warfighters through airlift, air refueling, global patient movement, and air base opening.

I am extremely pleased by what the committee has accomplished, what the command has accomplished, and we continue our focus on winning today's fight, taking care of our people and preparing for tomorrow's challenges.

Perhaps the most notable was the recent Air Force announcement for the development and procurement of up to 179 KC–45A tanker aircraft. Although the process of recapitalizing our entire tanker fleet will take three decades and require a long commitment, this is a great first step toward retiring our geriatric Eisenhower era KC–135s, a first step that will foster future generations of mobility airmen to be able to continue their great support of the joint warfighter and United States Transportation Command's global mission.

As the Air Force's number one acquisition priority, the new tanker is vitally important to our national security. As the combat enabler for global vigilance, reach and power, it will be able to carry more fuel and more cargo and more passengers than the KC–135 that it is replacing, and it will be able to refuel joint and coalition aircraft on every mission.

Likewise, we received good news on the certification of the C–5 reliability enhancement and reengining program and the selection of the C–27 as the new Joint Cargo Aircraft.

Even though these announcements did not receive the same visibility as the KC–45, they are still critical to AMC's support to our nation.

Fully modernizing a total of 52 C–5s will enhance the capabilities of our nation's largest airlifter, increase its reliability rates, and allow us to operate at reduced cost.

And on the other end of the airlift scale, the C–27 Spartan will satisfy the requirement for a platform that can deliver to that last tactical mile.

But the good news in Air Mobility Command is not just about modernization and recapitalization. We continue to take care of airmen and not just airmen, but soldiers, sailors and Marines, as well.

Through airlift and precision airdrop, we have pulled the supply chain vertically up out of the threat and eliminated the need to place over 12,000 soldiers, sailors, airmen and Marines in harm's way on the road to Iraq and Afghanistan in each of the last 4 months.

And for those who must be on the front lines to perform their duties, AMC has airlifted over 2,600 mine-resistant ambush-protected vehicles, MRAPs, to Iraq on C–17s and contract carriers as part of United States Transportation Command's joint effort to rapidly deliver these high priority systems by both sea and air.

The command also continues to press forward with the improvements to the aeromedical evacuation system and, as many of you heard last fall, when Resolution 640 was presented on the floor of the House, our aeromedical evacuation system continues to work miracles for Americans wounded while answering our nation's call.

Both of our new airframes, the KC–45A and C–27, will support this absolutely vital aeromedical evacuation.

In a true example of joint service synergy, I am proud to say that if one of America's sons or daughters gets wounded in Iraq, is able to make it to the theater hospital in Balad Air Base, they have a 98 percent chance of survival, thanks to our amazing medical care system.

And within that system, it is our aeromedical evacuation heroes who provide those wounded joint warriors their lifeline back home. It is a moral imperative and it is a promise we intend to keep for everyone who serves.

As we look to the future and prepare for tomorrow, there are plenty of challenges on the horizon, challenges we must meet to ensure the next generation of airmen and joint warfighters can continue to deliver America's clenched fist to its enemies or its outstretched hand to those in need around the world.

The continued wear and tear on our airframes remains a major concern. While our C–130 center wing box replacement program is making great progress, we are beginning to see wear and tear and other issues on other airframes, as well.

Even though the C–17 is a fairly young aircraft, we are beginning to see cracks in the fuselage caused by repetitive fatigue from thrust reverses, and the C–5 fleet is not immune either, with cracks appearing on the top of the aircraft and in the structure near the forward cargo door hinges.

We are pressing ahead with fixes for these issues, but others will undoubtedly appear in the future as the fleet remains heavily tasked to meet mission requirements.

We are also facing looming deadlines to complete avionics upgrades so we can meet global air traffic requirements and continue to access congested airspace worldwide.

Thus far, we have been able to modify a considerable portion of our fleets, but we have a lot to do before the restrictions begin to impact operations in the year 2015.

In conclusion, I would like to say that I am proud to be both a mobility airman and a member of the United States Transportation Command's joint team.

From direct support of the warfighter on the battlefield to humanitarian airlift and response to natural disasters, our air mobility fleet is and will continue to be a critical component of America's strategic capability.

I am humbled to represent the 133,000 mobility airmen of the command, as we support United States Transportation Command in demonstrating our national resolve, delivering combat power, and saving lives.

And, sir, I am ready for any questions you may have.

[The prepared statement of General Lichte can be found in the Appendix on page 49.]

Mr. ABERCROMBIE. Thank you very much, General.

For today's hearing, for our members, we are going, as you know, from hearing to hearing, reversing the order, starting for those who have least seniority on the way up and then the regular seniority on the way down.

We are at regular seniority, moving sideways, I guess, is more accurate.

So I have some questions, but I will start with Mr. Spratt.

Mr. SPRATT. Thank you very much for your testimony.

I am interested in the fate of the C–5. Forty years ago, I was working in the Department of Defense dealing with the acquisition of the C–5A, which was a checkered history, to say the least, and we still have many of the same problems.

It is kind of the symptom of the system.

Madam Secretary, you were very complimentary of the acquisition workforce that you have under your command, but we have got, in the case of the C–5, an astounding increase in unit cost over and above the Average Procurement Unit Cost (APUC)—I don't know how you pronounce that acronym—68 percent from the original baseline.

How do you account for that and is that an acquisition problem or does that have more to do with the climate in which all acquisition is transacted today?

Secretary PAYTON. Thank you very much for the question, Congressman Spratt.

I believe it is a combination of both. The day that I walked in to take over this position, I took a look at the funding profiles for the programs that were heavily in cost overrun, 50 percent or more, and I realized that to a program, they had been baselined at a cost way too low.

They had been baselined way too early, before we really understood what the cost of the program would be.

Relative to C–5 RERP, we have also had an increase in the cost of titanium, about 503 percent since 2004, and C–5 RERP is very titanium dependent because it is mostly an engine program.

So the titanium that was needed to really make the engines and put them on the aircraft had gone up. Material costs had gone up. Labor rates had gone up.

So I would say that we baselined the program too early, before we had done adequate prototyping, and we did not pick the right cost number. We picked a 30 or 40 percent confidence level to begin with instead of an 80 or 90 percent.

I have since put out guidance and any program that comes before me will be funded at a level of 80 percent confidence that our acquisition people will be able to succeed.

So it is a combination of a lot of things going wrong. On the C–5 AMP program, having issues with that, we kicked the can down the road. C–5 RERP was dependent on C–5 AMP.

So the acquisition strategy, I believe, on that was flawed and I do believe we have had some cost escalation in materials and in labor hours.

Mr. SPRATT. Do I understand the background material correctly to say that you have taken the RERP and taken the reliability out of the RERP, so that basically we have got a reengineering, but not the reliability components?

Secretary PAYTON. No, sir. We still have the reliability component in there. That was up for discussion, but that was thrown off the bus. We are definitely having a reengining and reliability improvement to that program.

I think there are 70 items that are going to be improved in the reliability.

Mr. SPRATT. Now, by my account of your testimony, there are about 111 C–5s left.

Secretary PAYTON. Yes, sir.

Mr. SPRATT. And we have 170 C–17s.

Secretary PAYTON. I believe there are 190 currently in the program of record.

General SCHWARTZ. It is 171 delivered, sir.

Mr. SPRATT. It is 171.

General SCHWARTZ. Yes, sir.

Mr. SPRATT. And you indicate, however, that the Air Force continues to support the acquisition of this airplane. You just don't have the money to pay for it, but you are sending us a signal that if we can find the money, that you would be agreeable to a continuation.

Am I reading between the lines correctly here?

Secretary PAYTON. Based on the acquisition decision memorandum of the 14th of February, we will reengine and improve the reliability on 52 C–5s that will become C–5Ms and the other 59 C–5As will be AMP'd.

The acquisition strategy right now is to go ahead and improve the avionics on those As and to, obviously, do the avionics and the reengining reliability on the Bs and Cs.

Mr. SPRATT. The testimony of one witness was to the effect that I think the U.K. and Australia and the Canadians have bought the

C–17, and we kept the F–16 line going despite the fact that the DOD was recommending we stop the C–17 line.

The market overseas developed to take up a lot of the production in San Antonio.

Is there a possibility here that if we can keep the C–17 line going, it might be something that our allies and others around the world might want to procure, as well?

Secretary PAYTON. Sir, I believe that is what I am hearing, but maybe General Schwartz would have more information on that.

General SCHWARTZ. Sir, as you are aware, the Canadians are in for four, the Aussies for four, the Brits a total of seven.

There are Gulf nations that have expressed interest probably in excess of four and the North Atlantic Treaty Organization (NATO) allies have indicated an interest in three.

It is absolutely clear to me that there is an appetite for these machines outside the DOD procurement profile and it requires aggressive marketing on behalf of the manufacturer to see that those opportunities are realized.

Mr. SPRATT. Thank you for your testimony.

Mr. ABERCROMBIE. Thank you very much.

Just to make clear, General Schwartz, are you saying that the question of shutting down the line has to be seen in the context of outside sales as opposed to shutting down the line simply because the Air Force is not necessarily requesting nor requiring more?

General SCHWARTZ. Sir, I am saying that it is a strategy for extending the production line and it is one that——

Mr. ABERCROMBIE. For the corporation that is involved.

General SCHWARTZ. And it is something that should be aggressively pursued.

Mr. ABERCROMBIE. Thank you.

Mr. Saxton.

Mr. SAXTON. Thank you, Mr. Chairman.

And, again, thank you for being here with us. We appreciate it very much.

The C–5 program, first, let me say that I have been a longtime supporter of the C–5 modernization program. In fact, some years ago, the Air Force was kind enough to make a C–5 available to us out at Andrews Air Force Base and a group of us went, when the program was just a proposal, to actually get a feel for what the program was like and what the requirements would be, et cetera.

And at the time, we were going to modernize, I think, just the C–5Bs, if my memory serves me correctly, and then one thing led to another, some activity in Congress and in other places and the program—a study was put in place for the potential modernization of the entire fleet of 111 airplanes.

And when that study looked promising, we concluded that we could meet our airlift requirements with a fleet of less than 200—I have forgotten what the number was exactly—C–17s and 111 modernized C–5s.

And then another turn in the road occurred recently and the cost of modernizing 111 C–5s became too much for a measuring stick called Nunn-McCurdy.

And so now we have a program where we are back where we started to modernize 52 Bs and AMPing, I guess, the 59 As.

And in my opening statement, I posed the question, if 111 modernized C–5s and less than 200 C–17s gave us the required amount of lift, how does 52 modernized Bs and 59 As, with new electronics, which doesn't, from what I understand, improve capability in terms of reliability, how does this give us the same amount of lift or how does this help us—how does this make it possible for us to meet our requirements, our lift requirements, when we concluded previously that we needed the entire fleet modernized?

Mr. ABERCROMBIE. Before you answer, this is essentially what General Lichte is saying in his testimony, as well.

What Mr. Saxton has put forward as the proposition, as the premise, is also the testimony that has come to us. I think that is a fair summary on page four under C–5 reliability and reengineering program.

General SCHWARTZ. Congressman, the bottom line is that the original baseline was 180 and 111 modernized aircraft. That is, modernized C–5 aircraft.

The numbers give you 33.95 ton-miles with 205 and 111 with the C–5Bs, the 52 aircraft that you addressed, being reliability improved.

So in part, that is where the number which Senator Levin solicited from me last fall came from.

General LICHTE. Mr. Saxton, if I might add, and it goes to what the chairman was asking about, mobility capability studies, as well.

The 33.95 that we talk about were slightly short, but we are within shooting distance.

The problem, as you point out, with the studies, we have a lot of studies and we haven't captured everything, because this is a changing and dynamic world.

So we have not captured what we would say keeps moving the goalpost for us, that we have to go back and keep readdressing the numbers.

We haven't captured that increase in the Army. We haven't captured the fact that the C–130 is no longer a platform that Future Combat Systems will fit on.

So, therefore, it leads to a C–17 or C–5 platform and you have to ask the question on a concept of operations. If you have to go into unimproved or semi-improved runways, it leads you back to C–17.

And so while we are at the bottom of the range—and, by the way, the study has provided a range that we shoot for, but on every study, we end up being forced to the bottom of that range, which means you assume some of the risk that you would have if you increase the numbers all the way up.

So as General Schwartz points out, the 205 C–17s and 111 makes that 33.95 million ton-miles per day, as we know it today, but doesn't take into account some of the other studies.

So while we accept the numbers that we have in the program and in the President's budget right now, my feeling is, as the commander of Air Mobility Command, I would like to see us keep the C–17 production line open and I would like us to get the results of some of those studies back in with the increased amount of information, which is undergoing right now through Transportation

Command and the MCRS, mobility capabilities and requirements studies, so that we can refine that number and make sure we have it right.

Mr. SAXTON. General, when you say that the requirements change from time to time, I guess one of the changes that we didn't anticipate was the need to deploy MRAP by air over the past months.

That was certainly something that was not anticipated.

General LICHTE. That is true. But, of course, the studies we look at are wartime and, obviously, the MRAPs are part of wartime, in all the war plans for the initial surge and especially in that early 30 days where we worked very closely with Transportation Command to determine whether we will go by air or whether we will go by land or by sea.

Mr. SAXTON. Now, it is our understanding that in planning for future airlift requirement, that the requirements involving the Future Combat System have not been considered in arriving at the conclusions that the Air Force has come to relative to the lift that we need.

Mr. Abercrombie and I, on Friday, are going to go to see some demonstrations of FCS, because it is a reality and if it is a reality and if history is a good teacher, we will have the need to deploy FCS in the foreseeable future.

My information is that FCS will begin to come online as early as 2010, but will be fully operational—will have initial operational capability in 2015, 7 years from now.

And, yet, the Army has not put forth the requirement, from what I understand, for this deployment and, therefore, these matters involving FCS and its deployment have not been factored into the need for lift.

Is that correct?

General SCHWARTZ. Congressman, the mobility capability study 2005 did not address FCS, because its window of analysis extended through 2012 and, at the time, FCS was not delivering, certainly in quantity, until 2017.

And as you are aware, the Army now has an interest in accelerating that timeline, as you indicated. And so the studies that we have at the moment do not consider FCS, the mobility capability and requirements study, as well as the McCaskill-Tauscher study, which the Institute for Defense Analysis is doing, the latter January 2009 deliverable, the former in May of 2009 deliverable, will include FCS requirements.

Mr. SAXTON. Thank you.

Thank you, Mr. Chairman.

Mr. ABERCROMBIE. Just so we are clear on that, before we go to Mr. Smith.

When you say FCS requirements, there is a whole slew of proposals there. What we are going to see doesn't involve the kind of equipment that won't fit right now, right?

General SCHWARTZ. Sir, we are talking about vehicles which are C–17 compatible.

Mr. ABERCROMBIE. Right. And they say are ready now?

General SCHWARTZ. Sir, they are not ready now, but we have dimensional data which is from the manufacturer and so on and we will do our best analysis based on the best information.

Mr. ABERCROMBIE. So that is a separate issue to be settled, right, on when these actually are deliverable in a form that actually requires an airlift capability?

General SCHWARTZ. Of course.

Mr. SAXTON. If I could just take 30 seconds, Mr. Chairman.

Mr. ABERCROMBIE. Yes.

Mr. SAXTON. General Schwartz was very articulate about explaining why the FCS requirement has not been included in the current set of requirements for airlift, and I just want to make that clear for the record.

Is that right, General?

General SCHWARTZ. They have not been factored in, that is correct.

Mr. ABERCROMBIE. Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

A quick question on the C–17. Forgive me, there are a lot of facts floating around on this. I want to make sure I am clear on this.

So you are not planning on purchasing any more, but I think the viewpoint of most is that, at some point, we will likely need more C–17s. So the concern is in keeping the line open.

Is that accurate? Are you envisioning a point in the future where you will need more C–17s, but just not right now and just not within the funding? Is that an accurate assessment of what is going back and forth here?

General SCHWARTZ. That is not necessarily my view, sir. The secretary and General Lichte can sort of address their view.

Mr. ABERCROMBIE. Would you pull the microphone a touch closer, please?

General SCHWARTZ. I think it is premature to suggest that we require additional 17s as far as the eye can see, sir.

Mr. SMITH. I wasn't saying as far as the eye can see. I was just saying more than we have now. But you are saying it is still possible that we might not even need more.

General SCHWARTZ. As I have articulated, sir, I think the right number of C–17s is 205, which is 15 short of where the program is right now.

Mr. SMITH. Anything different?

General LICHTE. I would add, as Secretary Wynne and General Moseley have mentioned, that once we determine where the requirements are and as we have talked about with the chairman, we are at the bottom of the requirements.

So as we hear about Future Combat Systems, as we know about some increase in the size of the Army, it will depend on where those soldiers are positioned.

If they are part of the force that we need to take their equipment forward or back, that may drive a higher requirement, and we are at the bottom of the scale.

So if that drives us up, it may require that we look at it.

Mr. SMITH. That answers—sorry—other questions to our timeline.

I want to ask you two questions about the tanker decision. There is a lot certainly that has come out of it, but I still have more to learn. I can't speak for anybody else on the panel.

And I guess one of the biggest questions I have is in terms of assessing the risk and reliability of the delivery schedule in assessing for or against two competitors, which seem to, to some degree, ding the 767 requirement.

I know there are a lot of different pieces to this, but one of the biggest pieces certainly is having the plant to build the tanker, which the 767 has and has been building, whereas the 330 has been contemplating building a new plant in Alabama, no guarantees of workforce there, at least not the same guarantees that you have with the people who have already been building it.

So it seems hard for me to understand that that would be a negative against the 767 proposal in terms of their reliability versus a plant that hasn't even been built yet.

I am wondering if you could explain that.

Secretary PAYTON. Yes. Congressman Smith, thank you for the question.

I would love to go to a closed session. We did look at the facilities implication and I would be more than happy to describe any of that with you, but not in an open forum.

Mr. SMITH. The other question is on the changes in the assumptions that have been made, and I have been seeing different answers to this in a variety of different forums, none of which have been terribly satisfactory, because certainly there are many different changes that are made on a procurement this size and you can get so buried in the details.

But the bottom line is what the Air Force seemed to be asking for in the 2002 timeframe is different than what they ultimately wound up asking for. I think we would all agree upon that.

I mean, to the point where last year sometime, there was considerable scuttlebutt that the 330 proposal, they were saying, "We might not make one, given the requirements that are put here. We think they are skewed unfavorably toward 767."

And then they went, gosh, in a year's timeframe, from having a set of requirements—and I know that is not the right word here, because you didn't actually formally change the requirements, but there were changes within the proposal requests.

They went from saying, "Gosh, we might not be able to compete at all" to getting the contract. And the big difference here is medium-sized versus large, but there are others.

What changed between 2002 and 2008 in terms of those requirements that took it in such a radically different direction?

Secretary PAYTON. Well, to start with, I would have to take for the record the question about what changed between 2002 and the point at which we put the official RFP out in January of——

Mr. SMITH. Things changed after that, too.

Secretary PAYTON. I would be more than happy to address what changed prior to the request for proposal (RFP) going out and then the one thing that changed, and it wasn't a requirement, but it was a piece of the data that goes into a model.

So I could answer that part, and I think that General Lichte may want to add to it.

The main thing we wanted to make sure we were doing in the integrated fleet aerial refueling assessment was to be able to compare one offeror to the KC–135 and compare the other offeror to the KC–135 in a very high stress wartime environment that would be realistic.

So as we were reviewing the datasets that would feed into the model, it became apparent that in a time of war, you do have the aircraft parked closer together on the ramp. There is an Air Force instruction, I believe, that says no closer than 25 feet.

And you do start parking the aircraft on ramps that can handle heavier weight first. And so the things that were improved in the datasets were making the actual data more realistic for a wartime scenario.

Now, at the time that we did this, we had no idea what either offeror was going to bid. We were being told that we might get two bids from Boeing.

So those things were changed just to make more realistic the scenario.

There was one thing that was changed after the RFP was released and that was that we discovered there was one more parking ramp at Bahrain than the model was allowing as a data input. And so that was added for more realism, as well.

But at no time were any datasets changed to try to skew or unlevel the playing field.

And I don't know, General Lichte, if you have anything you might want to add.

Mr. SMITH. I would yield to the chairman. I am out of time. I don't want to take too much time.

Mr. ABERCROMBIE. Why don't you make your remark, General, and then we will conclude this segment.

General LICHTE. Yes, Mr. Chairman.

What I would say, because, as the operator, we helped establish the requirements and the KC–X requirements were set and established by the Joint Requirements Oversight Council, the JROC, in November of 2006 and it didn't change after that.

And the evaluation criteria were established when the RFP went out on 30 January 2007 and we didn't change after that. The items that Ms. Payton referred to, there were five things that affected the Integrated Fleet Aerial Refueling Assessment (IFARA), but they were all operational realities.

Mr. ABERCROMBIE. Can you say what that is, for the record?

General LICHTE. The five things, four of them were made actually prior to the RFP going out, with the wingtip clearance that Ms. Payton alluded to.

In peacetime, we use about 50 feet between aircraft. In wartime and what we are using today, it is 25-foot wingtip clearance.

So we decided that is what we should be. That is the fair way of looking at it. So with wingtip clearance, the ramp utilization with regard to pavement stress, and that is the same thing we do as we assess airfields.

Obviously, we are going to have a mix of aircraft, tankers, fighters, bombers, and so we assessed where the tankers will be. So we looked at that and put it out.

One of the things that came up was tanker receptacle credit. On the tanker aircraft, the new KC–X can take gas, as well as give gas. Our KC–135s can't take gas. There is a flexibility that that gives a commander by being able to take gas.

So we had to evaluate what is the credit we should give to someone who puts a receptacle on the tanker.

And so that was one of the things that came up, and then a realistic tanker ground time. There was discussion whether you just give a ground time to the tanker, how much time it takes to just pump fuel on it.

But for all our aircraft in the entire system, we have published ground times, because there is a lot more than just pumping gas. Crew chiefs have to be ready. The latrines need to be serviced.

There are a lot of other things that go into make an aircraft ready. So we used our standard time for tankers, which is four hours and 15 minutes, and we used that and applied it across the board.

And then the last one was, as Ms. Payton alluded to, the one base that we didn't have the ramp right at Bahrain and that was changed and was given to all the competitors in advance, and we offered to answer any questions about the requirements on that.

Mr. SMITH. Thank you.

Thank you, Mr. Chairman. I appreciate it.

Mr. ABERCROMBIE. Ms. Payton, will you make arrangements to meet with Mr. Smith or his designee about the factory question?

Secretary PAYTON. Yes, sir.

Mr. ABERCROMBIE. We will move to Mr. Akin now.

Mr. AKIN. Thank you, Mr. Chairman.

Mr. ABERCROMBIE. Just one thing. Excuse me, Todd.

Again, so I make it clear, I didn't want to use Mr. Smith's time, but there was an implication there, and I wanted to make certain that, for the record, we have it.

General Schwartz, if I understood you correctly and if I understood the answers to Mr. Smith, is it the Air Force position—and perhaps I need to address it to you, Ms. Payton.

Is the Air Force position that if 15 more C–17s come into the picture, if you get to 205, which is approximately 15 more, 13 to 15 more C–17s, that is sufficient unto the day?

The reason I ask that question is—I am not trying to trick you—the reason I ask the question is under your unfunded requirements list, you list 15 C–17s for almost $4 billion.

So the question, if you are answering—if I understood what has been directed to Mr. Smith to this point, if 15 come in, for example, say the Appropriations Committee deals in a supplementary or even in this bill with 15 more, then will you remove that from your unfunded requirements list?

Secretary PAYTON. I think that is a General Schwartz question.

General SCHWARTZ. I don't think it is. The bottom line is 205 is the right top line, in my view.

Mr. ABERCROMBIE. Yes. I understood you and General Lichte have 205 as the number, is that correct?

General LICHTE. That is correct, as I know all the requirements today. So I still need, Mr. Chairman, that the numbers for the Fu-

ture Combat System be increased in the Army, all those things we talked about earlier.

I need the results of that before I would be able to commit to a final number, but 205——

Mr. ABERCROMBIE. Well, then, why are they on the unfunded requirements list?

General LICHTE [continuing]. And 111 brings us to the bottom of that requirement capability.

Mr. ABERCROMBIE. I am still not quite exactly clear whether Mr. Smith's question has been answered.

Mr. SMITH. It has to my satisfaction, Mr. Chairman. The last piece is the key piece. The requirements may well change based on other things that are asked for by us or by DOD and if that happens and, all of a sudden, the Future Combat Systems requires airlift of a certain kind, then they may have to reevaluate it. It is in flux, I gather that.

Mr. ABERCROMBIE. Do you understand why I am asking these questions? Because we have drifted into a pattern of having a budget and a defense bill and then something called an emergency supplemental bill, which, all of a sudden, doesn't have much to do with emergencies and doesn't have much to do with supplemental, but has a whole lot to do with politics and a whole lot to do with bouncing requirements back and forth, particularly where procurement is concerned.

And what it does is it throws a political element into it, particularly from the congressional side, which is easily criticized or easily critiqued and probably criticized, as well, but, nonetheless, is almost inevitable when we get into this kind of situation where it is tough for us to figure out exactly what the hell are you asking for.

Is silence assent in the Thomas Moore sense?

General SCHWARTZ. Mr. Chairman, the need is 205 C–17s. I do not presume that those things that are yet to be assessed and concluded will add to that number. Some people do. That is not where I am at.

Mr. ABERCROMBIE. I accept that. You understand regular order gets severely compromised when there is an assumption that, well, let's not really worry about—I am not saying you are doing this, but there is going to be a tendency to say, "Well, it really doesn't matter whether the studies are finished yet or when they do, we will just toss it into the supplemental," and all of a sudden, F–22s are appearing and Joint Strike Fighters (JSF) and what have you.

It becomes a kind of procurement reserve.

General SCHWARTZ. One thing, sir, to make clear that if the decision is to build more than 205, then my best military advice to the committee is that we look for trade space elsewhere in the fleet mix.

So if you build above 205 C–17s, it means taking capacity out elsewhere, which probably means C–5As. That is the trade space, in my opinion.

Mr. ABERCROMBIE. This all presumes, by the way, that we don't ever change the way we procure, that we don't ever get to capital budgeting or any other system, that we just keep on going the way we have been doing all along. Right?

Which would be the sensible way to do it, because absent changing the way we finance things, this is what we are going to face, correct?

Todd, I am sorry to take the time, but I thought it needed to be clarified.

Mr. AKIN. Thank you, Mr. Chairman, and I agree with you, I think it did.

I was going to ask along the same lines, as well.

Currently, we have 171 C–17s, is that right?

General SCHWARTZ. A 171 delivered birds, yes, sir.

Mr. AKIN. And how many are on order then?

General SCHWARTZ. A 190 is the program.

Mr. AKIN. One-ninety.

General SCHWARTZ. Yes, sir.

Mr. AKIN. So if we don't do anything else, if we follow the budget that you are recommending, we are going to end up with 190.

General SCHWARTZ. That is the current program.

Mr. AKIN. And you are saying 205 takes you to the point where you are totally comfortable that you will never need anything more than 205 of them.

General SCHWARTZ. Sir, it takes me to the point where I think the risks are reasonable.

Mr. ABERCROMBIE. It takes him to the point of retirement, Todd.

Mr. AKIN. Now, you are factoring in, General, the—I mean, you have some sense of Future Combat Systems. You are in charge of shipping things all over the planet. I mean, that is your command.

So you have a little bit of a sense, if we do this, this or this, you have a feel for just the general proportional change that that might be if something is bigger you are shipping or this or that, right?

General SCHWARTZ. Yes, sir, we do.

Mr. AKIN. And that is why you say that, with some level of confidence, you think that is just a good number and you would be okay.

General SCHWARTZ. It is with a level of confidence and the key thing here is, sir, we have more than one way to do things.

Mr. AKIN. Right.

General SCHWARTZ. Not everything goes by air.

Mr. AKIN. The next question I had was it said that on the C–5As, you are putting avionics on those. You said that.

Now, was I mistaken? I thought the C–5As had a very, very low reliability, that they are very old and that there is a whole lot of maintenance on those. Is that true?

General SCHWARTZ. That is the case, sir.

General LICHTE. And, sir, the majority of the maintenance is done on the engines. It is time to remove engines. So the reliability enhanced and reengining program will help on the number that we are RERPing.

Mr. AKIN. So when you talk about putting avionics on the C–5As, does avionics mean engines?

General LICHTE. No, sir. It is the equipment in the cockpit that allows it to fly in some of the airspace that some of that equipment is required in.

Mr. AKIN. That is what I thought. So it doesn't help the reliability.

General SCHWARTZ. Some.

General LICHTE. Only a little bit.

General SCHWARTZ. It does some. The issue here is obsolescence and if we are going to continue to operate the C–5 even at its current 55 percent or so reliability.

Mr. AKIN. How many C–5As do we have now?

General SCHWARTZ. Sir, given the program, there will be 59 C–5As.

Mr. AKIN. Fifty-nine. So, now, if you were trying to get the best bang for the taxpayer's buck, would it be better—this is just your opinion, and I know I am putting you on the firing a little bit, but that is what your job is, so it is okay.

Would you rather have the 59 C–5As or would you rather have more C–17s? You need some C–5s because there are some things that are just big that you need to haul, but you have got the Bs and the Cs.

General SCHWARTZ. If money were no object, I would rather have the C–17s, but it is not.

Mr. AKIN. So the reason for keeping any C–5As around is more just the cost of the additional C–17s.

General SCHWARTZ. It is having a balanced force that can accomplish the tasks that we see that need to be done, and operating it effectively and, yes, there is cost as a consideration.

Capacity is a consideration. Reliability is a consideration. Taking that all into balance, 205, 111, was where we came out.

Mr. AKIN. The 111 includes then the 59As.

General SCHWARTZ. It does, sir.

Mr. AKIN. But you are saying if somebody wanted to do it a different way, if you got rid of some of the C–5As, you could put more C–17s. You could mix that way, but it is a little bit more expensive, you are saying, to go that route.

General SCHWARTZ. Substantially.

Mr. AKIN. And you are figuring new engines for the C–5As or not?

General SCHWARTZ. No. Sir, there are a number of options, clearly, but the current position is, based on the certification for the Nunn-McCurdy and on the C–5 program is specific to aircraft that will become reliability—improved C–5Ms.

There are any number of options out there, to be sure, fewer C–5As, more C–17s, RERP, all 111. There are a number of options, but the place where we are at the moment is 205, 52 and 59.

Mr. AKIN. I guess another thing that has always been curious to me, you say they are something like 50 percent reliable. At least as I look at a number like that, I wouldn't want to get in an airplane that is 50 percent reliable.

General SCHWARTZ. It doesn't mean it is unsafe, Congressman. What it means is that the airplane might not depart on time. It might need maintenance for whatever reason.

We would not operate an aircraft that was unsafe.

Mr. AKIN. Well, I assumed that you wouldn't do that. But I guess when you have an unreliability factor in a plane, then you have to sort of figure that if you really only have 50 of them, you have got some number less than that, because you don't know for sure they are ready to go. Is that right?

General SCHWARTZ. You manage the fleet in a way that you acknowledge the fact that they are less reliable and you compensate. For example, perhaps you schedule two to make one sortie.

Mr. AKIN. Am I out of time, Mr. Chairman?

Mr. ABERCROMBIE. Thirty seconds.

Mr. AKIN. Thirty seconds, okay.

Changing subjects here a little bit, on the question of the tanker situation, I had a chance to sit in on——

Mr. ABERCROMBIE. I knew I shouldn't have said that.

Mr. AKIN. I had a chance to sit in on the meeting. I guess it was what you call the Secret level or it was a closed briefing on that.

I got the impression, just sort of as a takeaway, that the sense was that one of the competitors felt that the Air Force was really looking at a medium-sized plane and at least had that sense enough that that is what they bid, and yet the parameters the way the numbers and the algorithms worked out, there was an advantage to have a bigger plane.

The question that is not quite clear, in my mind, was there were a series of sort of like you have to meet this parameter, you have to meet that parameter, you have to meet the other.

Once you meet it, my understanding was there was no additional benefit for exceeding the parameter.

Is that true or did you give extra sort of benefit to people who exceeded what was required?

Secretary PAYTON. Yes, sir.

Mr. AKIN. Because on that point, it seems like that turns on the question of whether or not the other contractor should have bid a bigger plane, also, to have a big plane fighting a big plane instead of a medium one and a big one.

Secretary PAYTON. Yes. Yes, sir. I appreciate the question.

The RFP was very clear that each offeror had to meet the minimum threshold in order to stay in the competition, in order to be compliant at all.

If they didn't meet the very minimum threshold of the requirement, if it was a key performance parameter, then they would be unawardable.

Mr. AKIN. Right.

Secretary PAYTON. Now, it was also very clear that extra credit would be given to the offeror who exceeded that threshold, but we would not give any extra credit to someone who exceeded an objective, which was something way up high.

So relative to the RFP, it was very clear that we had no requirement for size, large or medium. We did have requirements to meet capabilities and there would be extra credit given for exceeding that minimum threshold.

And on three occasions, we did debrief each of the offerors as to, of the 808 requirements, exactly what they were getting credit for.

Mr. AKIN. That answers the question.

Thank you, Mr. Chairman.

Mr. ABERCROMBIE. You are welcome.

Mr. Marshall.

Mr. MARSHALL. Thank you, Mr. Chairman.

Thank you all for your service, General Schwartz, General Lichte.

It seems to me that the posture we now have with the C–17 and C–5 question is that the can has been kicked down the road, assuming Congress goes ahead and authorizes another 13 to 15.

The only issue would be the long lead time suppliers and at this point, that has actually kicked off a little bit.

So I am pleased that we are adding C–17s. I am pleased that we are continuing with the RERP-AMP program where the C–5s are concerned, and we will figure out a year or so from now just where we are going from here.

Ms. Payton, if I could, in the tanker question, one thing Air Force was not permitted to take into account is the fact that Airbus, McDonnell-Douglas' partner in this venture, is supported by European governments, subsidized. Is that correct?

Secretary PAYTON. That is correct, sir. Yes, sir.

Mr. MARSHALL. Has that factor been taken into account at all in this process, that you are aware of?

Secretary PAYTON. To my knowledge, subsidies and things like that were not taken into account anywhere in the evaluation.

Mr. MARSHALL. Have you thought about whether or not there is, at this point, some mechanism for taking not only that into account, in trying to evaluate the choice that Air Force prefers, but also taking into account the number of American jobs that will be located here in the continental United States?

Have you thought about that? I am sure you have. Could you share with us what your thoughts have been about that?

Secretary PAYTON. That is a question across the entire Department of Defense that probably needs to be addressed.

At this point, subsidies and the number of Americans working and the number of jobs and even the supply chain, the Buy America Act, as it is written and enforced within the Department of Defense, was what we went with relative to the supply chain.

So I would think that it is a question for Secretary Young or Secretary Gates about, across the board, what you look at relative to subsidies or work share of American jobs.

Mr. MARSHALL. But that is not a question—those questions were not taken into account with regard to this particular decision.

Do you see any mechanism for those kinds of questions to now be addressed as it applies to this particular decision?

Secretary PAYTON. Yes, sir. I mean, we address all kinds of things, especially as things come across in legislation to us to address.

We had many, many updates just in the fiscal year 2008 National Defense Authorization Act about acquisition. But at this time, I see nothing going on within the Department relative to this.

Mr. MARSHALL. Thank you. There are some other questions that I have, but I appreciated the closed session that we had, the secret level session that we had, and I thought that there is some follow-up that we are going to have to engage in in some other setting that I will call you about.

Secretary PAYTON. I would be happy to do that, sir.

Mr. MARSHALL. JCA.

Secretary PAYTON. Yes, sir.

Mr. MARSHALL. And I don't know that this is—I don't know to whom this is addressed, but maybe for the panel generally. What

has concerned me for some time now, assuming that this is a platform that should be shared jointly, is that there hasn't been the degree of jointness in the acquisition process that we would like to see.

A lot of effort has been made in that regard, but Army is still set on contractor logistics being supplied and Army has really been set up to do anything other than that with regard to a platform like this.

Conversely, Air Force is set up to do this kind of work, has depots that do this kind of work, and, in fact, given corps requirements, would be interested in making sure that in the acquisition process, there is an appropriate consideration given to the long-term maintenance, repairs and modernization.

In other words, let's not replicate the C–17, where we are just struggling almost annually to try and figure out the appropriate balance.

What work has been done on that lately, any? Where are we as far as that question is concerned?

Secretary PAYTON. Yes, sir. As a matter of fact, the original question earlier about the difference in the APUC numbers between the Air Force's JCA and how much it will cost per unit and how much the Army's will cost per unit, we did include in our calculation the price to stand up the depot, the price that it took to negotiate the data rights so that we in the Air Force could do the logistics and meet our corps 50–50 requirements.

We are working very closely with the Army. I met with Dean Popps yesterday to discuss this. We are going to work on a study so that in fiscal year 2010, these numbers will converge, and we will understand better how we can do joint training better.

In our number, we quoted how much the simulators would be for training. That is something that the Army does under their O&M numbers and would not be part of the APUC.

So we have nine positions in Huntsville. The Air Force has manned up eight of those. So the joint acquisition program is very healthy and we are teeing up these issues so that we can get the best for the taxpayer.

And I believe that we could see that number, that APUC number for the Army come down as they start relying on more of the logistics that we have that are organic.

So we are dedicated to working this out.

Mr. MARSHALL. I appreciate that and I would just highlight your words. We could see the cost come down if Army worked more closely with Air Force, considering the long-term maintenance and sustainment of this system.

Secretary PAYTON. Yes, sir. And I think that——

Mr. MARSHALL. The taxpayers win, in other words.

Secretary PAYTON [continuing]. This particular aircraft is very exciting to our coalition partners and to other people, the Air National Guard and other folks in the U.S., as well.

And so we may just on the beginning of how many we will sell and the more you sell, the lower your price per unit comes down, as well.

So we are very, very excited about this program and what it can mean for our coalition and international interoperability.

Mr. MARSHALL. Thank you all for your service, what you do for our Air Force and our country.

Mr. ABERCROMBIE. Thank you.

Before we go to Dr. Gingrey, what you are saying is a little disconcerting to me.

You say you are doing studies now. Why wouldn't they be done before you have the aircraft?

I am not quite sure what you are saying. Why wouldn't you have the need or requirements determined before you are completing an award contract?

I mean, you already have an existing——

Secretary PAYTON. Yes.

Mr. ABERCROMBIE. Well, I am going to ask you. The reason I am doing this is you referred to the question I asked at the beginning in my remarks and part of the argument here is that you already have an existing plane.

Secretary PAYTON. I am sorry. I missed the last part of that.

Mr. ABERCROMBIE. I am saying part of the argument here is between the Army and the Air Force, and you are saying here you are still doing studies.

Secretary PAYTON. Yes. What we were told during the acquisition reviews of this by the OSD cost estimators to use our historical numbers as to how we do business, and then we are now kicking off discussions and reviews of how we actually will stand up the joint training together and how we will actually stand up the joint sustainment together.

And so a lot of the money that we have in our Research, Development, Test & Evaluation (RDT&E) line is to solve some of those disconnects.

Dr. GINGREY. Mr. Chairman, if I could. I have been pretty actively involved in trying to pull the two services together with regard to this particular platform and that is, in part, because of the problems we have had with C–17, trying to figure out what we are going to do where C–17 maintenance and modernization and sustainment over a period of time is concerned.

And it is two separate acquisition entities with different history, different budget organization, different everything. And so it doesn't surprise me that they are still working on details, and we will still be working on details of this as time progresses.

I think what we need here in Congress is to see a commitment from both services that they are going to move forward jointly with regard to this, and they are going to do what is most practical from the perspective of the taxpayer and our general objectives militarily.

So far, I am seeing that. It has been difficult as we have moved along. There have been some bumps in the road. But I have actually been pretty impressed with the extent to which they have come together.

Mr. ABERCROMBIE. I am willing to grant that, but—excuse me, Phil, if we could just pursue this a moment.

But underlying all of our discussion, including the tankers, for that matter, is this whole question of funding and how much money is available and how to meet the requirements given the funding that is available.

General Schwartz, virtually all of his testimony has as a theme going through it that there is only so much money and there is so much in the way of requirement and that a prudent person has to simply deal with those realities.

Supplemental budgets and so on are theoretical, for all intents and purposes. You don't know when they are going to come. You don't know when they are going to be put forward. You don't know when they are going to be completed, et cetera. You don't know what else is going to get added in there.

Now, the intra theater airlift fleet mix analysis, I have to think to myself so that I can make sure I get all of that in there, concludes—at least my judgment is that do you have to procure this JCA to meet your airlift intra theater requirements.

Why not procure additional C–130Js?

Secretary PAYTON. I would like to answer——

Mr. ABERCROMBIE. Given the fiscal constraints that you yourself have put forward to our attention today saying that we need to recognize.

General LICHTE. Mr. Chairman, I can jump in here and help out a little bit.

Mr. ABERCROMBIE. Yes.

General LICHTE. That study went over to you recently and it acknowledged the requirement that we had with the Army and the Air Force numbers, 24 for the Air Force.

What we found out as we did that study, if you are talking the war fight, no matter how you begin the war fight, what you really need are bigger platforms. You need the C–5s, you need the C–17s, and you need C–130Js to get a lot of stuff over to the fight quickly.

What we found as we did that study, and they acknowledged the numbers that were in there for the Air Force and the Army and said, "Yes, that is a valid need," when you get to a certain phase in the war, which we happen to be in now in Iraq and Afghanistan, there may be a requirement where it is more effective to use a smaller airplane so that you are not using a C–130J size aircraft, but you are not filling it up.

And so we have asked the folks to go back and take a look at that part of the phase of the war that you are in, what do you really need, what would be most effective, and, in conjunction with that, we were looking at what are the needs for homeland defense, what are the needs for the National Guard if a calamity or crisis develops in a certain part of our country.

Would it be easier to forward medical supplies and people in a smaller aircraft or will you need the size of the aircraft that we are talking about with C–17s and C–130Js?

And so the one study that authorized the numbers is there, but we are looking at what else or how else would those aircraft be used.

Certainly, as Ms. Payton pointed out, in the international arena, it helps us with partnering and working with other air forces.

Mr. ABERCROMBIE. That is not essentially—I appreciate all that, but essentially what I am asking here is the Army is maintaining, for example, that it can do it for almost half the price of—its version of the aircraft at half the price of the Air Force.

I am asking a money sensitive question.

Secretary PAYTON. Yes, sir, and if I could reply to that.

The Army's cost number did not include standing up a depot, which the Air Force is going to be doing. It did not include negotiating the data rights from the provider of the aircraft so that we can do our own maintenance in the future.

It did not include the cost of simulators and trainers for crew maintenance. Those are all put in another line.

Mr. ABERCROMBIE. The cost I am referring to is from the Air Force of 60.7. You are saying you are putting that in your unit cost.

Secretary PAYTON. Yes, sir.

Mr. ABERCROMBIE. And the Army doesn't have the same definition of a unit cost.

Secretary PAYTON. That number——

Mr. ABERCROMBIE. Well, if you are doing things jointly, when the hell are we going to get this done? That is not an answer that satisfies me very well.

You mean you are in such elementary opposition to one another that you don't even agree as to what a unit cost is when you present it to the Congress.

Secretary PAYTON. Well, they don't——

Mr. ABERCROMBIE. Am I to take from your remarks that the Army is trying to deceive us?

Secretary PAYTON. No, sir. The Army doesn't have a depot standup cost because they are going to have their maintenance done by the contractor.

That is in a different line for operation & maintenance (O&M).

Mr. ABERCROMBIE. So you are saying the Army is finessing this.

Secretary PAYTON. No, sir. I think that the RDT&E and procurement costs, as the Army has stated them, are accurate. I believe that the O&M costs for the Army—I think those need to be examined.

Mr. ABERCROMBIE. Ms. Payton, you are right on the edge of getting into the Blues Brothers.

Secretary PAYTON. Sorry, sir, I don't mean to be there.

Mr. ABERCROMBIE. That is when Jake says, "Well, but you lied to us about the band, lied to me when I was in prison about the band. You haven't kept the band together." "I never lied to you. I bullshitted you a little bit, but I never lied to you."

Secretary PAYTON. Sir, I would never give any misinformation that——

Mr. ABERCROMBIE. No, but you are saying that the Army is doing that.

Secretary PAYTON. No, sir. I believe that——

Mr. ABERCROMBIE. They are trying to finesse this. You are telling me they have got a cost that they know about, but they are not telling us about it, and they are trying to pretend their unit cost, given information to us, is the same as your unit cost, and they know better.

Secretary PAYTON. Well, sir, we would have to get with the Army and we are doing a business case analysis study, not a requirements study, on how to do training better together, how to do sustainment better together.

I didn't want to leave the impression the requirements have changed in any way.

Mr. ABERCROMBIE. Well, there is a hell of a big difference, a $30 million difference.

Secretary PAYTON. One of the additional things that we are doing is we are paying for all the joint live fire testing. We are paying for, as I said earlier, the tech manuals, training systems.

Mr. ABERCROMBIE. So I have to go back now, and I have got to have my staff then start making comparisons to make sure the Army isn't telling us one thing and the Air Force telling us something else, and we have to try and figure out what it is that puts apples to apples.

Secretary PAYTON. No, sir. We would be glad to come together and——

Mr. ABERCROMBIE. But that is what the joint thing is all about. I don't understand. Why, if this is a joint operation, do you have two different sets of—you apparently know that there are.

You are telling them to me in detail right now. In the Air Force, why aren't they operating off the same page when it comes to determining unit cost?

Secretary PAYTON. Sir, I will take that action for the record, and I will return.

Mr. ABERCROMBIE. Is that a reasonable question?

Secretary PAYTON. Absolutely.

Mr. ABERCROMBIE. Do you dispute that the unit costs are stated differently?

Secretary PAYTON. No, sir. I believe the unit costs are correct. I will tell you that on the 25th, JCA, from the Air Force, our unit costs will start going down, because that investment that we have made upfront, now each unit that we build after the 24th will be factored in, so the price per tail will decrease.

Mr. ABERCROMBIE. But if you know that your criteria for the unit cost is different from the Army, why hasn't this been reconciled?

Secretary PAYTON. Sir, I will have to take that question for the record.

Mr. ABERCROMBIE. I don't understand. Why should you have to take it for the record?

Secretary PAYTON. Because I need to get with my counterparts and understand in detail how they calculated the APUC for this program.

We do have——

Mr. ABERCROMBIE. Why hasn't it been done already?

Secretary PAYTON. Because we—I will have to take that for the record. I apologize.

Mr. ABERCROMBIE. You don't have to apologize. This seems to me elemental. The whole basis of the questioning that is going on here and the whole basis of the idea of jointness is that there is at least a common understanding of what it is that is being determined and given to the committee.

You obviously already know this difference. This is not news to you. You have it in detail.

Knowing the difference, how come it hasn't been reconciled in terms of what is presented to the committee?

Secretary PAYTON. Well, sir, I——

Mr. ABERCROMBIE. I have got the Army telling me one set of things. You know, I feel like I am being jerked around here.

I am on the edge of having to make recommendations to the membership here and I am dealing with different numbers, different unit costs, where you are saying there are different criteria, which you know. You know that there are different unit costs.

Secretary PAYTON. Again, we are taking a different approach on acquisition and sustainment.

Mr. ABERCROMBIE. Why? How can we make a decision if you are taking a different acquisition process from the Army, and, yet, it is being presented to us as if it is reconciled, I mean, as if you are all operating from the same page?

That is why I asked the question. I am thinking how the hell can the Army come in with a unit cost significantly less here? Why is it tens of millions of dollars less?

Secretary PAYTON. I will get more detail for you on that, but I know they are building more. So the more that you build relative to APUC numbers, the lower the price per aircraft is.

I will tell you that we do have to invest in the data rights. Because we are doing our own maintenance, we have a 50–50 law that we must abide by because we have logistics centers.

Mr. ABERCROMBIE. And the Army doesn't.

Secretary PAYTON. No, sir. They do not do their own——

Mr. ABERCROMBIE. I know that.

Secretary PAYTON [continuing]. Logistics on airplanes.

Mr. ABERCROMBIE. Let me ask this then. Why are we even bothering with the Army? Why don't I just dismiss it entirely, that it doesn't have anything to do with this version of the Joint Cargo Aircraft, operating in separate universes?

Why are we even talking about it being joint then? Why don't they just do what you tell them to do?

Secretary PAYTON. I think that is probably above my grade level, sir. I am trying to do the best I can in bringing jointness into something that was sort of formed separately and pulled together.

Mr. ABERCROMBIE. I am sorry, but it is very difficult. It is very difficult to understand then, if all of these things are, in fact, the case, and you are just telling me right now, why wouldn't that information have been given to the Army so that they could make a decision as to whether or not they should just simply join in your program? It is joint, what the hell. What difference does it make?

Secretary PAYTON. Yes, sir. The decision was made this would be an Army-led program and we are working through this the best that we can.

Mr. ABERCROMBIE. So the Army thought that they could lead in this program and not have anything to do with depots, and they didn't understand that, and it never occurred to them, even though they have depots for MRAPs and everything else that the Army has to deal with, that they wouldn't need to have a depot factor involved in a cargo aircraft.

It didn't occur to them?

Secretary PAYTON. Sir, those are questions for the Army. And as I say, we have people supporting that program in Huntsville.

Mr. ABERCROMBIE. You know, you are saying these are questions for the Army. You are saying that I need to ask the Army.

Secretary PAYTON. No, sir. I am suggesting that we come back together and any and all questions that you have relative to this.

Mr. ABERCROMBIE. Isn't it a little late in the game to be getting together with the Army?

Secretary PAYTON. No, sir. We have been together with them. We were on the source selection with them. We have had our people involved.

Mr. ABERCROMBIE. The source selection, didn't elemental stuff like this come up during the source selection?

Secretary PAYTON. Yes, sir. The acquisition strategy that was approved by OSD at our request was that there would be some differences in the approach here, but we would manage the program together, and we would do the business case analysis to determine how we would move forward.

Mr. ABERCROMBIE. Do you think it is being managed very well together at this stage?

Secretary PAYTON. Sir, from what I can tell from talking to our——

Mr. ABERCROMBIE. From you can tell from the last 10 minutes, do you think it is well managed together?

Secretary PAYTON. I think there are some differences that we need to be able to articulate better to you.

Mr. ABERCROMBIE. Thank you.

Dr. Gingrey.

Dr. GINGREY. Mr. Chairman, thank you.

Madam Secretary, the chairman obviously has got some tough decisions to make, and it requires some tough questions, and I certainly appreciate it, from his perspective.

I am going to direct my questions and give you an opportunity to take a breath and direct my questioning to General Schwartz and General Lichte.

It seems that you have an agreement in regard to the total need, getting back to airlift specifically, of 205 C–17s, 52 C–5Bs and Cs that have been fully AMP'd and RERP'd, and then 59 C–5As that have just had the AMP program.

How do you 52 modernized C–5s added to 189 or even, General Schwartz, as you said, 205 C–17s, how does that give us enough airlift to meet our airlift requirements?

Either way, it seems we are going to come up woefully short of the mobility capability study's recommendation. So considering we are going to—nobody has mentioned this, I don't think, during the long hearing, but we are going to be standing up a new command. We all know that, Africa Command, AFRICOM.

We are also going to increase the end strength of the Army and the Marine Corps something like 92,000 additional troops.

So it seems like our need for airlift is not going to decrease, it is going to grow.

I ask the two Generals. Would you agree with that? As we look long, and not so long, that the needs certainly could be projected greater than what you have outlined here today in regard to our overall airlift capability?

General SCHWARTZ. Congressman, it is a great question. Fundamentally, the shock absorber in all of this, again, as I indicated earlier, is the fact that we have an organic fleet, a very substantial fleet, which is what we have talked about thus far.

And, of course, we use our commercial partnerships extensively to augment the organic fleet when that is required, and, in fact, that has been the case.

As you are aware, the Civil Reserve Air Fleet and our commercial partners deliver about 90 to 95 percent of our passengers, typically, and at least in the most recent conflict now ongoing, 35 to 40 percent of the cargo.

So it is important to recognize that this is a system which includes both U.S. government-owned assets and sealift in exactly the same way, as well as commercial capacity.

Dr. GINGREY. Yes. But, General, let me just add that with the price of jet fuel, I just wonder how many of the Deltas of the world will be able to take on that business as we look long on this.

General SCHWARTZ. It is a concern, there is no question. There is fragility in the American airline industry and that is something that is a national defense issue, in my view. I agree with you completely.

And with regard to the other matters, AFRICOM, size of the Army and the Marine Corps and so on, without a doubt, we have to look at that. But I would just offer this context, that a presumption that all changes in requirements lead to more airlift, I think, is not necessarily the right way to approach the problem.

I think it is important to look at this in a multi-mode fashion. This is what the upcoming studies will do. And I think it is important, again, to recognize that in the case of the Army and the Marine Corps——

Dr. GINGREY. Well, General, let me just say that I personally, I do, I do believe that the number to meet our airlift requirement should be revised and it is going to take more C–17s.

I think it is going to take more modernized C–5s to meet it. I think you can't ignore the fact that the C–5As, the 59 that you are just going to modernize the cockpit—in the late 1980's, they had a wing modernization program, and those airframes, in many cases, may have more flight capability than the Bs and the Cs because of that modernization of the wings.

So funds for C–17s I don't think can be realized by forgoing C–5 modernization, because those funds reside in 2014 and beyond. Obviously, funding for C–17s is a 2009 issue. It is next year.

So if we are going to look at a more general five-year picture, then you need to consider that if you save $38 billion in total ownership costs by increasing the life of the C–5s through modernization, then you could use that to buy C–17s.

So, General Lichte, you may want to comment on that.

General LICHTE. Sir, I would just add to General Schwartz. We do rely on the commercial world a lot and we use the C–17 and C–5 fleet to handle really our oversized and outsized cargo.

And so we manage the fleet to the best of our ability and that is why we need to take a look at the two studies that are critical right now, the MCRS, capabilities and requirements study, as well as the study that is led by Senator McCaskill and Congressman Tauscher that we are looking at the airlift issues that you raise with AFRICOM, the 92,000 extra, and on and on.

And so that is why, while I agree with everything that General Schwartz has said, I would like to see the C–17 line stay open, be-

cause it is our only insurance policy right now if anything else goes wrong or if there is another development that we need to look at.

And until we have things settled down as to where we are going to be basing all our Army soldiers, whether they are be home-based, whether they will be overseas-based, and how we are going to handle the future crises, that is what these studies will look at.

That is what we will hope to come back and have some answers for the committee.

Dr. GINGREY. Well, General, I don't disagree with that, I don't. I think you make a good case for it and I think we are going to need additional C–17s.

I am in favor of fully RERPing all of the C–5As, as well as the Bs and the Cs. But I honestly think, as I sit here, in regard to what our commercial partners, what our civilian partners have done in the past, going back to the first Gulf War, I know many of those pilots, Delta pilots in particular, as I am a native Atlantan, that they not only welcomed those contracts, but they did out of their compassion and love of their country and flew those flights.

But, again, with the price of jet fuel and the consolidation of the industry and possibly some failures, you can't count on that piece being there, and I think we absolutely need to think in terms of all of the airlift being done on the military side and not count on our civilian partners, even though they would like to do that.

Mr. Chairman, that is all I have, and I will yield back the remaining balance of my time.

I thank the Generals, and I thank the Secretary.

Mr. ABERCROMBIE. Mr. Bishop, would you yield to Mr. Saxton for a moment, because he has to leave?

Mr. BISHOP. I would be happy to yield.

Mr. SAXTON. Thank you very much.

General Schwartz, the KC–45, I am told, has a wingspan of real close to 200 feet, it is 197 or 198, and the maximum gross takeoff weight of over 500,000 pounds.

Will the size and weight of the KC–45 present challenges to the operational employment of the KC–45, and are there airfields that you will not be able to operate the KC–45 from where we are currently operating the KC–135?

General SCHWARTZ. Those challenges are manageable, Congressman, and no doubt there are some airfields that will be—we will have to use the 135s, which will be around for another 30 years, accordingly.

But I am personally persuaded that this is manageable, and I think General Lichte will confirm that, as well.

Mr. SAXTON. But the answer to my specific question is that there are some airports that currently are based—where we base KC–135s that will not be able to be used for the KC–45.

General SCHWARTZ. Presumably, that is the case and, in addition, that is not unlike the airlift scenario, sir, where some airplanes—some fields are C–5 capable and some are not.

Mr. SAXTON. I know, but I just wanted to get an answer to my question.

The answer is that there are some airfields——

General SCHWARTZ. There are some.

Mr. SAXTON [continuing]. That will not be able to accommodate the KC–45.

General SCHWARTZ. There are some, but that, again, in my view, will be manageable.

General LICHTE. Mr. Saxton, could we come back to you on the record with that? Because I am not aware of any of the airfields. I know there is some discussion on the weight and everything, but really, for the runway lengths, I am not aware of any difference that we would be restricted from the 135.

So General Schwartz and I can go back and take a look at that just to make sure we give you the accurate answer.

Mr. SAXTON. Thank you very much. Appreciate that.

Mr. Bishop.

Mr. BISHOP. Well, Mr. Ranking Member, I am going to talk very slowly here until the chairman can return.

I just want to thank you all for being here.

To be very honest, I had a couple of questions which I think are going to be redundant, because I am sure they have been covered already, and I apologize for not being here to listen to the earlier testimony.

So I am sure that Mr. Abercrombie will not be opposed for me submitting those questions for the record, and I will ask unanimus consent (UC) to allow us to quit if that is the end of it.

Mr. SAXTON. That is kind of unusual. Why don't we just suspend for a few minutes until the chairman gets back?

[Recess.]

Mr. BISHOP. Ms. Payton and Generals, until Mr. Abercrombie returns, in all sincerity, you probably—if this is redundant, just say so. okay? But let me at least go through the three that I have written down here, and then we can go from there.

And let me start with Ms. Payton, if I could.

At the time, Congress is adding funds to the budget to keep the C–17 line and airlift production capability going. We are allowing another power project capability, in this case, aerial refueling, to now be produced primarily by another country, which is the Airbus, obviously.

Does it make sense to the United States to not preserve the capability to produce C–17 aerial refueling aircraft, as well as other strategic bombers along the current line?

Do you understand what I am trying to say with that?

Secretary PAYTON. Yes, sir, I understand the question.

I think that I look to the people in charge of readiness and the people in charge of operations to answer that question. I really don't have an answer for that question.

Mr. BISHOP. Ms. Payton and Mr. Chairman, if you have already answered that already in this committee hearing, and I am making the assumption you probably have, I have these questions.

Once again, I have two others. I am more than happy to put them for the record, because I am assuming they will probably replowing ground that has already been done here.

Mr. ABERCROMBIE. That is all right, if you want to do it. If you need answers and you want them today, go ahead.

Mr. BISHOP. Actually, I would be more than happy to submit these for the record and allow them a chance to look at them again.

I was actually just filling time, to be honest with you.

Mr. ABERCROMBIE. Thank you very much. I appreciate that.

Mr. BISHOP. And I am done filling the time right now.

Mr. ABERCROMBIE. Ms. Payton, I want to go back over this, what we just were discussing, and make sure we are on the same page.

What I don't understand is, at this stage—that is why I asked about studies being done and before contracts go out and so on.

What I don't understand is why haven't we gotten to a stage, let's say, where you are going to have Air Force personnel at the Army bases for the maintenance.

I understand very clearly that the Army is using a different bookkeeping system. Again, I don't understand. It is supposed to be joint operation. Why we do this is beyond me.

For their support equipment, for the spares and so on, they contract, right?

Secretary PAYTON. Sir, I would have to defer to the Army. I am not the lead of this program and I——

Mr. ABERCROMBIE. You have Air Force personnel maintaining the planes.

Secretary PAYTON. We have Air Force personnel in the program office. Yes, sir.

Mr. ABERCROMBIE. The plane is essentially the same, is it not?

Secretary PAYTON. Yes, sir.

Mr. ABERCROMBIE. General Lichte and General Schwartz, right?

General SCHWARTZ. The airframe is the same.

General LICHTE. Yes.

Mr. ABERCROMBIE. I mean, they have versions, I understand, but essentially it.

Doesn't it make sense then for Air Force personnel to have the maintenance even if it is at the Army base?

I am very concerned that you are going to have maintenance taking place on these planes—and the planes could be switched back and forth, right? They might be servicing the Air Force at one point, but depending on deployments and all the rest of it, be at an Army base at another and so on. Right?

I don't like this idea of contracting. Why the hell should the Army be contracting for these?

This accounts for some of the difference. Right?

Secretary PAYTON. Sir, I think that is something for the Army. I know that we do maintenance at logistics centers, because we have thousands and thousands of airplanes.

And so it is part of the way we do business.

Mr. ABERCROMBIE. That is what I meant. You are already doing this.

Secretary PAYTON. Yes, sir.

Mr. ABERCROMBIE. And you have personnel in whom you have confidence.

Secretary PAYTON. Yes, sir.

Mr. ABERCROMBIE. And you have protocols set up for their training and their in-service training and their maintenance of capacity, right?

Secretary PAYTON. Yes, sir. That is part of our cost.

Mr. ABERCROMBIE. Contractors come and go. I am willing to venture, I can't say for sure, but I am willing to venture that a good

portion of the difference between the Army costs, as presented to us, and your costs probably have to do with contracting and maintenance and in those areas.

In fact, you cited them to me yourself right now, right?

Secretary PAYTON. That is a portion of it, but I would remind you that we are only doing 24 and when you divide that number into the 1.4, 1.5, 1.6 billion or whatever it is, it comes out to be about 60.68 million per unit.

The Army is doing 74, I believe. So when you divide that number in, the price per unit goes down, because you have more that you are doing.

That may be part of the reason, as well.

Mr. ABERCROMBIE. The proper analysis of what the Army needed then by—how do you come up with 24? How do we come up with 24?

Secretary PAYTON. That was a requirement that came in from our A–3 in the Air Force. It was not an acquisition determination. It was a requirement that came in from the uniformed side of the world.

General LICHTE. It was validated by the JROC, the Joint Requirements Oversight Council.

Mr. ABERCROMBIE. Every time I hear the word JROC, trepidation sets in.

General SCHWARTZ. Mr. Chairman, the requirement, remember, is to address the current fleet obsolescence issue in the Army, which includes C–23s and C–12s, in addition to this mission set, as General Lichte alluded to, of mission critical, time sensitive, the last tactical mile.

The numbers—that limited set of the 78 airplanes has been validated, as General Lichte indicated, and it is my personal view, having watched this, that there is a compelling need for this size airplane in the environment we are currently operating in, supporting provincial reconstruction teams, disperse soft elements, small elements that are distributed about the battlefield.

And so 78——

Mr. ABERCROMBIE. The fleet mix analysis, at least our reading of it, that wasn't covered. You may be doing it now.

General SCHWARTZ. No, sir. That is on the books, and it was certainly attested to by the RAND study, which was recently presented to you. But as Art suggested——

Mr. ABERCROMBIE. Well, I am not sure that is the case. Maybe you can point out to me where that is the case.

General SCHWARTZ. We will take that on, sir.

Mr. ABERCROMBIE. I am still not persuaded necessarily that the C–130J, even if you don't use it full-up all the time, wouldn't be just—because you are, by definition, switching your deployments all the time, why not use it?

Sometimes you would fill it all the way up, sometimes you wouldn't.

Secretary PAYTON. It is interesting to note that at the point where we were looking at APUC of the C–130J, which is where we would be with the JCA, it was about $100 million per tail.

But now that we have built so many more of them, the price has come down to something like 74. So we are just on the very beginning of this JCA relative to the price per unit cost.

So the more that we would build for our coalition partners, the price will come down drastically once we get——

Mr. ABERCROMBIE. The C–130.

Secretary PAYTON [continuing]. The return for the JCA from that investment.

General SCHWARTZ. Sir, I guess the best way I could describe this is in the motor carrier industry, you have some folks that run 80,000-pound trucks and you have some folks that run much smaller vehicles or that do less than truckload kind of service and others that do—where they specialize in filling the trucks up and doing long haul kind of activity.

The same thing applies to a lesser extent, but still applies in the airlift end of the business, and, that is, what you want to try to do, ideally, is to fit the platform to the mission requirement.

Mr. ABERCROMBIE. Okay. Let's, for conversation, accept that. But I will tell you, the mechanic that works on it has to work on all of them. You don't go into the truck stop then and say, "You know what I am going to do? I am going to contract for an outside mechanic to come in here, because this is a different model."

If you guys are already doing the maintenance and the servicing and the utilizing and maintaining the support equipment, you have got the professionalism, we have already alluded—not alluded to—stated specifically today that in terms of readiness, 50 percent or 55—in fact, General Schwartz, you yourself said we never send a plane up that isn't safe, that isn't ready.

It is just that there are different factors that come into play in terms of their readiness, if you will, to leave. Different cargoes have come in and they require—so on and so forth.

It seems to me then that you need to put the people—in order to make this most efficient, there is nothing to prevent Air Force personnel from being stationed at an Army base, is there?

Secretary PAYTON. No, sir, not that I know of. But we will come in and bring you that.

Mr. ABERCROMBIE. I mean, we are taking the people from different services and putting them to work for the Army and the Marine Corps right now, are we not, in Iraq and Afghanistan?

Aren't Navy personnel and Air Force personnel serving under commands of the Army and the Marine Corps?

General SCHWARTZ. Sir, I think I have to tell you candidly that I believe in unit cohesion and I don't know whether it—if an airplane needs to get serviced en route, it doesn't matter who does it.

But if you are talking about making that a deployable capability, which it needs to be——

Mr. ABERCROMBIE. Yes.

General SCHWARTZ [continuing]. I think then what you need to have is a unit that can act with cohesion and singleness of purpose.

Mr. ABERCROMBIE. I have always been against this contracting anyway. When people say to me, "Well, you don't want personnel cutting—why should personnel cut the grass," I said, "Because they report to the commanding general on the base, that is why," be-

cause they are a part of a unit and they are not somebody that just came in from the outside.

Setting aside the homeland security implications and the terrorism implications, it is because they have an entirely different mindset.

General SCHWARTZ. My experience is that it depends on where you are at. I have been with contract personnel downrange that were as committed, as devoted to the mission as anybody in uniform.

Mr. ABERCROMBIE. Luckily.

General SCHWARTZ. Well, it has to be the right folks in the right circumstances with the right protocols for employment. And, again, Secretary——

Mr. ABERCROMBIE. In all honesty, General, that requires a hell of a lot of oversight from someone like yourself or your designee, and I am not sure you get that from a corporation. But we can discuss this from another point.

My point here is that I have got to get this thing reconciled about where the true costs are and where they are not, because it affects—even if it is out of the billions and it is only 24 and it doesn't amount to that much, believe me, in the recommendations we are trying to put together now, a couple of hundred million dollars one way or the other can make a big difference in what we say or don't say in terms of making a sensible recommendation.

I don't mean to hurt your feelings, anybody out there, by getting as charged up at this, but when we say joint and all that, I get a vision in my mind that there is a cooperative endeavor going on, and we can count on what is happening, and that everybody has decided ahead of time where they are going and how they are going to work it, and then the recommendation comes forward.

But that isn't the case here.

General SCHWARTZ. Sir, I think, if I may, Madam Secretary, my recommendation is to have both the Army and the Air Force folks come and join a panel together so that that——

Mr. ABERCROMBIE. You want to sit in on the 10th of April? They are coming in next week, and I am sure they are hearing about it right now. Some gremlin is probably already out there.

Secretary PAYTON. They will be getting a phone call from me.

Mr. ABERCROMBIE. You maybe can't get interoperable communication in the Future Combat System, but it sure as hell seems to be able to leave the Hill and go across the river.

General SCHWARTZ. That is what BlackBerries are for, Mr. Chairman.

Mr. ABERCROMBIE. Well, I have got a couple of more things. Thank you very much.

General Lichte, are you comfortable that the retirement of 24 C–130Es this fiscal year will not impact the Air Mobility Command mission?

General LICHTE. Yes, sir, I am. I think we have to get rid of the old aircraft, and the E models are one that we target to retire, and we will be able to do the best we can to make up the difference in any of the lift requirements.

Mr. ABERCROMBIE. General Schwartz.

General SCHWARTZ. I concur, sir. Just by way of context, the E model C–130 right now delivers about 25 percent of what an H model C–130 can, the support it provides. If you compare it to a J model, it is 15 percent.

The bottom line is the E model contributes, but modestly compared to the others.

General LICHTE. And I would also add that—you probably know this, but we have some of them already restricted and two of them grounded. So really we just need to get them off the ramps and retire them completely.

General SCHWARTZ. And by the way, Chairman, and I am sure General Lichte will confirm this, those crews and those maintainers get applied to make those other machines more ready.

Mr. ABERCROMBIE. Parenthetically, that kind of effort, that kind of work, that kind of experience isn't going to be necessarily duplicated by contractors. Right? Am I right in that?

What you are just citing is people who are extraordinarily experienced, right? They deal with situations that require all their skill and call upon probably years of teamwork and understanding about what they are dealing with.

General SCHWARTZ. There is no question but that that that is the ideal. But I must tell you, Mr. Chairman, that my experience with contract support has not been a great disappointment—has not been a disappointment, to be absolutely candid.

I mean, there are good and——

Mr. ABERCROMBIE. Do you suggest then we get rid of the Air Force personnel you have in contract?

General SCHWARTZ. There are some places where it works and there are some places where we shouldn't, and you rely on us to give you the best advice on where are those—what are those circumstances.

Mr. ABERCROMBIE. All right. Fair enough. Now, there is an item from last year's authorization bill, and I am not up to par on or up to speed on how it is being implemented.

The Air Force was asked to develop a fee-for-service aerial refueling pilot program.

Are you familiar with that, Ms. Payton?

Secretary PAYTON. Yes, sir.

Mr. ABERCROMBIE. Can you just give me an—can you do that today, or should I ask you to put it in writing?

Secretary PAYTON. Yes, sir. I can tell you that we have released a request for information. We have at least six responders to that request for information.

We will be holding an industry day on the 14th of April, and we are moving out with putting an RFP out as soon as we get enough input from industry to understand the capabilities there.

So we are moving out on that.

Mr. ABERCROMBIE. Do you feel that authorization—excuse me—are the Defense Act requirements being met satisfactorily?

Secretary PAYTON. Yes, sir, I do. At this point, I would like to ask if General Lichte might have some more information on that, as the customer of this.

General LICHTE. Right. Everything is moving out. There is really a three-phase program. Ms. Payton alluded to the first phase.

The second phase will be up to the contractor to develop his procedures and everything, and then the third phase, where Air Mobility Command will be involved in seeing how they can execute, if they can execute.

Mr. ABERCROMBIE. Do you have confidence in it or not?

General LICHTE. Well, sir, I have some questions that we need to answer with regard to the operational procedures, FAA requirements and certifications, legal issues that come up.

Mr. ABERCROMBIE. Is there anything we need to address in this upcoming bill or should we wait on events?

General LICHTE. I think, at this point, we have all that we need to proceed with the rest and the proof of concept and then we would like to come back to you and let you know how it is progressing.

Mr. ABERCROMBIE. In the next bill?

General LICHTE. Well, really, the law says it is a five-year plan.

Mr. ABERCROMBIE. No. I meant would you have some idea in the next bill whether we need to modify anything.

General LICHTE. We might, at that point, after we find out what the folks are doing in phase one and phase two.

Mr. ABERCROMBIE. Okay. General Schwartz, on the Civil Reserve Air Fleet question, in the 2008 act, there was a study to be delivered to us, but I think it was to be April 1, and I don't believe we have it, and I just wondered if you can update me.

General SCHWARTZ. Yes, sir, absolutely. Sir, we have formally requested the consent of the committees to extend the delivery of that to 30 September. And one of the reasons that was necessary, Mr. Chairman, is because, as you are aware, the Authorization Act slipped in terms of approval, and we were unable to get it on contract until last month.

And so it was simply a matter of allowing the Institute for Defense Analysis to do their good work.

Mr. ABERCROMBIE. The reason I ask is—are you saying then we don't need to make decisions on the reserve air fleet, civil air reserve air fleet issues in this Defense Act?

General SCHWARTZ. The Department has requested that the committee consider the assured business initiative. I believe that that is still relevant for consideration. You will have an interim report from the study contractor in time, I think, to inform your development of language.

My point is that the assured business proposal is not a 100 percent fix for what ails the American flagged airlines, but it will provide financial predictability, which, in this setting, I am told by the airlines, is very important to their business plans.

Mr. ABERCROMBIE. When is the interim report due, then?

General SCHWARTZ. This summer, sir, they will give us——

Mr. ABERCROMBIE. But this summer, we will already be past—we may very well be past this bill.

We are already getting hit—the reason I bring it up, General, I am not trying to give you a bad time about it, but I am telling you what my time problems are.

General SCHWARTZ. I understand.

Mr. ABERCROMBIE. We are already getting the—Ms. Payton can attest to the fact that you are having an argument about subsidies,

whether it is the World Trade Organization (WTO) or whether it is Airbus or whether we get all the rest of it.

Now, this could easily be seen as a subsidy to airlines.

General SCHWARTZ. Mr. Chairman, we——

Mr. ABERCROMBIE. That doesn't bother me, as such, but that is a separate philosophical or political issue.

General SCHWARTZ. Yes, sir. We will come back to you with the exact schedule of when the interim progress reviews will occur and when those insights will be available, at least in draft form.

We will do that for the record, and we will turn that this week.

Mr. ABERCROMBIE. I don't mind hearing about it informally. It is not like you are going to be forced into a gauntlet or something.

General SCHWARTZ. But if you would allow me, Mr. Chairman, the presumption that assured business is a subsidy I think is unfair. Assured business is not paying anybody to do—subsidizing zero activity or even a modest amount of activity.

The way this is designed is that we will make a financial commitment up front, but the Civil Reserve Air Fleet would fly the hours and we would pay them on that basis.

You would hold me accountable not to leave a nickel on the table at the end of the year. If I do, we have made that commitment, they get the money. But that is not the way we will manage the program.

I will make sure I get fired if we don't use those flying hours productively that we have committed to provide.

Mr. ABERCROMBIE. I have no doubt with respect to your professional commitment. I am just saying how if someone has a political agenda, they can interpret it much differently.

General SCHWARTZ. Understood.

Mr. ABERCROMBIE. If they want to. It is like the political pundits and some politicians who call member initiatives earmarks. I only have member initiatives that I deal with, and, believe me, I get plenty of them coming in from everywhere, including the armed services of the United States. Right?

And all is for good reason. Everybody has got a case to make. I am just citing that I need to have some basis for it, that is all, other than my reference to your goodwill, good intentions and professionalism.

General SCHWARTZ. Understood, Mr. Chairman.

Mr. ABERCROMBIE. I think that is it—oh, one other thing before we close, and I thank you. I thank you for the candidness of the exchange and your answers, well considered answers.

Because you have had so much to do today, maybe you didn't have a chance to look at the paper. I make reference to it because you are probably already dealing with the material coming to you, the GAO examination of close to 100 major systems.

The principal element—this is in the *"Washington Post"* today I just referred to.

The principal point that they made with regard to whether it is things like the joint strike fighter or the Future Combat System or whatever they happened to look at—I have not read it yet, read this particular summary yet.

But the newspaper summary hits on three things, and some of the reason I bring it to your attention today, I think it will be use-

ful for you to take a look at it and perhaps comment on it before we go to our markups.

At least from the point of view of Mr. Sullivan and the GAO, he cited three things with respect to cost overruns and delays, and I will quote from the paper for you.

"There are too many programs chasing too few dollars." Sound familiar? "And technologies are often not mature enough to go into production, and it takes too long to design, develop and produce a system."

Now, the latter part, of course, means, to me, you can't bend the laws of physics. You may be asking something to be produced that is, by definition, challenging or maybe impossible to do.

And I don't certainly mind spending money to find out whether something can't be done. Sometimes that is even more important knowledge to gain than actually accomplishing something that you set out to do and it turns out you could actually do it.

Rushing something into production when it is not really ready, because, politically, that seems like something that people want to do, again, that is bending the laws of physics sometimes.

And then too many programs chasing too few dollars, and it may not even be, in my judgment, too many programs, it may be just that the programs themselves have too few dollars, because the costs associated with it become exponential rather than arithmetic.

But I still think it is probably worth all of our time to take a look at that, not so much with the idea of refuting or getting into an arm-wrestling match with Mr. Sullivan and his colleagues at the GAO, but maybe to give us some perspective on what our difficulties are here in making sensible recommendations by virtue of cost analysis and mission requirements and the human dimension that has to come into play in making all these decisions.

You are bound to get references to this study, I think, in days and weeks to come. So we might as well all take a good look at it.

I don't know whether we are going to have a hearing or a briefing on it where we invite commentary where it seems pertinent, but I am thinking of doing that. Okay?

Secretary PAYTON. Yes, sir.

Mr. ABERCROMBIE. Thank you very much.

[Whereupon, at 3:26 p.m., the subcommittee was adjourned.]

A P P E N D I X

April 1, 2008

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

April 1, 2008

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON ARMED SERVICES
SUBCOMMITTEE ON AIR AND LAND FORCES
UNITED STATES HOUSE OF REPRESENTATIVES

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE HOUSE ARMED SERVICES COMMITTEE

SUBCOMMITTEE ON AIR AND LAND FORCES

UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: UNITED STATES TRANSPORTATION COMMAND POSTURE AND AIR FORCE MOBILITY AIRCRAFT PROGRAMS

STATEMENT OF: GENERAL ARTHUR J. LICHTE
COMMANDER, AIR MOBILITY COMMAND

APRIL 1, 2008

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INTRODUCTION

Mr. Chairman and distinguished committee members, thank you for the invitation to testify today in support of the "United States Transportation Command Posture and Air Force Mobility Aircraft Programs" hearing. It is my honor to represent the 133,000 Active Duty, Air National Guard and Air Reserve mobility Airmen who make up Air Mobility Command (AMC). Appearing before you today with the commander of United States Transportation Command (USTRANSCOM), General Norton Schwartz, and the Assistant Secretary of the Air Force for Acquisition, Ms. Sue Payton, presents an incredible opportunity to discuss a myriad of important issues critical to our national security. My testimony will focus on topics critical to AMC. Primarily, I will discuss the Air Force's versatile new air refueling tanker, the KC-45A. Secondly, I will explain how our intertheater and intratheater airlift fleets are impacted by ever-changing requirements. Finally, I will outline several other issues on the forefront of this subcommittee's legislative agenda.

THE KC-45A

I look forward to receiving KC-45As as soon as possible. The KC-45A is needed now to offset the aging KC-135 fleet and to maintain support to the warfighter. I firmly believe potential failure of our tanker fleet represents a significant risk to our national security; we simply must bring a new tanker online. Without a reliable tanker capability, our nation's ability to project power and reach is severely limited. The concept of operations (CONOPS) being developed for the KC-45A will take full advantage of its ability to support the mobility mission as a tanker with multi-role capabilities.

In its primary role, the KC-45A will provide in-flight air refueling to allow receivers to complete specific mission objectives. All KC-45As will be capable of refueling receptacle- and probe-equipped receivers on every mission; a capability that is inherent in only 14-percent of our current fleet, excluding KC-135E models. Additionally, all KC-45As will be capable of carrying multi-point refueling pods and will be capable of receiver air refueling to extend their range and persistence in all mission areas. Again, excluding KC-135E models, these capabilities are only available on 7-percent and 12-percent (respectively) of our current refueling fleet.

The KC-45A will be able to augment its primary air refueling mission with a variety of secondary missions, either stand-alone, or in conjunction with air refueling (dual role). These missions include: airlift of passengers and/or cargo, Combat Search and Rescue (CSAR) support, and the off-loading of fuel on the ground at Forward Area Refueling Point (FARP) locations. In addition, every KC-45A will have an integral Aeromedical Evacuation (AE) capability not available on the current tanker fleet. The integral AE capability inherent to the KC-45A can be further augmented with the ability to "roll on" additional AE support equipment.

Other KC-45A enhancements which will supplement its mission set are its secure voice and data communication links and global connectivity capabilities. These important features will help improve overall situational awareness (SA) and battle space clarity. With on-board defensive systems, the KC-45A will be capable of operating in previously-denied airspace, increasing employment options as compared to current air refueling platforms. All KC-45As will have the capability to takeoff, land, and refuel in a night vision environment, further enhancing the warfighter's effectiveness.

AMC looks forward to the KC-45A entering the fleet and addressing the warfighters' gaps and shortfalls. This truly remarkable platform represents a great step forward for the AMC, Air Force, and Joint warfighter.

EVOLVING REQUIREMENTS & EFFECTS ON THE AIRLIFT FLEET

Without question, future force structure requirements are evolving. This evolution is driven by many changes, including the growth of our ground forces by 92,000 troops, the growth in the size and weight of ground force equipment (the Future Combat System (FCS)), and the redeployment of overseas forces to CONUS. Additionally, we have seen an increased size and use of Special Operations Forces (SOF), additional use of our intertheater airlift assets in an intratheater role, and the stand up of a new combatant command – AFRICOM. All of these changes, coupled with the ongoing Global War on Terror (GWOT) contribute to changing requirements. The Mobility Capability and Requirements Study (MCRS), due to complete in May 2009, will make informed recommendations with respect to our airlift force structure.

C-5 Reliability and Re-engining Program / C-17 Procurement

The C-5 Reliability Enhancement and Re-engining Program (RERP) will improve the reliability and reduce the operating costs of the 52 C-5s that are modified. During the Nunn-McCurdy certification process, the Joint Requirements Oversight Council (JROC) certified "The required organic strategic airlift capacity of 33.95 MTM/D (million ton miles per day) derived from the fleet mix specified in the latest Mobility Capabilities Study is essential to national security and must be safeguarded." The current program for 190 C-17s, 52 RERP modified C-5s, and 59 legacy C-5As will not quite provide the organic strategic airlift capacity of 33.95 MTM/D specified by the JROC. Therefore, we remain concerned and vigilant that given the dynamic nature of our world and the increasing imperative for rapid warfighter response,

coupled with the fact that our current strategic airlift baseline is based upon a three-year old MCS-05, that we have the correct balance with acceptable risk. The C-5 provides a combination of outsize capability, high capacity, and long-range airlift that is unequalled in any other airlift platform. However, the C-5 aircraft is also a complex legacy platform that requires modernization to abate rising operational and sustainment costs while achieving acceptable reliability. Therefore, the 52 C-5s that are currently programmed for the RERP modification will provide reliable airlift at reduced operating costs. We are very confident that the modernized C-5, the C-5M, will achieve our operational and sustainment goals and well serve the warfighter throughout the coming decades. That said, there remains a significant segment of the C-5 fleet that is not currently programmed nor scheduled for the current C-5 Re-engining and Reliability Program (RERP), and we know those 59 aircraft will present a significant sustainment challenge for us in the future. Thus, we are faced with choosing, in an exceptionally austere fiscal climate, the path for modernization or the path for new acquisition – or a combination of both. While we examine our options we know that any decisions must be well grounded and validated – the impending Mobility Capability Requirement Study (MCRS), which we hope will be complete within a year, will be one of the tools that will better inform us as to the correct path. Management of any critical mission area is always a complex challenge and history tells us usually includes a combination of acquisition, modernization, sustainment, and retirement variables. We appreciate Congress' support over the years in allowing AMC to design and execute the correct roadmap for the future.

As we contemplate the future of the C-5 fleet, the discussion naturally turns to C-17 procurement. The C-17 continues to be the backbone of the nation's strategic air mobility fleet and it is "soldiering" along every day, under an incredibly difficult operational tempo. It is truly

an airplane for the times – designed and built for both expeditionary and major contingency operations providing great depth and breadth to the mobility "playbook." Like Secretary Wynne and General Moseley, I support the President's Budget for 190 C-17s. This figure includes 10 aircraft provided in the FY07 GWOT Supplemental. Clearly, with Congress' help, we are working hard to be good stewards of the taxpayer's dollar while achieving the strategic airlift fleet mix the warfighter requires; therefore, I believe it is important to retain all options for our nation's airlift fleet as future requirements are determined.

Intratheater Airlift

On 31 December 2007, RAND's Project AIR FORCE completed the USAF Intratheater Airlift Fleet Mix Analysis (UIAFMA) for Air Mobility Command. The analysis evaluates alternatives to fill the capability gaps caused by C-130E grounding or retirement. Alternatives include a Service Life Extension Program (SLEP) for older C-130s or the acquisition of additional mobility assets such as C-130J-30s, C-17s or C-27Js. The study found that C-130E SLEP was not a cost-effective alternative and that the C-130J-30 is the most cost-effective alternative for meeting the Mobility Capability Study (MCS) shortfall caused by the retirement of the C-130Es. Concerning the C-27J, the study found that additional USAF C-27Js beyond the 24 acquired for the U.S. Army Time-Sensitive Mission-Critical requirement are not as cost-effective as the C-130J-30 for the MCS missions examined. The current total acquisition plan for C-27Js is 78 aircraft, with the Air Force acquiring 24 and the Army acquiring 54.

The UIAFMA found that the C-27J is 60%-70% less cost-effective than the C-130J-30 in performing MCS missions. RAND did identify some missions outside of the Mobility Capabilities Study where the C-27J is more cost-effective than the C-130J-30. The C-27J was 5%-15% more cost-effective than the C-130J-30 on Operation ENDURING FREEDOM

(OEF) and Operation IRAQI FREEDOM (OIF) Scheduled Theater Airlift Routes (STAR) and OEF Point-to-Point missions. In addition to missions analyzed by the RAND USAF Intratheater Fleet Mix Analysis, the Air Force is interested in follow-on analysis of alternative missions exploiting the potential cost-effectiveness of the C-27. Among those potential mission areas are recapitalization of Operational Support Aircraft (OSA) inventories, precision airdrop of Container Delivery System bundles and Joint Precision Airdrop System (JPADS) operations, delivery of Special Operations Forces teams and other small unit maneuvers, Air National Guard support of Federal Emergency Management Agency (FEMA) regions, more efficient movement of small payloads throughout theater, taking more "convoys off the road," and building international partnerships around a common airframe.

The Air Force's intratheater airlift force structure requirements, to meet requirements resulting from personnel end strength growth of the Army and Marine Corps, will be examined as a part of the ongoing Mobility Capabilities Requirements Study (MCRS) to be completed by May 2009. The intratheater lift needed to meet the Army's concept of operations, as it relates to the Future Combat System (FCS) and the recently announced non-transportability of the FCS on a C-130 aircraft, is a subject of discussions in MCRS. Army concepts of operations such as mounted vertical maneuver have not been developed in sufficient detail to permit an assessment of the types or numbers of platforms that will be required to support them.

Update on Ongoing Studies

Congress tasked the DoD to contract a Federally Funded Research and Development Center (FFRDC) to complete an airlift fleet mix study by 10 January 2009. OSD identified the Institute for Defense Analyses (IDA) as the FFRDC to conduct this study. AMC is working with USTRANSCOM to sponsor this study.

Additionally, DoD is conducting a Mobility Capabilities and Requirements Study (MCRS). This study is tasked by the Secretary of Defense Guidance for the Development of the Force (GDF) and requires an internal in-progress review by February 2009 and a final report by May 2009. The MCRS will examine changes in mobility demand that have occurred since the MCS was published in 2005, such as 92,000 ground force increase, the reposition of U.S. overseas forces as a result of the Integrated Global Presence and Basing Strategy (IGPBS), Future Combat System transportability and employment concepts, and the Global War on Terror. This study is being co-led by the Office of the Secretary of Defense and United States Transportation Command, with AMC participation.

MISCELLANEOUS ISSUES

KC-10 AMP

The KC-10 is the younger of the current legacy aircraft in our tanker fleet. It is critical to continue with the sustainment and modernization of this unique asset. The Aircraft Modernization Program (AMP) Capabilities Development Document was Joint Requirements Oversight Council approved in June 06 and addressed numerous issues to support our warfighters: Communication, Navigation, Surveillance/Air Traffic Management (CNS/ATM), network centric operations, survivability, force protection, reliability, maintenance, and several obsolescence issues. Affordability ($2.2B cost estimate) led to AMP cancellation. AMC is now developing a de-scoped effort, limited to absolutely essential obsolescence (Boom Control Unit (BCU) and Inertial Navigation System (INS)/Flight Management System (FMS)) and mission sustainment issues (CNS/ATM requirement for airspace access).

The BCU is the KC-10's number-one obsolescence issue; the seven computers that are the heart of the BCU and are required to conduct aerial operations are no longer in production.

Once available spares are depleted, this system will be unsupportable. This could occur as early as 2010, according to the latest engineering analysis. The BCU is being approached as a stand alone program (estimated at ~$20M), and because of its urgency Air Mobility Command and Air Force Materiel Command (AFMC) are working to place the BCU on contract as soon as possible.

The number-two obsolescence issue is focused on the KC-10's Inertial Navigation System/Flight Management System (INS/FMS). Current INSs are no longer in production and limited spares reduce its long-term supportability. In addition, the current FMS is at its limit for throughput capacity/memory capability. Therefore, any change to the INS will require the FMS to be upgraded. A fix to these two items with current technology also allows AMC to address the KC-10 mission sustainment issue to comply with known CNS/ATM mandates and allow for continued mission effectiveness (airspace access) through 2015. AFMC estimates the cost at $300M - $400M, and AMC is currently working through the acquisition process to refine estimates, develop, fund, and complete the program prior to 2015.

KC-135E Retirements

I want to thank you for the relief from some of the retirement restrictions provided in the FY08 NDAA language; it has provided some relief. The FY08 NDAA language limited the retirement of the 85 remaining KC-135Es to no more than 48 aircraft. Also in the FY08 NDAA language, Congress made retirement of the 37 remaining aircraft contingent on the Air Force award of the KC-X contract, any bid protest arising from the contract award being adjudicated by the Government Accountability Office (GAO), and the Air Force having responded to GAO determinations arising from any such bid protest.

As of 21 March of this year, the USAF has 67 KC-135Es remaining. Of those, only 15 are currently flying. The remaining 52 are classified as "excess to need" aircraft that are in "XJ status." Aircraft units must continue to store and maintain them even though they are not flying. Of the 52 XJ status aircraft, 27 are grounded due to engine strut restrictions and/or overdue Programmed Depot Maintenance inspections. While in XJ Status, KC-135E aircraft awaiting retirement generate Operations & Sustainment costs estimated at $121.4K per aircraft per year. KC-135E retirement restrictions (specifically the requirement to maintain these aircraft in Type 1000 storage) are costly and offer no return on investment. Once retired, Type 1000 Storage generates an additional $40K per aircraft in induction costs, plus $33K per aircraft every four years thereafter, while also eliminating a source of spare parts for flying KC-135R-model aircraft.

Even if the decision was made to regenerate the E-models out of storage, AMC would be challenged to source crews and maintenance personnel qualified to fly and fix them. For these reasons I strongly urge the COMPLETE lifting of KC-135E retirement limits and Type 1000 storage restrictions.

The C-130 Fleet

Air Mobility Command requires a total of 127 combat delivery C-130Js to replace retiring C-130Es. The 15 C-130Js requested in the FY08 supplemental, coupled with 32 C-130Js funded in the FYDP, will provide the command with the 127 aircraft required to replace the Es and meet the Mobility Capability Study minimum requirement of 395 combat delivery C-130s.

With respect to the center wingbox replacement program, we need the $59M requested in the FY08 supplemental to turn the corner and get ahead of the curve so that we are replacing wingboxes just before there is a negative operational impact. As of 20 March 2008 we have

retired 101 aircraft, 2 aircraft are currently grounded, and 26 additional aircraft are restricted due to problems with the center wingbox.

We have verified with the program office and the contractor that there will be sufficient production capacity to meet production demands of new C-130J aircraft and our center wingbox replacement requirements.

Air Refueling Fee for Service:

Air refueling fee-for-service involves the use of commercial contractors to provide boom air refueling in lieu of Air Force Active Duty/Reserve Component units accomplishing this mission. The FY08 National Defense Authorization Act provided direction to run a five-year pilot program, and AMC is working closely with SAF/AQ, the Air Staff, and Air Force Materiel Command to develop and execute this capability. Air refueling mission areas under consideration include: air refueling support to flight test operations, training support, support to homeland defense operations, deployment support, air bridge support, aeromedical evacuation, and emergency air refueling. Currently, we are working in partnership with the Air Force Aeronautical Systems Center (ASC) to assess industry inputs submitted in response to a 26 February 2008 Request For Information (RFI). An Industry Day is planned for the week of 14 April and a formal Request For Proposals (RFP) is planned for later in FY08.

The second phase will consist of source selection and certification of participating aircraft and crews in the commercial air refueling venture. Certification will require operators to gain a major supplemental type certification (STC) modification certificate from the Federal Aviation Administration (FAA), due to structural changes required on participating aircraft. Crews will need FAA check rides and company certification in the air refueling components of flight operations, and contractor aircraft will have to qualify with Air Force receivers. Upon attaining

proper certification, commercial contractors will perform air refueling missions at AMC's direction in accordance with contracted program guidelines. The final phase of the program will be a five-year test run of the capability, after which time a new business case analysis will be performed to determine whether the program should be continued.

Civil Reserve Airlift Fleet

The FY08 National Defense Authorization Act directs an independent assessment of the Civil Reserve Air Fleet (CRAF) – USTRANSCOM has the lead in supporting this study which is being accomplished by the Institute for Defense Analysis. However, simultaneously, there is a Secretary of the Air Force-directed CRAF study ongoing, being performed by the Council for Logistics Research (CLR). The initial focus of this study was to review how the DoD moves cargo via commercial air, and determine if it is possible to move toward the method the U.S. Post Office has adopted by negotiating rates with the commercial industry to save taxpayers money.

This CLR-led study has expanded beyond the initial guidance and is now looking at ways to ensure the CRAF remains a viable program for national security for years to come, post Operation ENDURING FREEDOM/Operation IRAQI FREEDOM. CLR provided a progress update to AMC and USTRANSCOM leadership in February 2008. The study has included interviews with government representatives as well as industry experts, and gathering of historical data from the two previous CRAF activations to support Operations DESERT SHIELD/DESERT STORM and OIF. The final report is due to the Secretary of the Air Force in July 2008.

CONCLUSION

The air mobility fleet continues to face many challenges, while remaining one of the Department of Defense's crown jewels. Critically, the air mobility capability of the nation must

remain vibrant, flexible, and responsive to meet the imperatives of the warfighter and allow the nation to project our national interests. We appreciate Congress' support to help us recapitalize and modernize America's mobility fleet and make our plans a reality.

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON ARMED SERVICES
AIR AND LAND FORCES SUBCOMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON ARMED SERVICES

SUBCOMMITTEES ON AIR & LAND FORCES

UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: UNITED STATES TRANSPORTATION COMMAND POSTURE HEARING AND AIR FORCE GLOBAL MOBILITY AIRCRAFT & TANKER PROGRAMS

**WRITTEN STATEMENT OF: THE HONORABLE SUE PAYTON
ASSISTANT SECRETARY OF THE AIR FORCE FOR ACQUISITION**

APRIL 1, 2008

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON ARMED SERVICES
AIR AND LAND FORCES SUBCOMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

INTRODUCTION

Mr. Chairman and Members of the Committee, it is my distinct honor to appear before the Committee today with General Norton Schwartz, Commander of U.S. Transportation Command, and General Arthur Lichte, Commander Air Mobility Command. I look forward to discussing with you the state of several Air Force mobility and tanker programs.

I am proud to represent the finest acquisition workforce in the Department and I can honestly say we have the smartest and hardest working Airmen developing the most advanced technology required by the joint warfighter. We are committed to acquiring the most capable weapon systems for the warfighter while being diligent stewards to the taxpayer and operating in an open and transparent environment "without fear or favor." We are living in interesting times as we constantly balance the near term need to equip today's warfighter on today's front lines securing air, space, and cyberspace while simultaneously modernizing the force to ensure tomorrow's warfighter is equipped for success and never surprised by our adversaries.

ACQUISITION LESSONS LEARNED

The Air Force is committed to improving its acquisition process performance. Success in this endeavor depends on setting achievable stable requirements, getting appropriate resources, using disciplined systems engineering, and managing effectively with a skilled workforce. Our challenge is to quickly and economically convert ideas, experiments and prototypes into battlefield effects. This entails more than creating new weapon systems; it means adopting an inherently agile and responsive acquisition culture.

Such institutional agility will allow us to effectively and efficiently divest our legacy systems while fielding the capabilities needed to meet new global challenges.

There are several lessons that I have learned as the Air Force Acquisition Executive over the past 19 months. The first lesson is that acquisitions of complex, highly integrated, interoperable, survivable systems are difficult. The challenges for developing complex weapon systems are not well understood outside of the acquisition community. The second is that source selection protests are a way of life and they continue to challenge the Air Force's ability to develop and field desperately needed systems, on time and on cost. Protests are a valuable check and balance in the acquisition process, but frivolous protests only delay desperately needed combat capability to our warfighter and waste valuable taxpayer dollars. Another valuable lesson is that the workforce must be empowered to make decisions and we need to have the right people with the necessary training and expertise. Our negotiating teams and especially our contracting officers have been empowered to negotiate and close the deal with industry. Additionally, under Air Force Smart Operations for the 21st Century (AFSO21), a new initiative called Installation Acquisition Transformation (IAT) is underway. An objective of this new initiative is to strategically re-align the installation contracting organization within the Continental United States (CONUS) and move away from a tactically focused approach. With today's fiscally constrained environment, IAT will allow for an agile operating structure where we can leverage and increase the technical competence of our workforce while realizing cost savings through proven strategic sourcing techniques consistent with Office of Management and Budget (OMB) guidance. I have also learned that the Nunn-McCurdy process, while difficult, results in healthier more executable

programs. I inherited several under funded programs with cost growth challenges, because the cost, schedule and performance baselines were established well in advance of when we could reasonably project the technical and schedule issues that can drive costs out of control. The lessons I have learned in the first year and a half of my tenure have brought focus to many daily efforts. However, my commitment to integrity and transparency in all Air Force acquisitions remains firm and the bedrock of all our acquisition activities.

FLEET MODERNIZATION AND RECAPITALIZATION

I look forward to discussing with the Committee the Air Force's top acquisition priority, the KC-45A, as well as the status of additional high-priority acquisition programs such as the C-5 modernization programs; continued production of the C-130J and introduction of the C-27 Joint Cargo Aircraft (JCA).

KC-45A

The KC-45A is our highest procurement priority and it is critical to the entire joint and coalition military team's ability to project combat power around the world. It gives America and our Allies unparalleled rapid response to combat and humanitarian relief operations. KC-45A tankers will provide increased aircraft availability, more adaptable technology, more flexible employment options, and greater overall capability than the current inventory of KC-135E and KC-135R tankers. The KC-45A will be able to refuel receptacle and probe-equipped aircraft on every mission and itself be in-flight refuelable. Also, the KC-45A will have an additional role to carry cargo, aero-medical evacuation and passengers, and be equipped with defensive systems to enhance its utility to the warfighter.

The current fleet of Eisenhower-era KC-135s average 47 years old. The KC-45A program is based on a planned purchase of 179 aircraft and is the first of up to three recapitalization programs to replace the entire legacy fleet. The Air Force has budgeted approximately $3 billion per year for an annual production rate of 12-18 aircraft. But even with this level of investment, it will take several decades to replace the 500+ Eisenhower-era KC-135s. It's absolutely critical for the Air Force to move forward now on this program.

As you are aware, the Air Force awarded the KC-X contract to Northrop Grumman, who met or exceeded the requirements of the Request for Proposal and provided the best overall value to the warfighter and the taxpayer based on the competition evaluation factors. The Air Force spent an unprecedented amount of time and effort with the offerors ensuring open communications and a completely transparent process. It is our Air Force goal to move forward with a program of smart, steady reinvestment to ensure future viability of this unique and vital U.S. national capability. I am extremely proud of the KC-45A Acquisition team on the recent award of the KC-45A tanker and the capability it will bring to the fight.

C-5 MODERNIZATION PROGRAMS

Modernization of the C-5 fleet remains an Air Force priority to meet Combatant Commanders' requirements for on-time delivery of oversized and outsized cargo. This effort will bring needed capability to the warfighter through the year 2040, getting our troops and equipment to the fight by increasing the mission availability of C-5s with their unmatched outsized and oversized, roll-on/roll-off capability.

The C-5 modernization effort is a combination of two programs. The Avionics

Modernization Program (AMP) provides modernized avionics and allows the aircraft to efficiently access international airspace. The second program is the Reliability Enhancement and Re-engining Program (RERP), which builds upon the C-5 AMP modification. C-5 RERP replaces the propulsion system and improves the reliability of over 70 systems and components.

On 14 Feb 08, the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) certified the restructure of C-5 RERP production modernization to 47 C-5Bs and 2 C-5Cs. The C-5A aircraft are not included in the restructured program. However, they will undergo AMP modification to enable the aircraft to meet global Communications/Navigation/Surveillance and Air Traffic Management standards. We are working closely with Secretary Young and his staff to produce the best product for the warfighter and the taxpayer.

CONTINUED C-130J PRODUCTION

The C-130J is a key component of the intra-theater airlift modernization effort. Air Mobility Command identified a need for 127 combat delivery C-130Js to meet intra-theater airlift requirements. Through defense appropriation and GWOT supplemental bills, Congress has funded 70 C-130Js, 10 WC-130Js and 7 EC-130Js and as of February, 2008, we have fielded 63 total C-130J aircraft. The current C-130J Multi-Year Procurement (MYP) contract ends in FY08 and we will be using suboptimized additional procurements through annual contracts to procure future aircraft until a new MYP contract can be negotiated. Fiscal year 2009 C-130J procurement is dependent upon the Air Force Special Operations Command's HC/MC-130 recapitalization program and sales to the United States Marines Corps and Coalition partners.

INTRODUCTION OF THE C-27 JCA

The C-27 is a joint Army and Air Force program to procure a small cargo aircraft capable of providing responsive, flexible and tailored airlift for combat, humanitarian and homeland defense missions. Fiscal Year 2008 National Defense Authorization Act language prohibited obligation and expenditure of appropriated funds until the Secretary of Defense provides specified reports to the Congressional Defense Committees and certifies the requirement for the aircraft. In the interest of openness and transparency, OSD took the extraordinary step of delivering the draft *Joint Intra-Theater Airlift Fleet Mix Analysis* report to the Congressional Defense Committees before completing the sufficiency review. On 29 February, OSD sent the required 6 reports and certification and we are prepared to move forward with this joint program.

CONCLUSION

The dynamic and threatening environment in which the U.S. military operates requires an agile and responsive acquisition enterprise. To meet the requirements of our joint and coalition warfighters, we must continue to focus our efforts on modernizing and recapitalizing our aging weapon systems. The men and women in Air Force Acquisition take great pride in delivering on our promise and I am honored to represent them in front of this committee. Thank you again for the opportunity to be here today and I look forward to your comments and questions.

Statement of

General Norton A. Schwartz, USAF

Commander, United States Transportation Command

Before the House Armed Services Air and Land Forces Subcommittee

On the State of the Command

April 1, 2008

INTRODUCING THE UNITED STATES TRANSPORTATION COMMAND (USTRANSCOM) 2008

Mission/Organization

USTRANSCOM, a unified combatant command (COCOM), serves as the "quarterback" of the Joint Deployment and Distribution Enterprise (JDDE) whose purpose is to project national security capabilities, provide end-to-end visibility of forces and sustainment in transit, and rapidly respond to support joint logistics requirements. Through our component commands, the Army's Military Surface Deployment and Distribution Command (SDDC), the Navy's Military Sealift Command (MSC), the Air Force's Air Mobility Command (AMC) and our national and commercial partners, we execute military and commercial transportation, terminal management, aerial refueling and global patient movement through the Defense Transportation System (DTS). As designated in 2003, re-designated in 2006, codified in the 2006 Unified Command Plan, and now institutionalized in DOD instructions, USTRANSCOM is the Department of Defense's (DOD) Distribution Process Owner (DPO) and is leading a collaborative effort with JDDE partners across the defense logistics community to increase the precision, reliability and efficiency of the DOD supply chain. By increasing collaboration, employing expeditionary tools and streamlined systems, adapting our business models and ensuring an appropriate mix of lift assets, we keep our promises to our warfighters and the Nation, today and tomorrow.

KEEPING PROMISES TO THE NATION IN 2007

Global War on Terrorism Update

In 2007, USTRANSCOM overcame many challenges to meet the warfighter's requirements for the Global War on Terrorism (GWOT), including Operations IRAQI

FREEDOM (OIF), ENDURING FREEDOM (OEF) and NOBLE EAGLE (ONE). AMC, in collaboration with our commercial partners, moved 1,475,427 passengers on deployment, redeployment, sustainment and rest and recuperation missions. This indispensable relationship with commercial industry freed our organic aircraft to airlift 167,396 short tons (stons) of vital cargo into the U.S. Central Command (USCENTCOM) theater. Additionally, we airdropped 3,350 stons of critical supplies for coalition forces in Afghanistan.

Our aging AMC tankers also delivered 168 million gallons of fuel to U.S. and coalition aircraft in support of OEF/OIF and helped secure our skies in support of ONE by flying more than 333 sorties and offloading 2.3 million gallons of fuel to combat air patrol fighters and support aircraft.

MSC and SDDC's contributions in OIF and OEF were equally impressive, delivering 916,000 stons/17,850,000 square feet of cargo. MSC's point-to-point tankers also delivered over 1.79 billion gallons of fuel supporting worldwide DOD requirements.

Support to other Combatant Commanders

Operations in the USCENTCOM Area of Responsibility (AOR) were our primary focus this past year. USTRANSCOM rapidly deployed five additional U.S. Army Brigade Combat Teams (BCT) to help stabilize Iraq, while simultaneously supporting on-time force rotations. Working in concert with our JDDE partners, we deployed 19 and redeployed 14 BCTs, and rotated two Air Expeditionary Forces and three Marine Air Ground Task Forces.

Delivering Mine-Resistant Ambush Protected (MRAP) vehicles was also a high priority. We rapidly delivered over 1,657 life-saving MRAPs both by air and sea while simultaneously maintaining high levels of force deployment and redeployment operations. Concurrently, we moved over 25,000 improved armor kits for U.S. High Mobility Multipurpose Wheeled Vehicles, ensuring our warfighters received the latest advances in vehicle protection.

Turkey is a key ally in the GWOT, and our operations through Incirlik Air Base are vital to our efficient intermodal distribution into Iraq. This year we delivered over 66,000 stons of cargo via aircraft flying out of Incirlik, 10,000 stons and 144 cargo aircraft sorties more than in 2006.

We continue to advance and normalize transportation operations throughout USCENTCOM. In 2007, we initiated the first U.S.-flagged commercial cargo flights into Afghanistan and Iraq since combat operations began and increased the use of alternative air and seaport facilities to augment the redeployment flow of containers that would otherwise go through Kuwait. These operations broaden our capability to provide the best possible support to the COCOMs.

The availability of direct commercial cargo capacity presents opportunities for cost savings and efficiencies. Through our air cargo tender program, we moved more than 126,000 stons of intra-theater cargo via commercial air carriers vice military aircraft or ground convoys. This capability saved $258 million and freed 14,168 C-130 missions for other requirements. More importantly, the 67,500 pallets moved by commercial air resulted in fewer ground convoys, mitigating the risk to U.S. forces. Additionally, we contracted with commercial shipping companies to deliver increasing amounts of containerized cargo directly to Iraq, through the port of Umm Qasr, reducing the need for overland transportation from outlying regional ports. This created new jobs for Iraqi truckers and port workers, helping to accelerate the economic revitalization and stabilization process in the region.

Our quick response capability proved vital in supporting Lebanon in its recent battle against internal insurgents. USTRANSCOM rapidly airlifted over 480 stons of ammunition from the U.S., sealifted over 5,600 coalition-supplied artillery shells and moved 130 vehicles

plus support equipment from Europe to Lebanon. This rapid support was instrumental in Lebanon's ability to defeat Fatah al-Islam and maintain its sovereignty.

While operations in USCENTCOM remain a primary focus, we are mindful of our global commitments. In the U.S. European Command AOR, USTRANSCOM rotated 7,752 peacekeepers into the Darfur region to support the African Union Mission in Sudan as it executed its transition of authority to the United Nations Mission in Sudan.

In U.S. Southern Command (USSOUTHCOM), USTRANSCOM conducted ten detainee movement operations from Guantanamo Bay, Cuba, repatriating 70 detainees to various points around the globe. We also airlifted over 1,400 passengers and 1,500 stons of cargo to support Presidential visits to Brazil, Uruguay, Colombia and Guatemala, strengthening key regional partnerships.

In the U.S. Pacific Command (USPACOM) AOR, in addition to providing forces and sustainment for OEF-P (Philippines), we set records in Operation DEEP FREEZE, airlifting over 1,900 stons of cargo and 5,000 passengers, and sealifting 11.9 million gallons of fuel and 12 million pounds of cargo into McMurdo Station, Antarctica, in support of the National Science Foundation. In a successful proof of concept, a C-17 conducted the first-ever airdrop at the South Pole, delivering 35.5 stons of cargo.

At home, USTRANSCOM maintains strong partnerships with U.S. Northern Command (USNORTHCOM) and non-DOD organizations such as the Federal Emergency Management Agency (FEMA). We have synchronized plans to support civil authorities during catastrophic events like hurricanes and the devastating wildfires that swept across parts of California. Working closely with these partners, USTRANSCOM moved over 250 passengers and 360 stons of cargo and provided urgently needed command and control, aerial firefighting and aero-medical evacuation elements to reduce the loss of life and property.

We also support the geographic COCOMs through exercises, which provide critical training and serve as a venue to refine business and deployment and distribution processes. For example, the Republic of Korea Reception, Staging, Onward Movement and Integration and ULCHI FOCUS LENS exercises in the USPACOM AOR allowed us to integrate new command and control processes and capabilities to better support the joint warfighter. USSOUTHCOM's PANAMAX, the largest 2007 multinational exercise involving more than 30 ships, 12 aircraft and 7,500 personnel from 19 nations, also gave us ample refinement opportunities. Additionally, we tested our Containerized Ammunition Distribution System (CADS). During Exercise TURBO CADS 2007, we shipped 1,133 container loads of munitions to five ports using an MSC-chartered commercial container ship, which substantially increased USPACOM's wartime munitions readiness and prepared commercial ports to augment typical host nation ports used for ammunition shipments. Finally, during USNORTHCOM's ARDENT SENTRY 07, an exercise centered on deployment and employment of Homeland Defense Quick Reaction Force and Joint Task Force – Civil Support elements, we successfully exercised our new Theater Distribution Management Portable Deployment Kit, a man-portable suite equipped with Radio Frequency Identification, satellite communication and other technologies to provide in-transit visibility for unit deployments and cargo movements. The future kit will provide Global Positioning System-based, passenger manifesting and cargo accountability capability.

Improving DOD Supply Chain Management

In our role as the DPO, USTRANSCOM declared 2007 the "Year of Metrics" and made great strides to develop the JDDE Performance Measure Framework. This framework allows us to better evaluate supply chain performance, reliability and cost, gain insight into system behavior and identify ways to drive tangible improvements. Using "Voice of the Warfighter" surveys, we conducted 200 face-to-face interviews with logisticians across four COCOMs to

validate the key performance indicators that will both measure and drive supply chain performance to meet COCOM and warfighter expectations. Representative outcomes include substantial improvement in delivery times and better alignment of shared business processes across supply, transport, and end user segments of the DOD supply chain to improve support to the warfighter.

Another significant improvement in supply chain management will be the Joint Shipment Manager construct, a collaborative effort between USTRANSCOM, Defense Logistics Agency and USPACOM operations analysts and local commercial transportation experts. This construct will place a distribution hub near Defense Distribution Center Pearl Harbor to maximize transportation efficiencies between the Oahu ports and the distribution center. The arrangement will offer customer service and delivery time improvements across more than 150 transportation lanes with the potential for a 12 percent net reduction in annual operating costs.

Supporting the Warfighter

Our support for the warfighter includes improving quality of life. Through the Families First program we are improving household goods shipments, as this recurring event directly affects the lives of our service members and their families. In 2007, SDDC and its partners moved 1.63 billion pounds in household goods. Families First will benefit the large portion of DOD that moves each year by allowing personnel to rate transportation service providers online, obtain counseling via the web and file personal property claims directly with the provider. The Defense Personnel Property System (DPS), which will provide these web-based capabilities and help manage the 680,000 annual shipments of household goods, reached initial operational capability in November 2007 and will be fully integrated into all 136 shipping offices by September 2008. We also began implementing Full Replacement Value protection for household goods shipments. This enhancement was made possible by the John Warner National

Defense Authorization Act of 2007 and will be fully implemented for all shipments by March 1, 2008.

Perhaps the most important of all our missions is the movement of injured warfighters from the battlefield to world-class medical treatment facilities. This is a complex, time-sensitive process requiring close collaboration with doctors, military hospitals and our aero-medical evacuation crews to move injured personnel at exactly the correct time to the correct place. In 2007, we transported over 9,900 patients from the USCENTCOM AOR and over 16,000 patients globally. We continue to improve an already superb process by chartering the Global Patient Movement Joint Advisory Board to develop a joint critical care transport capability, standardize the theater Patient Movement Requirements Centers and implement joint electronic medical records.

Should the worst occur and a warfighter perish in the defense of our nation, USTRANSCOM ensures the most dignified transport from the battlefield to final destination. This year, we transported 837 of our fallen heroes aboard military or military-contracted aircraft to the airfield nearest the interment.

LEADING THE JOINT DEPLOYMENT AND DISTRIBUTION ENTERPRISE TRANSFORMATION

Process and Systems Transformations

As DOD's Distribution Process Owner, we are leading transformation of the JDDE to meet the changing environment of current operations and to improve performance to meet the needs of the future force. A key enabler of this transformation is our initiative to implement a single transportation tracking number. Much like commercial industry, this will allow decision makers to more easily track warfighting capability in the DOD pipeline.

As DOD's functional proponent for Radio Frequency Identification (RFID) and related Automated Identification Technology (AIT), we are taking a corporate approach to synchronize the myriads of ongoing AIT efforts with the Services, DLA and other partners. We published a concept of operations and developed an implementation plan to transform the current AIT environment and improve asset visibility. We implemented active RFID technology at our strategic ports to provide detailed cargo movement information. Through the Alaska RFID Implementation project and Joint Regional Inventory Material Management initiative, we have installed passive RFID technology at selected military installations in Alaska, California, and Hawaii.

Another major initiative, Theater Enterprise Deployment and Distribution, takes an enterprise view of the JDDE to identify performance gaps or shortfalls and provides the foundation for instituting common joint processes, establishing intra-theater organizational relationships and applying common Information Technology (IT) support. This effort is yielding positive results.

Our transformation includes moving toward private industry arrangements geared toward performance and integrated customer-focused solutions, such as our Defense Transportation Coordination Initiative (DTCI). DTCI has quickly evolved from a concept to a fully-integrated and operationally-focused program office. In August 2007 we partnered with the Defense Logistics Agency (DLA) and the Services to contract a commercial transportation services coordinator to help manage DOD CONUS freight. This partnership will provide visibility of CONUS freight movements, enabling load consolidation, increased use of cost effective intermodal solutions and intelligent scheduling. Today, many Fortune 500 companies using transportation management services witness cost savings of 7-15 percent. Our comprehensive

analysis shows incorporating such commercial best practices could yield cost savings of up to 15 percent annually over the seven-year contract.

Managing the portfolio of IT systems is key to meeting the ever increasing need for information. Historically, IT resources have been managed and acquired as stand-alone systems rather than integral parts of a net-centric capability. This often results in duplicative investment in the same or similar systems, limiting the ability to share information and fully incorporate doctrine, organization, training, materiel, leadership and education factors. As the Distribution Portfolio Manager, we are aligning IT with warfighter needs through enterprise level planning, integrated architectures and warfighter preferred performance measures.

An example of our alignment efforts is the convergence of DLA's Integrated Data Environment (IDE) logistics system and USTRANSCOM's Global Transportation Network (GTN). The creation of an IT backbone through the IDE/GTN Convergence (IGC) allows us to more closely operate with DLA, provides a common data environment for the DOD supply/transportation enterprise and facilitates development of new applications riding on that backbone. For instance, in June 2007 we fielded a Motor Carrier Compliance capability, which allows us to determine carriers' compliance with contractual requirements for electronic status of movement and Government bills of lading. IGC will also make possible the Spring 2008 fielding of World Wide Express (WWX)/International Heavyweight Express (IHX) air carrier shipment status compliance.

The migration of surface port information from the Worldwide Port System into the Global Air Transportation Execution System (GATES) is a similar effort, providing a single web-based port processing and manifesting system for DOD. GATES will also link to external systems, thus enhancing information sharing across DOD and in-transit visibility for the warfighter. Other transformation initiatives include Common Operational Picture for

Distribution and Deployment, which fuses information from multiple systems to present one distribution and deployment picture to the user; and the Single Load Planning concept, which combines features of the Automated Air Load Planning System and the Integrated Computerized Deployment System to allow air and surface load planning on a single web-based application.

Business process reengineering and continuous process improvements are at the heart of USTRANSCOM's ongoing transformation. Agile Transportation for the 21st Century (AT21) is an effort to implement distribution industry best practices using commercial-off-the-shelf tools and then transition to commercial optimization and scheduling technologies. This transition will improve transportation planning, improve forecast accuracy and increase on-time delivery of forces and supplies to Combatant Commanders at a lower cost to the Services. When fully operational, AT21 will provide the warfighter full distribution pipeline visibility and enable throughput management at critical ports and waypoints around the world.

In collaboration with the Air Force and Defense Finance and Accounting Service, we are replacing outdated, unreliable billing and accounting processes and systems. The Defense Enterprise Accounting and Management System (DEAMS) will transform the financial management of our $10 billion enterprise. When fully fielded, DEAMS will set a new standard for effective and efficient stewardship of Defense Working Capital Fund resources.

AMC is transforming its relationships with the air components of the Combatant Commands at the Air Operations Centers (AOCs). By summer of 2008, AMC will integrate strategic and theater mobility missions planning and execution information across coalition, Joint, and Air Force systems. Globally, AMC will have unprecedented ability to plan and report aircraft movements into, around, and out of COCOM AORs and provide USTRANSCOM visibility of in-theater air assets for air refueling, airlift and air medical evacuation missions.

Finally, in the area of patient movement we are continuing development of the TRANSCOM Regulating and Command & Control Evacuation System (TRAC2ES). TRAC2ES will reach full operational capability in 2010 and provide access to information on available transportation assets, retrospective trend analysis, improved in-transit visibility, automated data sharing and global web-based user training.

Organizational Realignment/Personnel Issues

Although vital to what we do, the JDDE is more than just processes and systems. We are focused on initiatives that provide for the needs of the warfighter. First, we are developing organizational structures, both in the distribution network and at USTRANSCOM, to enhance JDDE responsiveness.

Joint Deployment Distribution Operations Centers (JDDOC), resident in each geographic AOR, continue to aid COCOMs in improving integration of strategic and theater distribution. As each COCOM tailors the JDDOC to best meet theater needs, USTRANSCOM assists with the development of performance-based metric framework as part of the organization.

A good example of the JDDOC's value is our previously mentioned support of Lebanese Armed Forces (LAF). USEUCOM and USCENTCOM's JDDOCs facilitated movement of donated munitions to the LAF by tapping into regional expertise, as well as by reaching back to national partners in the U.S. to maximize intra-theater and inter-theater lift. This unique mission was possible because of the established collaboration across our JDDOCs.

Another emerging capability is Joint Task Force - Port Opening (JTF-PO), an on-call, jointly trained, world-wide deployable team which enables the rapid opening of ports. JTF-PO was designed with the command and control capability and in-transit visibility technology to support geographic COCOMs and sustain domestic first responders. It has been endorsed by the COCOMs and demonstrated in national level, Joint Chiefs of Staff and multi-national exercises.

The JTF-PO Aerial Port of Debarkation (APOD) combines Air Force and Army units to open an airport and prepare it for logistics operations in as little as 24 hours. A JTF-PO APOD was fully operational during Ardent Sentry 07, responding to 23 military and 9 commercial airlift missions, handling over 1,400 short tons and processing nearly 900 passengers. We are currently fielding the Seaport of Debarkation capability to open a seaport in a comparable fashion.

The Base Realignment and Closure (BRAC) process has presented a unique opportunity to establish a modern command and control structure. Our BRAC initiatives are estimated to save the taxpayer $1.2 billion over the next 20 years as we realize efficiencies resulting from consolidation. SDDC's move to Scott Air Force Base in 2007 is the most visible of our comprehensive consolidation efforts. This organizational realignment along with the new USTRANSCOM facility housing SDDC and other critical functions has facilitated consolidation activities.

One such consolidation is our new "Fusion Center", which co-locates SDDC, MSC and AMC planners with our command staff, allowing air, surface and sea transportation teams of experts to approach movement requirements planning from an integrated, intermodal perspective. This includes combining SDDC, AMC, and USTRANSCOM networks and moving to joint certification and accreditation by USTRANSCOM of all transportation working capital fund-resourced systems.

A second consolidation of SDDC, MSC and AMC analysts made our vision for a Joint Distribution Process Analysis Center (JDPAC) a reality. While not fully operational until 2010, the JDPAC is primed to co-lead the Mobility Capabilities and Requirements Study (MCRS) with OSD and already contributes to the Joint Staff Operational Availability studies and the OSD Analytical Agenda. The JPDAC is also building the foundation to conduct a bi-annual Future Mobility Assessment. JDPAC supports the geographic COCOMs through several on-going or

planned projects to include Guam infrastructure and shared logistics studies for USPACOM; infrastructure, theater airlift and throughput studies for USCENTCOM; and airlift and distribution studies for U.S. Africa Command (USAFRICOM). We expect significant expansion of our analytical capabilities this year with initial delivery of programmatic and distribution modeling and simulation tools, and in time, JDPAC will bring unprecedented distribution modeling and simulation capability, research techniques and sophisticated engineering tools to bear on complex distribution problems.

Finally, the Acquisition Center of Excellence (ACE) combines common carrier acquisitions and contract functions under one authority. ACE produces synergies and efficiencies in securing national transportation and distribution service contracts by centralized procurement of air, surface and ocean transportation.

In parallel with BRAC transformation, our Joint Intelligence Operations Center-Transportation (JIOC-TRANS) reached initial operational capability in 2007. JIOC-TRANS enhances our ability to anticipate emerging global events and warn transportation and distribution decision-makers by collaborating with the national intelligence community and intelligence components of the other COCOMs.

In concert with the Defense Finance and Accounting Service, we established a Billing Center at Scott AFB. Typically, cargo movement within the DTS requires the billing of segmented transportation events by mode. When changing transportation modes, bills may be generated for each mode used. In addition, cargo movement via ship may generate three separate bills for loading the ship at the Port of Embarkation, for the actual sealift and for unloading at the Port of Debarkation. As it matures, the Billing Center will generate a single consolidated bill for each customer that includes all transportation modes and billable events.

USTRANSCOM is also examining ways to achieve efficiencies in container management. Preliminary analyses indicate opportunities to clarify responsibilities and command relationships by consolidating authority, strategic-level planning and funding in a DOD-level Executive Agent organization.

We are developing military and civilian personnel to manage deployment and distribution for warfighters in joint, inter-agency and multinational environments. These joint logisticians will ensure the viability and vitality of the JDDE. We developed a competency model for Defense deployment and distribution. The Joint Staff has validated and is planning to use it as a starting point to develop a broader competency model for joint logistics. We have also teamed with the Industrial College of the Armed Forces to enhance joint logistician training in the classroom. In its third year, the Supply Chain Management program has 43 graduates with 27 enrolled for 2008.

Maintaining Airlift Readiness for Mission Execution

Rapid global mobility is a key enabler to the effectiveness of the joint force. As response times shrink from weeks to hours, our ability to rapidly aggregate and move operational capabilities forward depends on versatile, ready and effective mobility forces.

However, much of our mobility force structure requires modernization. My top air mobility priority is the recapitalization of our aging tankers from a fleet of Eisenhower–era KC-135s and Reagan–era KC-10s to the more capable KC-45, having multi-point refueling, significant cargo and passenger carrying and defensive system capabilities. The KC-45 will fulfill its primary refueling role, and have the flexibility to contribute to an array of enhanced mobility solutions, mitigating some short-term risk and/or mission load in other areas. The Air Force must recapitalize this fleet and retire those remaining KC-135s that are no longer safe to fly or that are no longer mission effective.

The KC-10 fleet must also be modified to operate in the global airspace environment to remain viable through approximately 2040. AMC is examining ways to modernize the KC-10 to comply with international airspace requirements, address obsolescence and provide a path for future avionics upgrades.

Our national defense strategy requires a viable fleet of strategic airlift aircraft. The C-17 is, and will continue to be, a key mobility asset. We are approaching the end of the procurement program of C-17s, with the FY 2007 supplemental extending the fleet to 190 aircraft. Should C-5 modernization falter, we will need to sustain C-17 production.

The outsized and oversized, roll-on/roll-off capability provided by the C-5 is essential to meet global mobility requirements. However, this year the C-5 had the lowest departure reliability and mission capable rates among the airlift fleet. Modernizing the C-5s with avionics upgrades, new engines and other reliability enhancements is necessary to increase aircraft availability, enable access to international airspace and foreign airfields, reduce fuel consumption and extend the useful life of this unique asset through 2040. AMC must modernize the C-5 fleet while closely managing the costs of the program, for which Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) certification is complete.

Intra-theater airlift is a key component of our global mobility force. We currently have grounded three and restricted 24 Air Force C-130s due to center wing box (CWB) problems, and another 40 aircraft have been temporarily repaired. The Air Force's C-130 CWB replacement program for combat delivery C-130H1s is funded thru fiscal year 2013. Funding stability for CWB is critical to maintaining intratheater airlift operational effectiveness. Additionally, C-130 variants have faced challenges of noncompliance with global air traffic requirements, aircraft avionics equipage and sustainment. The Avionics Modernization Program will modify 222 combat delivery C-130H2/2.5/3s. USD(AT&L) directed the Air Force to develop an investment

strategy for satisfying the capability of the remaining 166 C-130 aircraft, which includes 47 C-130H1s and 10 LC-130s.

While the C-130 remains a workhorse for intra-theater lift, the C-27 will fulfill the joint force need to support dispersed tactical elements and go the "last tactical mile". Acquisition of the C-27, coupled with the repair and replacement of the CWB on select C-130s, and additional C-130J procurement will provide the right mix of aircraft to meet COCOM requirements.

A modern tool in our tactical airlift arsenal is the Joint Precision Airdrop System (JPADS). JPADS provides precision airdrop from higher altitudes with a four-fold increase in accuracy over previous ballistic airdrop systems and the ability to deliver to multiple drop zones on a single pass. Today, over 250 JPADS systems are supporting operations in OIF/OEF. An additional advantage of the JPADS technology is the ability to apply the JPADS Mission Planning System to conventional airdrop delivery methods. These drops, termed Improved Container Delivery System (ICDS), produce a refined release point enhancing ballistic load accuracy by 60% while allowing deployment from higher and less vulnerable operating altitudes. On average, JPADS/ICDS delivers more than 400,000 pounds of cargo each month. Since being deployed to OIF/OEF in July 2006, JPADS/ICDS has eliminated the need for many ground convoy supply missions, thus removing countless personnel from dangerous roadways.

The ability to rapidly offload cargo with our Tunner and Halvorsen loaders cannot be overlooked. The Air Force has funded the full complement of 318 Tunners, but only 392 of 538 Halvorsens. We strongly support Air Force acquisition of the remaining assets to properly outfit our global mobility force.

Distinguished Visitor (DV) airlift is a key component of the global mobility force. Our senior leaders often require immediate and sometimes simultaneous airlift to carry out diplomatic and other missions in an ever-changing strategic environment. In partnership with the Joint Staff

and Services, we are facilitating collaborative scheduling processes, policy and technology initiatives as well as working to modernize our DV fleet with the Senior Leadership Command, Control, and Communications System–Airborne (SLC3S-A) package. SLC3S-A offers our senior government officials communications and information management capabilities comparable to those available in their permanent government office environments, while they travel globally aboard U.S. Government aircraft.

Maintaining Sealift Readiness

On the sealift side, our efforts focus on targeted investments in readiness, leveraging commercial capabilities and improvements in maintaining our organic fleet. In previous years, we "right-sized" the strategic sealift fleet by transferring older, lower utility ships out of the Ready Reserve Force (RRF). The RRF, which is owned and operated by the Maritime Administration, now consists of 44 ships, down from 102 in 1994. We used the savings generated from retiring the vessels to extend the service life of the remaining vessels, fund efficiency and safety enhancements and leverage our commercial partners to recapitalize lost capacity.

We are also working with MSC to recapitalize aging tankers and extend the service life of our Fast Sealift Ships (FSS). International regulations and commercial refinery standards limit tankers loading and discharging at most worldwide oil terminals to a maximum age of 25 years. This will place MSC's tankers beyond their useful life in 2010. As such, MSC contracted for new tankers, which will be built in a U.S. shipyard. Additionally, MSC completed an Outyear Engineering Requirements Assessment for the FSSs that determined the FSS platforms could safely and economically operate through 2033. This extends their military useful service life to approximately 60 years vice the originally planned 50 years.

In 2007, MSC conducted a successful test activation of a small T1 size tanker under a unique contingency contract supporting our strategic capabilities in the Far East. We also replaced our 40 year-old Offshore Petroleum Discharge System (OPDS). This year MSC chartered a new U.S.-built, U.S.-flagged and U.S.-crewed vessel for this mission. Replacing our OPDS vessel with a modern technology ship greatly enhances our capability to support the warfighter with fuel over the shore when access to prepared ports is denied.

To further shore up our strategic sealift capability, we fully support the Navy's effort to exercise purchase options on U.S.-manufactured ships employed in the Maritime Prepositioning Ships program. Apart from the support they provide for the Marine Corps' prepositioning requirements, these ships have a dual use of providing transportation capacity for surge and sustainment missions.

Maintaining Infrastructure Readiness

Infrastructure is the cornerstone of our ability to project national power. We continue our close coordination with the Department of Transportation (DOT), the Federal Highway Administration and the States to balance peacetime and wartime surface movement requirements on the U.S. highway system. In advance of the reauthorization of surface transportation legislation, we are updating the Strategic Highway Network as part of our Highways for National Defense Program, focusing on congestion, condition and capacity issues along our intermodal deployment routes. We urge Congress to address national defense public highway needs in future national highway programs.

With many of our strategic seaports operating at or near capacity, we are also examining our infrastructure to ensure it is capable of meeting national security requirements. SDDC has initiated Port Look 2008 to examine ways to optimize the use of U.S. strategic commercial and military seaports.

We are also looking to expand our reach into regions of increasing national interest and potential instability, most notably Africa, Southeast Asia and South America. USTRANSCOM personnel visited all the geographic COCOMs to better understand emerging contingency plans and to champion the need for mobility-capable cooperative security locations. Additionally, we led Global En-Route Infrastructure Steering Committee meetings to prioritize joint military construction projects to expand key global mobility capabilities while ensuring current mobility infrastructure remains viable.

Protecting our Forces

Protecting our forces is key to accomplishing our global mission. Our Critical Infrastructure Program (CIP) is fostering information sharing among DOD, DOT, U.S. Coast Guard, Transportation Security Administration (TSA) and the COCOMs. The CIP mitigates identified risks to our critical worldwide physical and cyber transportation infrastructures.

Our components are improving threat protection in their mission areas. SDDC implemented waterside barriers, improved security equipment and optimized guard positions at our seaports. AMC continues to field the Large Aircraft Infrared Countermeasures system to protect mobility aircraft from advanced man-portable missiles. MSC is integrating Navy Embarked Security Teams to secure our sealift assets. Finally, we are working with the Joint Staff on individual protective equipment and technological improvements in Chemical, Biological and Radiological warfare defense capabilities.

We support all initiatives to authenticate drivers and workers in the distribution supply chain. This year, we improved interoperability between the Defense Biometric Identification System and TSA's Transportation Worker Identification Credential (TWIC) programs. SDDC began issuing biometric credentials to our commercial truck drivers holding security clearances

who haul arms, ammunition, explosives and classified items. We are also seeking TSA's approval to accept DOD credentials in lieu of TWIC.

Improving supply chain security includes protecting our Military Ocean Terminals. We must provide a trained and capable security force at adequate levels to protect critical infrastructure. We continue to work on improvements using both technical and personnel solutions. In partnership with the Joint Non-Lethal Weapons Directorate, we tested several promising pieces of equipment that would enhance waterway control. We are also conducting manpower surveys to adequately address the workload concerns of our anti-terrorism and force protection personnel.

Fiscal Stewardship

While we are focused on effectiveness in our supporting role, we are decidedly mindful of costs and constantly look to find efficiencies due to our stewardship of a significant portion of the nation's treasure. Since 2003, we avoided over $1.6 billion in costs. We achieved the majority of these savings by shifting to less costly transportation modes attributable to forward stocking initiatives at Defense Distribution Center, Kuwait. We realized additional savings by incorporating challenge protocols to validate requests for high-cost transportation options and negotiating least-cost transportation solutions. As a large consumer of hydrocarbons, we began using alternative fuels. Twenty-five percent of our diesel fuel consumption this year was bio-diesel and 11 of 12 AMC bases are now equipped to handle and issue bio-diesel fuel. Similarly, six percent of our unleaded fuel was issued as E-85, and 4 of 12 bases are equipped to manage E-85.

Maintaining Partnerships

Mutually supporting relationships are essential to the success of any enterprise and ours is no different. The Civil Reserve Air Fleet (CRAF) is a critical partner in our nation's ability to

project and sustain forces. Our legislative initiative is aimed at preserving CRAF viability by providing a prudent amount of assured business to our commercial airline partners, thus incentivizing them to maintain sufficient aircraft availability to meet future DOD needs.

In addition to CRAF, the Maritime Security Program (MSP) and the Voluntary Sealift Agreement (VISA) U.S.-flag commercial sealift carriers remain a critical partner in our nation's ability to project and sustain forces by providing the Department of Defense with assured access to commercial U.S.-flag ships as well as U.S. mariners to support national security requirements during war or national emergency.

Our commercial sealift partners accessed through the Universal Services Contract (USC) are also vital to our mission. USC provides worldwide intermodal transportation services through the DTS, and is a cost-effective means to transport less than shipload lots of equipment and supplies by leveraging commercial trade routes and existing commercial capacity. Although traditionally focused on port-to-port transportation services, efforts are underway to improve the USC by asking our commercial sealift partners to expand service to cover the entire end-to-end distribution process, include provisions for prime vendor direct booking and improve claims resolution mechanisms.

In an increasingly global environment, we continue to work with our allies to ensure smooth distribution operations. Strategic airlift capability is increasing as Australia, Canada and the United Kingdom now have C-17s, and a consortium of NATO and Partnership for Peace nations is planning to procure C-17 aircraft as well. The imminent acquisition of new air refueling aircraft by a number of allies and ongoing discussions with other countries on how to best assist in providing and acquiring air refueling, airlift and sealift support, on a reciprocal, reimbursable basis, bodes well for our global distribution operations. Over the past year we have made excellent use of international agreements by using the acquisition and cross-servicing

authorities provided by law to offer and obtain reimbursable logistic support in more than 20 countries.

In addition, we are working to develop closer ties with other government agencies by making them aware of the unique capabilities and expertise we can provide through the Joint Interagency Coordination Group (JIACG). The JIACG, now resident at each COCOM, is reaping benefits today via close partnering with USAID, FEMA, the Department of State and others to bring all elements of national power to bear and incorporate lessons learned from recent events into current planning.

Looking Ahead

As the Services evolve to meet future challenges, we must work in concert with them, anticipating their need for innovative mobility and distribution strategies. We are continuously exploring new ways to support future force requirements. Through our Deployment and Distribution Enterprise Technology research and development program we leverage emerging technologies to deliver enhanced joint warfighting capabilities. Program successes include the JPADS-Mission Planner, which improved airdrop delivery accuracy to isolated areas; and the Joint Modular Intermodal Container, which enhanced unit deployment and theater distribution. Leveraging successful prototype testing, we have transitioned the Wireless Gate Release System to the Air Force. This system significantly decreases the cost of airdrop operations by doubling C-130 JPADS delivery capacity and reducing damage to airdropped cargo bundles. This year we will provide improved distribution modeling tools for the JDPAC, deliver a web-based application to optimize the execution of worldwide Operational Support Airlift, and begin development of a Lightweight Trauma Module to improve the already superb en route care of injured personnel. Next year we will partner with the services to pursue mesh network, tags and tracking technologies to enhance asset visibility and develop a collaborative Single Load

Planning Capability. We ask Congress to fully fund DOD's modest Deployment and Distribution Enterprise Technology program.

We continue to participate in the capabilities-based assessment of Sea Basing, spanning the range of military operations in the 2015-2025 timeframe. The success of Sea Basing relies heavily on advances in cargo handling, ship-to-ship cargo transfers, high-speed connectors and sea state mitigation through sea state four.

AMC produced the Global Mobility Concept of Operations and the 2008 Air Mobility Master Plan outlining future mobility force operations to 2025. The framework centers on five operational capabilities: airlift, air refueling, expeditionary air mobility operations, space lift and special operations forces mobility.

One of our greatest challenges lies in supporting the recently activated USAFRICOM. With Africa significantly lacking infrastructure to support air, land and sea transportation, we will undoubtedly advocate for targeted infrastructure improvements. In doing so, we must remain flexible to rapidly changing requirements while being sensitive to the often fragile geo-political climate that exists in many parts of Africa.

To make sure we judiciously meet these challenges, we have initiated a Global Access and Infrastructure Assessment (GAIA) to examine current global access and infrastructure capabilities on a region-by-region basis. GAIA will highlight gaps in coverage to ensure sufficient infrastructure exists to fully support future mobility operations. GAIA will also provide the infrastructure baseline assessment for the next MCRS.

All these challenges require a flexible, dynamic Command Corporate Services environment to improve the precision, reliability and efficiency of the entire DOD Supply Chain.

FINAL THOUGHTS

We have been entrusted with the authority to lead and transform the DOD Distribution System and the awesome responsibility of serving the geographic combatant commanders as they execute our Nation's most demanding military missions. Of the future, we know only that major conflicts will be joint and combined, involving all services and national and international partners acting in an interdependent manner. In this environment, we are challenged to be forward-leaning and forward-thinking and to anticipate and meet the needs of our warfighters across the globe. I am extremely proud of the USTRANSCOM team and our national partners. Today, we are supporting the GWOT while providing consistent precision and velocity to deliver combat forces and humanitarian relief in support of national objectives. We are also good stewards of our national resources, and in our role as the DOD Distribution Process Owner, we will continue to look to the future, constantly reexamining our capabilities, forces and processes while implementing enterprise-wide changes ever mindful of cost, value and efficiency. With all that the nation has placed in our trust, a promise given by us will be a promise kept.

QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD

APRIL 1, 2008

QUESTIONS SUBMITTED BY MR. ABERCROMBIE

Mr. ABERCROMBIE. Using Contract Logistics Support for the C–17 is very expensive. Does the Air Force have any future plans to transition more of C–17 sustainment operations to organic "blue-suit" sustainment? Do you feel the Department has a good grasp on how to determine whether or not Contractor Logistics Support is more cost effective than organic sustainment? '

Ms. PAYTON. [The witness did not respond in a timely manner.]

Mr. ABERCROMBIE. Has Lockheed Martin signed a contract with General Electric for the new C–5 engines with unit costs that support the overall C–5 RERP cost estimate developed by the Cost Analysis Improvement Group during the Nunn-McCurdy breach certification process?

Ms. PAYTON. [The witness did not respond in a timely manner.]

Mr. ABERCROMBIE. The Air Force included $650.8 million on its Unfunded Requirements List for procurement of an additional 8 C–130Js and 2 JCA Special Operations Aircraft. Is the Air Force requirement for C–130 greater than 395 aircraft and can you explain to us the Special Operations version of the JCA and if a JROC validated requirement exists for the platform?

General LICHTE. [The witness did not respond in a timely manner.]

Mr. ABERCROMBIE. When is the interim report due, then?

General SCHWARTZ. An initial review of the Civil Reserve Air Fleet viability study is due June 20, 2008. United States Transportation Command will accomplish the final review by July 18, 2008. Pertinent insights will be available within a week after the accomplishment of our review. The command is negotiating with the federally-funded research and development center conducting the study to make available to the House Armed Services Committee staff one or more individuals conducting the study for preliminary observations and to answer questions prior to the Committee mark-up of the Defense Authorization Bill.

Mr. ABERCROMBIE. Ms. Payton, General Schwartz, and General Lichte, the 2005 MCS states that 111 "modernized and reliability improved" C–5 are needed to meet the strategic airlift requirements of the Department, but the newly certified C–5 program will only provide the Department with 52 modernized and reliability improved C–5 aircraft. Why does the new program of record counter the 2005 MCS that was used as the analytical basis for determining airlift requirements?

Ms PAYTON. The C–5 Reliability Enhancement and Re-engining Program (RERP) Nunn-McCurdy certification process considered fourteen alternatives to meet organic strategic airlift requirements. Each alternative was evaluated on its ability to meet strategic airlift requirements as well as on program acquisition cost, life cycle cost and affordability within the Future Years Defense Program. USD (AT&L) determined that of all the alternatives, fully modernizing 52 C–5s provides the greatest military capability at the lowest cost. It is my role, as the senior Air Force Acquisition official, to ensure the Air Force executes the Nunn-McCurdy certified program.

Mr. ABERCROMBIE. Ms. Payton, General Schwartz, and General Lichte, the 2005 MCS states that 111 "modernized and reliability improved" C–5 are needed to meet the strategic airlift requirements of the Department, but the newly certified C–5 program will only provide the Department with 52 modernized and reliability improved C–5 aircraft. Why does the new program of record counter the 2005 MCS that was used as the analytical basis for determining airlift requirements?

General LICHTE. It was determined through the Nunn-McCurdy process and vetted by the Joint, Requirements Oversight Council (JROC) that the required capability of the MCS strategic airlift fleet (180 C–17s/112 "modernized and reliability improved" C–5s) equates to 33.95 MTM/D. This capability requirement can be achieved by varying the strategic airlift fleet mix. Since the contribution of the C–5 fleet is being reduced by only RERPing the B's, additional C–17s will be needed to make up for the MTM shortfall. A fleet of 205 C–17s and 111 C–5s (52 C–5Ms & 59 C–5As) exceeds the 33.95 MTM/D requirement.

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program will only provide the Department with 52 modernized and reliability improved C–5 aircraft. Why does the new program of record counter the 2005 MCS that was used as the analytical basis for determining airlift requirements?

General SCHWARTZ. It was determined through the Nunn-McCurdy process and vetted by the Joint Requirements Oversight Council (JROC) that the required capability of the Military Capabilities Study strategic airlift fleet (180 C–17s/112 "modernized and reliability improved" C–5s) equates to 33.95 million-ton-miles per day (MTM/D). This capability requirement can be achieved by varying the strategic airlift fleet mix. Since the contribution of the C–5 fleet is being reduced by only completing the Reliability Enhancement & Re-engining Program on the B's, additional C17s will be needed to make up for the MTM/D shortfall. A fleet of 205 C–17s and 111 C–5s (52 C–5Ms & 59 C–5As) accomplishes the 33.95 MTM/D requirement. I believe this is the correct fleet mix for the future. I reached this opinion by combining the analysis of available MTM/D capability, fleet mission capable rates, the annual flying hour program, average cost per flying hour, total number of organic aircraft tails, available pallet capacity, and average age of the fleet.

Mr. ABERCROMBIE. Ms. Payton, General Schwartz, and General Lichte, the Air Force program of record is 189 C–17 aircraft for which all funding has been appropriated. However, no funding has been requested in the FY09 budget request for either continued C–17 procurement or production line shutdown. What does the Air Force intend to do with the C–17 production line in fiscal year 2009 given that the last Air Force aircraft will be delivered in June 2009? How much will it cost to shutdown the C–17 production line?

Ms PAYTON. The Air Force intends to comply with any direction that may be provided by the FY2009 National Defense Authorization and Defense Appropriations Acts. Current estimates for shutdown are $485M assuming no FY08 procurement.

Mr. ABERCROMBIE. Ms. Payton, General Schwartz, and General Lichte, the Air Force program of record is 189 C–17 aircraft for which all funding has been appropriated. However, no funding has been requested in the FY09 budget request for either continued C–17 procurement or production line shutdown. What does the Air Force intend to do with the C–17 production line in fiscal year 2009 given that the last Air Force aircraft will be delivered in June 2009? How much will it cost to shutdown the C–17 production line?

General LICHTE. With no additional USAF procurement above 190 aircraft, the Boeing C–17 production line may begin to shutdown in 2008. The last contracted foreign customer delivers Jun 08 (UK–6) and the final production line C–17 (USAF 190) delivers in Aug 09. Boeing is currently at risk protecting long lead items for 30 aircraft. C–17s have a 34 month build time. Without commitment for more procurement, Boeing may halt production on protected aircraft.

Current estimates for shutdown are $485M. If additional aircraft are procured, the shutdown is deferred and shutdown costs increase due to inflation.

Mr. ABERCROMBIE. Ms. Payton, General Schwartz, and General Lichte, the Air Force program of record is 189 C–17 aircraft for which all funding has been appropriated. However, no funding has been requested in the FY09 budget request for either continued C–17 procurement or production line shutdown. What does the Air Force intend to do with the C–17 production line in fiscal year 2009 given that the last Air Force aircraft will be delivered in June 2009? How much will it cost to shutdown the C–17 production line?

General SCHWARTZ. With no additional U.S. Air Force procurement above 190 programmed aircraft, the Boeing C–17 production line may begin to shutdown in 2008. The last contracted foreign customer delivers June 2008 and the final production line C–17 delivers in August 2009. Boeing is currently at risk protecting long lead items for 30 aircraft. C–17s have a 34 month build time. Without commitment for more procurement, Boeing may halt production on protected aircraft.

Current estimates for shutdown are $485 million. If additional aircraft are procured, the shutdown is deferred and shutdown costs increase due to inflation.

Mr. ABERCROMBIE. General Schwartz, you stated in November 2007 that you require 205 C–17s to meet your airlift requirements. What analytical basis did you use to determine that 205 C–17s is what you require and will you submit it to the Subcommittee?

General SCHWARTZ. As I stated in a November, 2007, letter to Senator Levin, I believe 205 C–17s and 111 C–5s is the correct fleet mix for the future. I reach this opinion by combining the analysis of available million-ton-miles per day (MTM/D) capability, fleet mission capable rates, the annual flying hour program, average cost per flying hour, total number of organic aircraft tails, available pallet capacity, and average age of the fleet. Taking these factors together, I personally conclude 205/111 is correct.

The analysis behind this conclusion compared various fleet combinations of C–17s and C–5s, all with MTM/D capacity equal to the previously programmed fleet of 180 C–17s and 112 fully, modernized C–5s - the strategic airlift fleet capability requirement described in the 2005 Mobility Capability Study. Specifically, if only the C–5B fleet undergoes the Reliability Enhancement and Re-Engining Program (RERP) and C–5As are retained without RERP, a total of 205 C–17s are required to retain the equivalent capacity.

Mr. ABERCROMBIE. Ms. Payton, General Schwartz, and General Lichte, the 2005 MCS did not take into account new and critical planning factors such as: The end strength increases of 92,000 personnel for the Army and Marine Corps; mobility requirements of the Army's Future Combat System and Modularity concepts of employment; the recent announcement by Army officials that the Army Manned-Ground Vehicle is too large to be transported by a C–130 aircraft; the 159% over-utilization rate of the current fleet of C–17 aircraft; and the use of C–17s in multi-use roles for which the C–17 is being used extensively in current operations. Is it in the best interest of the Nation to close the only strategic airlift production line given these important factors that were not considered in the MCS?

Ms PAYTON. Our current C–17 program of record is based on the 2005 Mobility Capabilities Study (MCS) and Quadrennial Defense Review (QDR), the last validated strategic airlift requirements. As you noted, the 2005 MCS did not take into account recent emerging factors. In Jan 08, we initiated another comprehensive study to address current airlift requirements. This study will also take into account the recent decision to restructure the C–5 modernization program. The study will not produce findings until mid-2009. Unfortunately, the study's completion date is at odds with the pending C–17 production line closure. Without procurement of additional C–17s, the production line will begin to shutdown in mid-2008 as the last contracted C–17 is built, and delivered in Aug 09. Without speculating on the results of the study, closing the C–17 line prior to the study's completion would be detrimental if the study determines additional C–17s are required.

Mr. ABERCROMBIE. Ms. Payton, General Schwartz, and General Lichte, the 2005 MCS did not take into account new and critical planning factors such as: The end strength increases of 92,000 personnel for the Army and Marine Corps; mobility requirements of the Army's Future Combat System and Modularity concepts of employment; the recent announcement by Army officials that the Army Manned-Ground Vehicle is too large to be transported by a C–130 aircraft; the 159% over-utilization rate of the current fleet of C–17 aircraft; and the use of C–17s in multi-use roles for which the C–17 is being used extensively in current operations. Is it in the best interest of the Nation to close the only strategic airlift production line given these important factors that were not considered in the MCS?

General LICHTE. The ongoing Mobility Capabilities and Requirements Study (MCRS) will consider factors not initially identified by the 2005 Mobility Capabilities Study (MCS). The results of this study may require additional capacity, beyond the current program of record of 190 C–17s and 111 (52Ms &59As). During the Nunn-McCurdy process for the C–5 RERP Program, the Joint Requirements Oversight Council (JROC) determined that 33.95 MTM/D of organic strategic airlift capacity is essential to national security. The current program of record of 190 C–17s and 111 C–5s (52 C–5Ms & 59 C–5As) does not provide 33.95 MTM/D of organic capacity. A fleet of 205 C–17s and 111 C–5s (52 C–5Ms & 59 C–5As) exceeds the 33.95 MTM/D, requirement, however congressional assistance is required to continue production beyond the current program for 190 C–17s.

Mr. ABERCROMBIE. Ms. Payton, General Schwartz, and General Lichte, the 2005 MCS did not take into account new and critical planning factors such as:The end strength increases of 92,000 personnel for the Army and Marine Corps; mobility requirements of the Army's Future Combat System and Modularity concepts of employment; the recent announcement by Army officials that the Army Manned-Ground Vehicle is too large to be transported by a C–130 aircraft; the 159% over-utilization rate of the current fleet of C–17 aircraft; and the use of C–17s in multi-use roles for which the C–17 is being used extensively in current operations.Is it in the best interest of the Nation to close the only strategic airlift production line given these important factors that were not considered in the MCS?

General SCHWARTZ. The ongoing Mobility Capabilities and Requirements Study (MCRS) will consider factors not initially identified by the 2005 Mobility Capabilities Study (MCS). The results of this study may require additional capacity, beyond the current program of record of 190 C–17s and 111 C–5s (52 C–5Ms & 59 C–5As). During the Nunn-McCurdy process for the C–5 Reliability Enhancement & Re-Engining Program, the Joint Requirements Oversight Council (JROC) determined that 33.95 million-ton-miles per day (MTM/D) of organic strategic airlift capacity is essential to national security. The current program of record of 190 C–17s and 111

C–5s (52 C5Ms & 59 C–5As) does not provide 33.95 MTM/D of organic capacity. A fleet of 205 C–17s and 111 C–5s (52 C–5Ms & 59 C–5As) will make possible the 33.95 MTM/D requirement and therefore I cannot recommend terminating the C–17 production line at this time.

Mr. ABERCROMBIE. General Lichte and General Schwartz, do you know of any commercial markets for Fee-for-Service providers? If there are none, would commercial air carriers still be competitive to the organic tankers?

General LICHTE. The Air Force is not aware of a commercial market for Fee-for-Service Air Refueling providers. Historically, air to air refueling has been the domain of military operations. One company, Omega Air Inc., has the capability to refuel US Naval probe-equipped aircraft through an active government contract. It is our understanding, however, that Omega does not refuel commercial (non-military) aircraft.

Commercial air carriers utilized in an air to air refueling role are not competitive with organic tankers since Omega Air is currently the only commercial source and their operational commercial refueling fleet size is small. Boom/receptacle refueling comprises the majority of Air Force refueling operations. Based on recent industry responses to a government request for information, there is no existing commercial capability, including Omega Air, that can refuel receptacle-equipped Air Force aircraft. The most recent industry information indicates it will take over 18 to 24 months from contract award to develop, integrate, test, and certify/qualify a commercial boom capability ready to refuel Air Force aircraft.

Mr. ABERCROMBIE. General Lichte and General Schwartz, do you know of any commercial markets for Fee-for-Service providers? If there are none, would commercial air carriers still be competitive to the organic tankers?

General SCHWARTZ. The Air Force is not aware of a commercial market for Fee-for-Service Air Refueling providers. Historically, air to air refueling has been the domain of military operations. One company, Omega Air Inc., has the capability to refuel U.S. Naval probe-equipped aircraft through an active government contract; however it is our understanding that Omega does not refuel commercial (non-military) aircraft.

Commercial air carriers utilized in an air to air refueling role are not competitive with organic tankers since there is only one current commercial source (Omega Air) and their operational commercial refueling fleet size is small. Boom/receptacle refueling comprises the majority of Air Force refueling operations and based on recent industry responses to a government request for information, there is no existing commercial capability, including Omega Air, that can refuel Air Force (receptacle equipped) aircraft. Responses from industry indicate it will take over 18 to 24 months to develop, integrate, test, and certify/qualify a commercial capability.

Mr. ABERCROMBIE. Ms. Payton, General Schwartz, and General Lichte, insurance coverage and limitations have been raised as a potential barrier to participation by commercial carriers. How could this barrier be overcome?

General SCHWARTZ. The Air Force has formed a team to address all issues associated with Fee-for-Service Pilot Program. We are currently engaged in a dialogue with industry, through a request for information, to discuss issues that present challenges to the execution of this pilot program. Our findings thus far indicate insurance for several potential commercial providers of air refueling services may be prohibitively expensive or not available. This may require the government to assume risk through indemnification of some commercial providers offering refueling services for Air Force aircraft. We hope to address insurance and all other concern in greater detail once we have completed the market research phase of this effort.

Mr. ABERCROMBIE. Ms. Payton, General Schwartz, and General Lichte, insurance coverage and limitations have been raised as a potential barrier to participation by commercial carriers. How could this barrier be overcome?

General LICHTE. The Air Force has formed a team to address all issues associated with the Fee-for-Service Pilot Program. Through a request for information, we are discussing with industry issues that present challenges to the planning and execution of this pilot program. Our findings thus far indicate insurance for several potential commercial providers of air refueling services may be prohibitively expensive or not available to some. Based on our dialogue with industry all potential commercial providers offering refueling services for Air Force aircraft require indemnification while conducting refueling operations. We have not discovered alternative solutions to this issue but we hope to address insurance, indemnification, and all other concerns in greater detail once we have completed the market research phase of this effort.

General SCHWARTZ. The Air Force has formed a team to address all issues associated with Fee-for-Service Pilot Program. We are currently engaged in a dialogue with industry, through a request for information, to discuss issues that present chal-

lenges to the execution of this pilot program. Our findings thus far indicate insurance for several potential commercial providers of air refueling services may be prohibitively expensive or not available. This may require the government to assume risk through indemnification of some commercial providers offering refueling services for Air Force aircraft. We hope to address insurance and all other concerns in greater detail once we have completed the market research phase of this effort.

Mr. ABERCROMBIE. General Schwartz, will you attempt to incorporate Fee-for-Service provides into the Civil Reserve Air Fleet program?

General SCHWARTZ. Until the Fee-for-Service Pilot Program test phase is complete, we won't be able to determine whether commercial air refueling Fee-for-Service providers are compatible with Civil Reserve Air Fleet requirements and regulations. If proven and compatible, incorporating into the CRAF-like arrangement would be a logical next step.

Mr. ABERCROMBIE. General Schwartz, why do you believe we must move forward with this Assured Business Model approach now—even though it has not been shown to be necessary and it is unknown if it would actually provide the intended effect?

General SCHWARTZ. Our intent in seeking authority for the Assured Business model is to allow sufficient time to develop an implementation process prior to the inevitable decline in post-Operation Iraqi Freedom business levels. Doing so now, while there is still ample business, will enable us to implement the concept under relatively benign conditions. It will give us time to improve related contract practices and techniques before the situation reaches a critical juncture. Civil Reserve Air Fleet (CRAF) carriers are unanimous in their support for Assured Business as a means of stabilizing future business levels.

Further, the Assured Business concept should not be considered a stand-alone process. By itself, it is not large enough to solve all CRAF problems. It is intended to be a "no extra cost to the government" process to provide stability to the CRAF program and thus more attractive to United States air carriers. It has the potential to provide the Department additional time as we explore other options. We are already researching other possible changes to enable CRAF to meet future challenges. We have added questions related to these issues to the CRAF study mandated by the fiscal year 2008 National Defense Authorization Act.

Assured Business should be viewed within the context of these other potential changes. Depending on the future health of the United States air carrier industry, additional changes may not be needed. The Assured Business concept is intended to set the stage for a reinvigorated CRAF by providing a useful tool for contract management, even as we explore further needed program refinements.

Mr. ABERCROMBIE. Ms. Payton and General Lichte, why were the necessary infratheater airlift studies to determine whether an actual need or requirement existed for JCA initiated and completed after JCA contract award? Is this approach prudent and do you think it fully informs decision makers on how taxpayer funding should be invested by the Department?

General LICHTE. In May 2007, USD/AT&L found that the Army's Analysis of Alternatives, with addendum, sufficient to meet the requirements established for the analysis to support an initial JCA acquisition program baseline of up to 75 aircraft. Air Mobility Command and the Air Force accept the outcome of the Army's AoA. Subsequently, USD/AT&L authorized 78 JCAs, split between the Army and Air Force, 54–24 respectively, in his June 2007 Acquisition Decision Memorandum. The contract was not awarded until these actions occurred.

During the last half of 2007, Air Mobility Command sponsored a RAND study commonly referred to as the Fleet Mix Analysis (FMA). The purpose of the FMA was to identify the most cost effective solution for maintaining sufficient intratheater airlift capability and included analysis to determine Air Mobility Command requirements for JCAs beyond the 78 (54 Army/24 Air Force) previously approved by USD/AT&L. The study concluded that the stretch variant of the C–130J is the most cost effective solution in performing the intratheater airlift mission.

There are other emerging and specialized mission areas such as supporting AFRICOM, special operations, and Air National Guard support of FEMA for which the specialized capabilities of the C–27 may be a good fit. The Air Force is interested in further analysis of those areas. I will defer comment on additional Air Force JCAs to Ms. Payton, as the Air Force lead for acquisition.

Mr. ABERCROMBIE. Ms. Payton and General Lichte, why were the necessary infratheater airlift studies to determine whether an actual need or requirement existed for JCA initiated and completed after JCA contract award? Is this approach prudent and do you think it fully informs decision makers on how taxpayer funding should be invested by the Department?

Ms. PAYTON. The requirement for the 78 Joint Cargo Aircraft is based on the Army's Time Sensitive Mission Critical mission analysis of alternatives. OSD determined that the mission would be split with the Army receiving 54 aircraft and the Air Force receiving 24 aircraft. The analysis was completed and thoroughly vetted before the decision to award a contract for the aircraft.

Mr. ABERCROMBIE. Ms. Payton, the unit cost of the Air Force JCA is $60.7 million per aircraft. The Army's unit cost of the JCA is $36.6 million per aircraft. Can you explain to the Subcommittee the significant cost difference between the Army and Air Force version of the two aircraft?

Ms. PAYTON. Let me clarify that there is only one version of the Joint Cargo Aircraft. The Army and Air Force are procuring the same version of the C–27 for the same price, which is about $31 million per aircraft. The JCA program acquisition procurement cost is about $44 million per aircraft for both Services. The costs you referred to are derived from the support strategies assumed for each service in order to establish the program cost baseline. A common support strategy has not been determined, so the Department of Defense directed the program cost estimate be based on the way each Service traditionally supports aircraft. Army costs are based on Contractor Logistics Support using Operations & Maintenance funding, which is not part of the procurement unit cost quoted. Air Force costs are based on organic support, including establishment of depot maintenance and service provided training. These items are purchased with investment funding and are therefore included in the Air Force procurement unit cost. The long-term sustainment and training strategies will be determined at the Full Rate Production decision and will be the same for each Service.

Mr. ABERCROMBIE. Ms. Payton, the Army is choosing to use Contractor Logistics Support (CLS) to procure its initial spares, sustain its JCA aircraft and to train its JCA aircrews and maintainers. What analysis was behind the Air Force decision to not pursue Contractor Logistics Support as its acquisition strategy for these items? What benefits did the Air Force see in organic support?

Ms. PAYTON. No decision has been made to use organic support. Both Services will utilize the same long-term sustainment and training strategy. We have initiated depot support and training studies to support determination of a common sustainment and training strategy at the Full Rate Production decision. For planning purposes only, the Air Force budgeted funding in the FYDP for organic support since we traditionally use this support strategy, whereas the Army traditionally uses contract support and budgeted accordingly. We will update FYDP funding requirements when a long-term strategy is determined at the Full Rate Production decision. Prior to the Full Rate Production decision, both Services will utilize Interim Contractor Support and Training.

Mr. ABERCROMBIE. Ms. Payton, since air refueling tankers currently are not available in the commercial market, how would the development and conversion of aircraft to a refueling tanker be paid for? Wouldn't all such costs be passed on to the Air Force in the fees it pays?

Ms. PAYTON. Up front costs for development and conversion of commercial aircraft into commercial tankers would be paid for by industry. Those costs would be amortized over the length of the fee for service pilot program and therefore passed on to the Air Force in the fees it pays.

Mr. ABERCROMBIE. General Lichte, the Air Force requested $3.9 billion for procurement of an additional 15 C–17s on its Unfunded Requirements List. Given this, is the actual Air Force requirement for C–17s greater than 198 aircraft that have been authorized?

General LICHTE. The ongoing Mobility Capabilities and Requirements Study (MCRS) will consider factors not initially identified by the 2005 Mobility Capabilities Study (MCS). The results of this study may require additional capacity, beyond the current program of record of 190 C–17s and 111 (52Ms & 59As). During the Nunn-McCurdy process for the C–5 RERP Program, the Joint Requirements Oversight Council (JROC) determined that 33.95 MTM/D of organic strategic airlift capacity is essential to national security. The current program of record of 190 C–17s and 111 C–5s (52 C–5Ms & 59 C–5As) does not provide 33.95 MTM/D of organic capacity. As stated in the USD(AT&L) letter to Congress dated 14 Feb 08, Congressional assistance is required to continue production beyond the current program for 190 C–17s with a goal of 205 C–17s and 111 C–5s (52 C–5Ms & 59 C–5As) that will provide the 33.95 MTM/D organic strategic airlift capacity validated by the JROC as essential to national security.

Mr. ABERCROMBIE. General Lichte, in testimony last year before the Committee in November, 2007, both Secretary Wynne and General Mosley articulated concerns about the impact on organic resources and the Air Force flying hour program. How

does the Air Force intend to address those concerns as it moves forward with a pilot program?

General LICHTE. If AMC is required to fund the Fee-for-Service (FFS) aircraft from our tanker flying hour programs, we will be unable to keep our current authorized tanker aircrew force structure fully qualified. Flying hours for AMC tanker aircrews are earned to meet aircrew currency events only. Missions performed by FFS aircraft will not reduce active duty training requirements. There are no additional hours added to the programs to meet customer refueling needs. It takes 1,000 flying hours to keep 5.3 crews, or 2% of total active duty tanker crews, current for a year. Therefore, we will work with the Air Staff to ensure that the FFS pilot program does not negatively impact our organic flying hour program requirements.

Mr. ABERCROMBIE. If the current Congressional restriction for prohibiting C–5A retirement was lifted, does the Air Force desire to retire any C–5A aircraft?

General LICHTE. The Mobility Capabilities Study calls for a range of 292–383 inter-theater airlift aircraft with a minimum million ton-mile per day (MTM/D) capability of 33.95 MTM/D. Further, the FY08 National Defense Authorization Act (NDAA) calls for a minimum of 299 strategic tails. The current program of record is 190 C–17s and 111 C–5s with 52 of the C–5s validated to receive the Reliability Enhancement and Re-Engining Program (RERP). A fleet of 52 RERPed C–5s, 59 non-RERP C–5s and 205 C–17s, assures AMC of meeting known requirements. Given the maintenance challenges of the C–5A, if the fiscal environment allowed for additional C–17s beyond 205, the Command would retire the aging A-models one-for-one based on current requirements.

Mr. ABERCROMBIE. General Lichte, what impact will this have on organic training and flying missions?

General LICHTE. Since CRAF missions are funded through the Transportation Working Capital Fund (TWCF), there is no impact to the organic flying hour programs.

Mr. ABERCROMBIE. What impacts do Type-1000 storage Congressional restrictions on retired aircraft have on maintaining current aircraft fleets? Can you assign a monetary value of the Type-1000 storage impacts as it concerns maintaining the C–130 and KC–135R fleets of aircraft, and the costs involved to maintain retired aircraft in Type-1000 storage status? What is the cost avoidance if Type-1000 storage restrictions were lifted on C–130 and KC–135E aircraft?

General LICHTE. The Type 1000 storage restricts the Air Force from using the KC–135E and C–130E aircraft for spare parts. One example of how this restriction affects maintaining the fleet is the KC–135 autopilot. In December 2005, 94 new autopilot processors were purchased at a cost of $95K each ($8.93M total). Access to these critical components could offset many similar costs in the future.

The initial cost to the USAF nearly doubles for Type 1000 vs. full retirement and does not allow salvage of critical spare parts. The first year bill for the KC–135 goes from $1.1M for 48 aircraft for full retirement to $1.9M for placement into Type 1000 storage. Additionally, there will be a 4 year recurring cost of $1.6M for those aircraft to remain in Type 1000 storage. The initial cost for interring 24 C–130s into Type 1000 storage is $799K and the 4-year recurring cost is $900K; full retirement costs $468K.

Removal of the Type 1000 restrictions would provide the taxpayer a total cost avoidance of approximately $3.6M in the first 4 years alone. This does not include the cost savings that would be provided with access to the aircraft for spare parts.

I defer the question "Can you assign a monetary value of the Type-1000 storage impacts as it concerns maintaining the C–130 and KC–135R fleets of aircraft. . ." to the AFMC/CC, Gen. Carlson, because this relates directly to spare parts and aircraft sustainment that are under AFMC's responsibility.

QUESTIONS SUBMITTED BY MR. HUNTER

Mr. HUNTER. While we understand that Families First is going to begin coming on-line in April 2008, what is the current timeline for full deployment of the program and the new DPS support system and when do you expect it to be fully operational?

General SCHWARTZ. While portions of Families First are already on-line, a protest to the Government Accounting Office from the Household Goods Forwarders Association of America (HHGFAA) on some portions of Families First has caused a delay in awarding shipments in Defense Personal Property System (DPS). We expect to continue roll-out in mid July 2008 to the initial 18 sites. At that point, after further consultation with each of the military Services, we will schedule the roll-out with the remaining sites.

Mr. HUNTER. What problems with Families First and the DPS system, including information technology (IT) problems, still need to be corrected in order for the program and system to be fully operational?

General SCHWARTZ. The Defense Personal Property System (DPS) system currently has no known significant information technology problems. The Families First and DPS system may be impacted as a result of the current Government Accountability Office (GAO) action. A GAO protest by industry concerning some elements of the Families First program could potentially require additional DPS work that could incur additional cost and schedule impacts.

Mr. HUNTER. What are the specific costs associated with addressing each of the remaining IT problems and do you have funding to address these problems before transportation offices begin making awards for the movement of households goods under the new program?

General SCHWARTZ. The Defense Personal Property System (DPS) currently has no known significant information technology problems. DPS is adequately funded to meet capabilities for FY08 and FY09. The Families First and DPS systems may be impacted as a result of the current Government Accountability Office (GAO) action. A GAO protest by industry concerning some elements of the Families First program could potentially require additional DPS work that could incur additional cost and schedule impacts.

QUESTIONS SUBMITTED BY MR. SAXTON

Mr. SAXTON. General Schwartz, the KC–45, I am told, has a wingspan of real close to 200 feet, it is 197 or 198, and the maximum gross takeoff weight of over 500,000 pounds.

Will the size and weight of the KC–45 present challenges to the operational employment of the KC–45, and are there airfields that you will not be able to operate the KC–45 from where we are currently operating the KC–135?

General SCHWATZ. There is no requirement in the Capability Development Document to operate the KC–45 from all KC–135 airfields. Because the maximum weight is a key factor in determining airfield suitability, we used the KC–10 to answer your question as it has a heavier maximum weight than the KC–45. The Airport Suitability and Restrictions Report contains 1,755 worldwide airfields that are suitable for the KC–135. Of these airfields, only 32 are unsuitable for the KC–10. Therefore, we can reasonably establish that approximately 98% of the airfields currently available to the KC–135 would also be available to the KC–45. This would be, in my opinion, a manageable operational situation.

QUESTIONS SUBMITTED BY MS. BORDALLO

Ms. BORDALLO. General Schwartz, Commander, MSC, in his Report to Congress in May 2004, assured us that MSC would only send ships to foreign shipyards when "directed by operational necessity". Did MSC, under your jurisdiction, make the decisions that "operational necessity" required Tippecanoe and Rappahannock to be sent to Singapore for repair? What was the basis for these decisions? How are "operational necessity" decisions made? What are the specific criteria for determining "operational necessity"?

General SCHWARTZ. The USNS Rappahannock and USNS Tippecanoe are Fleet Replenishment Oilers in the Naval Fleet Auxiliary Force (NFAF). These vessels perform a Navy unique mission and are not among forces assigned to the United States Transportation Command. The Navy coordinates scheduling and execution of maintenance for NFAF ships to meet operational requirements. As such, I respectfully defer this question to the Department of the Navy.

Ms. BORDALLO. General Schwartz, U.S. Transportation Command and the Military Sealift Command (MSC) as ship operating contracts and long term charter contracts with commercial shipping companies for moving military cargo and for prepositioning requirements. How do you enforce the requirements of Section 7310 of Title 10 with regard to these private ship operating companies to ensure these vessels are repaired at U.S. domestic shipyards?

General SCHWARTZ. Repair and overhaul of all MSC ships are conducted in accordance with the provisions of 10 U.S.C. 7310. In cases where a private company operates a government-owned ship, the company is required to award and manage subcontracts for necessary overhaul and repair in compliance with Title 10. MSC enforces compliance by designating the bid area for the work and granting subcontracting approval to the operating company before an award is made.

Privately-owned ships under time charter to MSC, other than time-chartered ships in the Maritime Prepositioning Ship (MPS) program, conduct only necessary voyage repairs while under contract. Overhauls and maintenance are performed outside of the charter period, and are therefore not subject to the provisions of 10 U.S.C. 7310. For MPS vessels, overhaul and maintenance are performed in shipyards in the U.S. or Guam in association with scheduled equipment offloads.

Ms. BORDALLO. General Schwartz, in 2005, USNS Petersburg, a ship prepositioned in Guam as part of the Maritime Administration (MARAD) Ready Reserve Force (RRF), and an element of the MSC Pre-positioning Program, was sent from its homeport of Guam to Singapore for overhaul. At the time, the Memorandum of Understanding (MOU) between U.S. Transportation Command (TRANSCOM) and MARAD required that repairs to RRF vessels be done in US shipyards. Yet, that requirement in the MOU has been repeatedly ignored. What is TRANSCOM doing to ensure that MARAD is complying with the MOU, and that RRF vessels are being repaired in U.S. domestic shipyards?

General SCHWARTZ. The United States Transportation Command (USTRANSCOM) maintains a close and continuous relationship with the Maritime Administration—a staunch advocate of the United States shipyards. In the case of the SS Petersburg, Guam Shipyard challenged the Maritime Administration's actions in Federal District Court. The Court did not find that the Maritime Administration violated either statutes or the terms of the 1997 Memorandum of Agreement (MOA). Subsequently, 10 USC 7310(a) and 50 USC App 1744 were amended. USTRANSCOM and the Maritime Administration currently are updating the 1997 MOA and this revision will reflect the recent legislative changes. The Maritime Administration continues its compliance with the law, and performs ship repairs in accordance with the revised statute.

QUESTIONS SUBMITTED BY MR. HAYES

Mr. HAYES. The Civil Reserve Air Fleet (CRAF) provides a cost-effective compliment to our organic mobility airlift fleet. You have been a proponent for the recently announced KC–45 Tanker aircraft. I understand the US Air Force recently released a Request For Information (RFI) to industry to support a Fee-For-Service Pilot Program as directed by the 2008 Defense Authorization Bill. As the Combatant Commander responsible for providing airlift and air refueling support to the supported COCOMs, do you see a future where commercial air carriers provide a similar CRAF-like air refueling capability for our nation?

General SCHWARTZ. Until we get the results from our upcoming Fee-for-Service pilot program, we won't be able to chart a future for the application of commercial, Civil Reserve Air Fleet (CRAF)-like, air refueling capability. The pilot program will determine whether the concept is feasible from a business and operational perspective, while also validating the missions that can be supported with this capability. Once feasibility and applicability have been determined, we can build upon that to develop a larger construct for a CRAF-like capability.

Mr. HAYES. Ms. Payton, the 2008 NDAA (Sec 1081) directed the Air Force to conduct a Fee-For-Service (FFS) Pilot Program to determine the feasibility of FFS air refueling to "support, augment or enhance the air refueling mission of the Air Force" by utilizing commercial air refueling providers & I understand the Air Force released a FFS Pilot Program Request For Information (RFI) on 26 Feb 2008. Has Industry responded to the RFI and what timelines have you established for industry to deliver this capability? Do you see these timelines as aggressive?

Ms. PAYTON. Industry has responded to the Request for Information by the requested 28 Mar 2008 response date. We are reviewing the RFI responses and held Government/Industry one-on-one discussions during the week of 14–18 April 2008. While it is too early in the process to provide a definitive answer to this question, we hope to gain further insight into industry's capability to meet the proposed timeline for providing fee for service refueling to the Air Force in Fiscal,Year 2010. Initial responses from industry indicate that no potential provider can develop, integrate, test and qualify/certify a boom equipped aircraft prior to the 2010 timeframe and no provider has indicated that they will develop the proposed capability without a signed government contract. We may find that through this process the planning timeline for the Congressionally directed Fee for Service Pilot Program may be aggressive, however we want to be responsive to Congressional direction and the AF's commitment to a proof-of-concept for this pilot program. If we find that the current planning schedule is too aggressive we will adjust our expectations accordingly, prior to submitting a request for proposal.

Mr. HAYES. Ms. Payton has Industry responded to the RFI and what timelines have you established for industry to deliver this capability? Aren't these timelines pretty aggressive?

General LICHTE. Industry has responded to the Request for Information by the requested 28 Mar 2008 response date. We are reviewing the RFI responses and held Government/Industry one-on-one discussions during the week of 14–18 April 2008. While it is too early in the process to provide a definitive answer to this question, we hope to gain further insight into industry's capability to meet the proposed timeline for providing fee for service refueling to the Air Force in Fiscal Year 2010. Initial responses from industry indicate that no potential provider can develop, integrate, test and qualify/certify a boom equipped aircraft prior to the 2010 timeframe and no provider has indicated that they will develop the proposed capability without a signed government contract. We may find that through this process the planning timeline for the Congressionally directed Fee for Service Pilot Program may be aggressive, however we want to be responsive to Congressional direction and the AF's commitment to a proof-of-concept for this pilot program.. If we find that the current planning schedule is too aggressive we will adjust our expectations accordingly, prior to submitting a request for proposal.

Mr. HAYES. General Lichte, what role/responsibilities will the Air Mobility Command have in administering/overseeing the Fee-For-Service Pilot Program?

General LICHTE. We anticipate AMC will have a role in contracting oversight and payment distributions. We will also provide execution support to identify air refueling support requirements and command and control direction. We will be lead on working with air refueling users to determine whether contract providers are satisfactorily meeting requirements and work with all parties to identify and mitigate negative operational or safety trends if they should develop.

Mr. HAYES. General Lichte, how many air refueling requests were not fulfilled in 2007? How many since we began the global war on terror?

General LICHTE. Two hundred sixty six non-supports of 7,589 valid requests—3.5% non-support rate (Priority 1 and 2 only) were not fulfilled in 2007. One thousand three hundred and fifty eight non-supports of 57,144 valid requests—2.4% non-support rate (Priority 1 and 2 only) were not fulfilled since we began the global war on terror. "Unfilled" is defined as validated missions that went non-supported. This only reflects Priority 1 & 2 missions; there is no accurate way of capturing unfilled numbers for Priority 3–5. Air refueling priorities are defined in AFI 11–221. A short synopsis of priorities is included below:

Priority 1: Presidential-directed missions and operational National Emergency Airborne Command Post (NEACP) support. Wartime or contingency combat support designated by (JCS). Special operations support and other programs approved by the President for top national priority. Deployments to conduct contingency operations and special missions directed by the Secretary of Defense or the JCS. Missions in support of counterdrug operations and operational reconnaissance.

Priority 2: Nonscheduled JCS-directed operational deployments. JCS-directed exercise missions which require air refueling to meet JCS objectives. Extended over water deployments (aircraft range will not allow a fuel stop en route) or deployments of aircraft tasked for Priority 1 missions for which an en route fuel stop is not practical. Foreign Military Sales (FMS) case support. (Unless mission qualifies for a higher priority). Aircraft test operations extended over water. JCS exercise missions which require air refueling to meet MAJCOM, NAF, or wing objectives. Employment missions in support of MAJCOM-directed exercises or operations or MAJCOM-, NAF-, or wing-directed over water deployments for the Marines is FMFPAC or FMFLANT. Predeployment qualification training.

Priority 3: MAJCOM-, NAF-, or wing-directed redeployments or NAF-directed exercises and ORIs. Intratheater deployments and redeployments. Combat Crew Training School (CCTS), Replacement Training Unit (RTU), and requalification training and upgrade training, when air refueling training is accomplished during the mission. Wing-directed exercises and evaluations. Expeditionary Brigade (MEB).

Priority 4: Missions launched to satisfy US Air Force, Navy, and other DoD agency training requirements.

Priority 5: Unit to unit scheduled non-allocated air refueling (soft air refueling).

QUESTIONS SUBMITTED BY MR. MILLER

Mr. MILLER. AF Special Operations will continue to be integral in the GWOT and it's certain these aircraft will continue to be in high demand for the foreseeable future. Specifically, the Special Mission C–130 fleet at AFSOC is being utilized at an

accelerated rate due to the GWOT and one of the highest priorities for AFSOC is the recapitalization of their C–130 fleet. What is Air Mobility Command's role in ensuring AFSOC C–130 assets are recapitalized and what is the plan for getting this accomplished?

General LICHTE. AFSOC's C–130 fleet, much the same as AMC's C–130 fleet, has seen increased utilization due to GWOT. As lead command for common modifications across all C–130 variants, AMC oversees the center wing box (CWB) replacement program. AMC has worked closely with AFSOC to accelerate their LD/HD assets into the existing production line in order to mitigate capability gaps. However, responsibility for AFSOC's fleet recapitalization does not fall under AMC.

Mr. MILLER. In the FY09 Unfunded Requirements Listing, the Air Force has requested two C–27s to place in AFSOC to develop the AC–27 gunship, and SOCOM has also stated its priority for this program. Can you elaborate on how the AF will make this happen and specifically, what role will Air Mobility Command play in making sure the AC–27 begins development sooner rather than later?

General LICHTE. AMC does not play a role in the AC–27s development or acquisition.

QUESTIONS SUBMITTED BY MR. BISHOP

Mr. BISHOP. How will the new multi-mission KC–45 be used to compliment the rest of your airlift and refueling fleets? Will it provide better efficiencies?

General SCHWARTZ. This clearly is the case. Even with a significant airlift capability, the KC–45A is a tanker first, the KC–45s primary war-time mission. It serves as a crucial part of the air bridge that allows us to get forces where they are needed as soon as possible. As an air refueler with its modern design, efficient engines, greater fuel capacity (as well as its ability to take on fuel while airborne), greater range, the ability to deliver fuel via either boom or drogue, coupled with its night-vision compatibility and defensive systems, make it a very effective platform for replacing our aging KC–135 fleet. Additionally, its cargo/passenger-carrying capabilities will make unit self-deployments and other lift missions less demanding on our existing airlift assets. Finally, the KC–45 also has the capability to perform aeromedical evacuation missions, a capability that could be used to augment this vital mission as well.

Mr. BISHOP. Ms. Payton, at the same time Congress is adding funds to the budget to keep open the C–17 line, America's "only" large military airlift production capability (and a top unfunded priority for the Air Force), you are allowing another power projection capability—aerial refueling—to now be produced primarily by another country (Airbus). What sense does it make for the US—a power projection nation—to not preserve the capability to produce C–17s, aerial refueling aircraft, as well as aircraft carriers, strategic bombers, etc.

Ms. PAYTON. Whether maintaining existing production lines, or acquiring new weapon systems, cost effective industrial and technological capabilities are important to national security and military readiness. Participation of allied countries in the procurement of weapon systems not only fosters competition and innovation in the industrial base, but the Department of Defense believes it can also promote security cooperation and improve our national security. Regarding the Air Force's new aerial refueling aircraft, Northrop Grumman's major subcontractors outside the United States are located in Spain, Germany, and France. These three countries are NATO allies, and the experiences we have had with our NATO allies on other programs have not negatively impacted our national security.

Mr. BISHOP. General Schwartz, how will the new multi-mission KC–45 be used to compliment the rest of your airlift and refueling fleets? Will it provide better efficiencies?

General SCHWARTZ. That is clearly the case. Even with a significant airlift capability, the KC–45A is a tanker first, the KC–45s primary war-time mission. It serves as a crucial part of the air bridge that allows us to get forces where they are needed as soon as possible. As an air refueler with its modern design, efficient engines, greater fuel capacity (as well as its ability to take on fuel while airborne), greater range, the ability to deliver fuel via either boom or drogue, coupled with its night-vision compatibility and defensive systems, make it a very effective platform for replacing our aging KC–135 fleet. Additionally, its cargo/passenger-carrying capabilities will make unit self-deployments and other lift missions less demanding on our existing airlift assets. Finally, the KC–45 also has the capability to perform aeromedical evacuation missions, a capability that could be used to augment this vital mission as well.

Mr. BISHOP. Ms. Payton, some are claiming that because the Northrop Grumman award relies significantly on EADS—Airbus components and airframe, that there is a risk of having France cut off supplies and future support of this critical system. How valid are those concerns?

Ms. PAYTON. The experiences we have had with our NATO allies on other programs have not negatively impacted our national security. As an example, the engines that power our KC–135R tankers are manufactured by CFM International, a joint venture between General Electric and the French company Snecma. Despite past disagreements between the United States and France over foreign policy, we have not experienced problems in maintaining these engines. We have no reason to anticipate negative impacts to our national security due to Northrop Grumman's production and sustainment of KC–45 tankers.

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