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**PROPOSED DEPARTMENT OF DEFENSE
BUDGET REDUCTIONS AND
EFFICIENCIES INITIATIVES**

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

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**PROPOSED DEPARTMENT OF DEFENSE BUDGET
REDUCTIONS AND EFFICIENCIES INITIATIVES**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, January 26, 2011.

The committee met, pursuant to call, at 10:00 a.m., in room 2118, Rayburn House Office Building, Hon. Howard P. "Buck" McKeon (chairman of the committee) presiding.

**OPENING STATEMENT OF HON. HOWARD P. "BUCK" MCKEON,
A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COM-
MITTEE ON ARMED SERVICES**

The CHAIRMAN. Good morning, ladies and gentlemen. Thank you for joining us for our first hearing of the 112th Congress.

I can't think of a more appropriate subject to begin our oversight than a discussion of the Department of Defense's topline budget expectations and the manner in which Secretary Gates is bringing fiscal discipline to the Department and his proposals for finding efficiencies to reinvest in much-needed modernization and operations.

Before we get started, I would like to take the opportunity to introduce our new leadership team. In adopting the committee rules last week, the committee reorganized the jurisdictions of the subcommittees to align with military missions rather than individual military departments.

Our new subcommittees and leadership teams are: Emerging Threats and Capabilities, Chairman Mac Thornberry, Ranking Member, James Langevin; for Military Personnel, Chairman Joe Wilson, Ranking Member, Susan Davis; for Oversight and Investigations, Chairman Rob Wittman, Ranking Member, Jim Cooper; for Readiness, Chairman Randy Forbes and Ranking Member, Madeleine Bordallo; for Seapower and Projection Forces, Chairman Todd Akin, Ranking Member, Mike McIntyre; for Strategic Forces, Chairman Mike Turner and Ranking Member, Loretta Sanchez; and last but not least, for Tactical Air and Land Forces, Chairman Roscoe Bartlett and Ranking Member, Silvestre Reyes.

I couldn't be more pleased about the selection of these members for our leadership team for the 112th Congress and appreciate the great depth and breadth of experience that they each bring to the table. I am confident that we will have a productive and purposeful year. And I look forward to working with each of them.

As we get this new session started, there are a few administrative issues that I would like to reiterate. First, questioning will occur in regular order by seniority of those present before the gavel and then by order in which members arrive. That is how we will

proceed today. There will be some hearings where we will vary from that. We will explain it as we go through.

Second, there will be strict enforcement of the five-minute rule.

Finally, to minimize obstruction of the walkways, only members and committee staff are permitted on the dais during the hearing. Thank you for your cooperation and let's get started.

In September, we held a preliminary hearing on the Department's efficiencies initiative. At that time, I expressed concern about the lack of information that we had been provided. I remain dismayed, despite repeated assurances from the Department about an interest to work together on these issues, though we have seen little change in the Department's willingness to share information.

Now, let me be clear on this. I agree with Secretary Gates that we must scrutinize defense programs to ensure that we are getting the most bang for our buck and concentrating our limited resources on the highest priority programs. I support initiatives focused on reducing waste, streamlining operations and eliminating redundancies across all enterprises.

However, I will not support initiatives that will leave our military less capable and less ready to fight. Make no mistake about it; we stand at a critical juncture in the wars in Afghanistan and Iraq.

As we draw down in one AOR [Area of Responsibility] and build up in another, the decisions that we make today will directly impact the level of success of these efforts. I cannot say it strongly enough. I will not support any measures that stress our forces and jeopardize the safety of our men and women in uniform. I will oppose also any plans that have the potential to damage or endanger our national security.

Most concerning about the efficiencies initiative are the plans to reduce the Army and Marine Corps end strength and to implement even deeper cuts beyond the initial \$100 billion goal. The reduction of an additional \$78 billion from the Department's funding topline caught this committee by surprise. And we intend to pursue the impact of this decision by the Administration.

We have asked much of our men and women in uniform over the years. They have bravely fought and sacrificed for all of us, each and every one of us in this room. And I cannot in good conscience ask them to do more with less.

Now I would like to turn to our ranking member, Adam Smith from Washington, for his opening statement.

[The prepared statement of Mr. McKeon can be found in the Appendix on page ?.]

STATEMENT OF HON. ADAM SMITH, A REPRESENTATIVE FROM WASHINGTON, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SMITH. Thank you, Mr. Chairman. And again, congratulations on being the chairman of the committee. This is our first formal open hearing. And I have not had the chance to publicly congratulate you on that. But you have already done a terrific job of reaching out to me and to our side of the aisle. I think we are going to have a great working relationship. And I very much look forward to that. So thank you, Buck, and congratulations again.

And I think this hearing is perfectly appropriate. It is always the number one duty of this committee to make sure that our national security is provided for, to make sure that our troops and those who are fighting to protect us have the resources they need to do the job that we on the civilian side ask them to do.

Everybody on this committee has done an outstanding job of making sure that that priority stays right at the top of our list. And I think we have done an admirable job of that through the years. And I am sure that we will continue to do so.

But as we go forward, we have to be mindful of the fact that just spending money doesn't necessarily make us safer. And I think anybody who spends, you know, just a few minutes looking at the Pentagon budget, including the gentlemen before us today who are going to testify, will readily agree that there are savings and efficiencies to be found within the Department of Defense budget. There is absolutely no question about it.

We have wrestled over the years with a variety of different programs that were funded that turned out not to do what we wanted them to do. And we wound up wasting a lot of money, quite frankly. I know this committee in particular in the last couple of years has been very focused on acquisition reform. Mr. Andrews has been a leader on that as well as others on both sides of the aisle to try to figure out how to get more for what we spend.

And I want to emphasize that point. Wasting money anywhere in our budget, even in the Department of Defense, does not make us safer, does not protect our troops and does not enhance our national security. In fact, it does just the opposite. So this committee and you gentlemen as well as everyone at the Pentagon have an obligation, not just to spend the money, but to make sure we are spending it efficiently and effectively.

And I really want to applaud Secretary Gates and the others at the DOD for stepping up to that very difficult challenge to looking at our budget and saying where can we save money. Because there is no place where you are going to save money where somebody isn't going to complain about it. As the quote always goes, "One person's waste is another person's income." It is not going to be easy, no matter how you do it.

But I believe you gentlemen and Secretary Gates have stepped up and begun a very, very important process to find those savings. I applaud that effort. We look forward to learning more about the details.

And also, I would be remiss if I didn't put this into the broader framework of our budget deficit and our budget. You know, there is a growing consensus in this country that the deficit is too high, the debt is too high, and we are out of balance. Now, that consensus falls apart when you begin to talk about where you are going to cut or how you are going to raise the revenue to make up for that, understandably so, because these are difficult decisions.

But the math here is unrelenting. And we shouldn't forget about that.

2010 we took in \$3—or, sorry. We spent \$3.5 trillion and took in about \$2.3 trillion in revenue. That is a \$1.2 trillion difference. That is about 33 percent of everything we spend. So if you started

just from a logical standpoint, you would say to get us back to balance, we need to cut 33 percent out of everything that we spend.

If you want to take 20 percent of the budget, which defense is, off the table, you are then down to about \$2.8 trillion that you have to cut \$1 trillion out of. And that means that you have to cut somewhere in the neighborhood of 45 percent out of everything. And that is Social Security, Medicare, Medicaid, homeland security, infrastructure, education, on down the line.

I say all that to make sure that we are mindful of the difficult challenge that we face and also to remind everybody that our national security is also dependent upon having a strong economy. If we wind up, you know, putting our country in a fiscal hole that we can't get out of, collapsing our economy, making it difficult for U.S. industries to prosper and thrive, they are not going to be in a position to provide the valuable help that they do to our national security apparatus.

So we have a tough job ahead of us. But savings and efficiencies are going to have to be found. And I, for my part, am absolutely convinced that we continue to—can continue to provide the best national security possible, give our support to the troops that they deserve and still find savings within the Pentagon budget. I think this hearing is the first start in that process.

I know the gentlemen in front of us have worked very, very hard on this problem. I look forward to hearing their testimony. And I look forward to working with the Chairman and with the Pentagon and all members of this committee to find those savings and make sure that we continue to provide national security in every sense of the word.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Smith can be found in the Appendix on page ?.]

The CHAIRMAN. Thank you.

Now I would like to introduce our witnesses this morning. We have first the Honorable William J. Lynn III, the deputy secretary of defense from the Defense Department; General Peter W. Chiarelli, vice chief of staff of the U.S. Army, Admiral Jonathan W. Greenert, vice chief of naval operations, U.S. Navy; General Joseph F. Dunford, Jr., assistant commandant, U.S. Marine Corps; General Philip M. Breedlove, vice chief of staff, U.S. Air Force.

Thank you, gentlemen.

Mr. Secretary.

STATEMENT OF HON. WILLIAM J. LYNN III, DEPUTY SECRETARY, U.S. DEPARTMENT OF DEFENSE; GEN. PETER W. CHIARELLI, USA, VICE CHIEF OF STAFF, U.S. ARMY; GEN. JOSEPH F. DUNFORD, JR., USMC, ASSISTANT COMMANDANT, U.S. MARINE CORPS; ADM. JONATHAN W. GREENERT, USN, VICE CHIEF OF NAVAL OPERATIONS, U.S. NAVY; AND GEN. PHILIP M. BREEDLOVE, USAF, VICE CHIEF OF STAFF, U.S. AIR FORCE

Secretary LYNN. Thank you very much. And good morning, Mr. Chairman and members of the committee. Thank you very much for the opportunity to be with you today and discuss our efficiency efforts at the Department of Defense.

Before I start, I would like to extend my thoughts and support to one of the members of your committee who is not here today, Representative Gabrielle Giffords as well as her husband, Navy Captain Mark Kelly and the others affected by the events in Tucson. Gabby and Mark are part of the military family, and we are very much cheering Gabby on as she begins her rehabilitation.

Today I am pleased to be joined by the vice chiefs of staff of the Army, Navy and Air Force as well as the assistant commandant of the Marine Corps. I will have a brief statement, and then we will turn to your questions for the bulk of the hearing.

The leadership of the Department is well-aware that the nation is dealing with significant fiscal pressures. We owe it to the taxpayers to make the most of every dollar entrusted to us.

Indeed, we could all benefit from following the direction of President Eisenhower, who believed we should spend whatever is necessary for national defense, but not one penny more.

To that end of the Department sought in both the fiscal year 2010 and the fiscal year 2011 budgets to curtail or eliminate programs that were either too troubled to continue or that provided capabilities that were too narrow to justify their costs. We identified more than 20 programs in those categories that would have cost more than \$300 billion, if pursued to their completion.

We have also initiated a comprehensive search for greater efficiencies in our business operations, our personnel system and our headquarters structure. Specifically, Secretary Gates laid out three objectives that I will describe today.

The services first were directed to achieve \$100 billion in efficiencies over the 5-year Future Years Defense Plan. Second, the services could retain and invest those efficiency savings in enhancement of high-priority warfighting programs. And third, the Department developed additional efficiencies and other changes to accommodate a \$78 billion reduction in our topline that contributed to the Administration's deficit reduction efforts.

Over the past 6 months, the military services have undertaken a comprehensive examination of their overhead accounts to achieve the \$100 billion savings objective the secretary issued them. The savings come from numerous sources. A portion are generated by reorganizations that reassign personnel and reduce layering in the Department.

For example, the Army will consolidate six installation management command regions into four and close the evaluation task force. The Navy will eliminate selected squadron staffs and disestablish the 2nd Fleet in Norfolk. The Air Force will consolidate four air operations centers and three numbered Air Force staffs.

The services will also achieve savings through implementing better business practices. For example, the Army will leverage efforts of other organizations to reduce the number of data centers, and the Navy will shift 6,000 billets from shore-based installations to increase shipboard manning.

Finally, the Air Force will implement better business practices in satellite procurement, establishing more stability in the development process and utilizing block buys in procurement.

In addition to these business practice efficiencies, this service has garnered savings through reductions in programs that either cost

too much or provided too little capability. The Army will terminate procurement of the SL-AMRAAM [Surface-Launched Advanced Medium-Range Air-to-Air Missile] surface-to-air missile and the non-line-of-sight launch system. The Marine Corps will terminate the expeditionary fighting vehicle.

As directed by the secretary, all savings realized by a military department will be retained and reinvested in that department. Approximately 28 billion of the total savings would be used over the next 5 years to deal with higher-than-expected operating expenses. The remaining savings, some \$70 billion, would be used to enhance high-priority military capabilities.

The Air Force will begin development and acquisition of a new long-range bomber and maintain maximum procurement levels of Reaper UAVs [Unmanned Aerial Vehicles]. The Army will invest more heavily in modernization of the army's battle fleet of Abrams tanks, Bradley fighting vehicles and Stryker wheeled vehicles. The Navy plans to use the savings to buy more ship—to buy six more ships than were in last year's plan, including an additional destroyer.

In sum, our efficiency initiatives will permit improvement in warfighting capabilities in ways that would not have been fiscally possible in the absence of the efficiency campaign.

However, Congressman Smith indicated the strength of our national defense ultimately depends on a strong economy as well, so as part of the Administration's broader effort to address the deficit, the Department reduced its topline budget for fiscal year 2012 through fiscal year 2016.

This reduction, which totaled \$78 billion compared with last year's plan, will still result in a defense base budget request of \$553 billion in fiscal year 2012 and modest real growth in the near years of the Future Years Defense Plan.

We accommodated this topline reductions through additional efficiencies and other changes outside the warfighting accounts. For instance, Secretary Gates has imposed a freeze on civilian personnel levels in the Department through fiscal year 2013, allowing limited exceptions to accommodate growth in the acquisition workforce and a few other essential areas.

The secretary also mandated a reduction of 10 percent per year for 3 years in the number of contractors who augment government staffs. We have sought to address the enormous growth in our medical costs through management efficiencies while continuing to improve high-quality military health care.

We believe, though, it is time to lift the 15-year freeze on TRICARE enrollment fees for working-age retirees. We believe it is time to phase out subsidies that DOD currently provides to a small number of non-military hospitals, and we are making adjustments and pharmacy co-pays that will both, we think, improved the benefit as well as develop cost efficiencies.

Finally, we are taking steps to streamline our organizational structure. The secretary announced last August we are disestablishing the Joint Forces Command and the Business Transformation Agency, and we are eliminating the position of assistant secretary for networks and information integration. In addition, we

will pursue efficiencies in intelligence operations and in our information technology investments.

Mr. Chairman, the proposals we are describing today are the result of a detailed, comprehensive budget and program review led by Secretary Gates and involving the senior military and civilian leadership of the Department. I know that some will argue that our proposals cut defense too much. Others will argue that we have not cut enough.

We believe this budget strikes the right balance for these difficult times. In Secretary Gates' own words, "This budget proposal represents a reasonable, responsible and sustainable level of defense spending for the next 5 years."

I want to end my statement by thanking the Chairman and the committee for your strong support of the Department and particularly for your strong support of the men and women who bear their burdens of our national defense. Thank you, and I look forward to your questions.

[The prepared statement of Secretary Lynn can be found in the Appendix on page ?.]

The CHAIRMAN. Thank you, Mr. Secretary.

The 78 billion topline reduction was a surprise to us when we went into the briefing with the Secretary. We thought we were going to talking and getting more detail on the 100 billion. Then we also found out about the 78 billion.

What guidance was provided by the Administration to the Department with regard to the topline budget reductions across the Future Years Defense Program? And when was this guidance received?

Secretary LYNN. Mr. Chairman, the topline this past year, as it has—as it—as, I think, in every year with every administration, was developed in a discussion between the White House, led in particular by the Office of Management and Budget, and the Defense Department. We had iterative discussion that included the President.

We settled on the \$78 billion number as the number that we thought we could achieve through efficiencies that did not undermine any of our warfighting capabilities. And as to the timing, the final numbers were developed in December.

The CHAIRMAN. And have other departments received similar instructions?

Secretary LYNN. Yes, they have, but I wouldn't be able to give you the exact numbers of those other departments. But a similar process was done with all of the departments.

The CHAIRMAN. Similar percentages of cuts?

Secretary LYNN. I am not in a position to release the whole Administration's budget. My belief, though, is that the Defense Department had less—fewer reductions than many other departments.

The CHAIRMAN. And we will see those when the President's budget is submitted?

Secretary LYNN. Yes, when the President's budget is submitted, you will see all of them, of course, Mr. Chairman.

The CHAIRMAN. Thank you. How will this 78 billion topline reduction affect the execution of the fiscal year 2011 funding priorities?

Secretary LYNN. At least off the top of my head, Mr. Chairman, I don't think it would affect the fiscal year 2011. The challenge with fiscal year 2011 is that we don't yet know what the final number is going to be.

As you well know, we are operating under a continuing resolution, and we are awaiting congressional action. So the challenge in fiscal year 2011 is how to operate either under a continuing resolution or ultimately a midyear appropriation.

That was the challenge in preparing the program. It is a challenge in executing the budget. But I don't think the development of the 2012 to 2016 program will affect execution of fiscal 2011.

The CHAIRMAN. Okay. The secretary stated on January 6 that this plan, and "represents in my view the minimum level of defense spending that is necessary, given the complex and unpredictable array of security challenges the United States faces around the globe." Then he went on to explain why further cuts to force structure would be calamitous.

However, the secretary also indicated just last year that 2 to 3 percent real growth was necessary beyond 2015 to prevent cuts to force structure. How will you maintain this level of modernization that the secretary believes is necessary to protect our national security in the face of zero percent real growth in the coming years?

Secretary LYNN. The secretary has indicated that to maintain force structure and to absorb the growth that you see in—due to technology and enhancements and personnel benefit enhancements, that you do need a 2 to 3 percent real growth with the constant force structure.

For that reason, when we are going to have a proposed flat budget in fiscal 2015 and 2016, we believe that you do need some force reductions, and we have put planning and therefore a reduction of 27,000 in the Army end strength and 15,000 to 20,000 in the Marine Corps end strength.

Secretary LYNN. Now, that reduction will take place after we think we will have drawn down substantially in both Afghanistan and Iraq and so that our international commitments should not be at today's levels.

The CHAIRMAN. Thank you very much.

Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

Mr. Secretary, just as a starting point, can you keep the numbers in, I think, proper perspective, if you will walk us through a little bit how much the defense budget has increased in the last, you know, 6 or 7 years.

You talk about those end-strength numbers. They have gone up significantly, and understandably so with our commitments in Iraq and Afghanistan.

But you have just a little bit of the numbers of how much we have actually increased the budget in the last 7 or 8 years in the Department of Defense. And try to include OCO [Overseas Contingency Operations] in that as well, not just what the baseline is.

Secretary LYNN. The—in the—I believe since 2001, the budget—the base budget has come close to doubling.

Mr. SMITH. Right.

Secretary LYNN. And, of course, the—and the end-strength numbers are up, particularly in the Army and the Marine Corps, and would still be higher even after the proposed reductions in 2015 and 2016 than they were when Secretary Gates took office.

And that was really the high point of the Iraqi conflict.

In terms of the OCO budget, that is about \$160 billion this year. Obviously in—going back to 2001, before the conflict, before 9/11, before the conflict in Afghanistan, that essentially would have been zero.

Mr. SMITH. Right. But in NASB, if we added up over the 6 or 7 years that we have had supplementals, it is somewhere in the neighborhood of a trillion dollars, in addition to that doubling of the defense budget that has happened.

Secretary LYNN. That is correct, sir.

Mr. SMITH. And these couple quick questions of specific programs, the F-35, most expensive program we have got going, has experienced some troubles.

Can you give us a little bit of an indication of our efforts to try to get those costs under control and get us an actual product for a reasonable price?

Secretary LYNN. Yes, Congressman. The F-35 is a—is certainly a critical program for the Department. It is the fifth generation fighter that we think that we need to have in the decade following this.

The development program, frankly, has not gone as smoothly as we had hoped. The costs have risen.

We have taken additional steps this year to, frankly, present the committee with a more conservative program in three fundamental ways.

One, the most difficult aspect of the program has been the development of the STOVL [Short Takeoff and Vertical Landing] version of the F-35, which is the most complicated version.

We have decoupled the development of that aircraft from the carrier-based and the—and the Air Force versions, which are proceeding a bit better, so that they will not be held back.

And we have put it on what the Secretary has called a 2-year probation. We are going to continue the program. We are going to try and work through the development issues.

And we are going to decide at the end of 2 years whether to go forward with the program, in the strong hope that we will have solved those problems at the end of that 2 years.

The second thing we are doing is we are slowing the ramp of procurement. The procurement will be flat from fiscal 2011 to 2012. And the ramp will be slower by over a hundred aircraft in the plan than we had—in the 5-year plan, than we had planned last year.

This is reducing concurrency and getting further in development before we invest more in production. It is a more conservative approach.

And then, finally, third, to address any operational gaps that we have by slowing that procurement, we have added about 40 F-18s

to the line so that we are able to fill out the fleet in the interim period.

Mr. SMITH. Right, and then that, obviously, is a major challenge, the tens of billions of dollars more than was expected that are being spent on that critical piece of our national security, presents some of the challenges for the budget going forward.

Just one final question, General Chiarelli, can you walk us through a little bit the early infantry brigade combat team update, sort of, as I like to refer to it, Son of Future Combat Systems, if you will, our effort to update those programs?

Information warfare in the battlefield space for our brigade teams has not gone terribly smoothly as you know in terms of the testing. I know you have been working hard to update that, make sure we get the equipment we need, get rid of what doesn't work and keep what does.

Can you just walk us through a little bit in light of the most recent testing, where we are at on that and how you are planning on going forward?

General CHIARELLI. Well, we are very, very pleased with where we are with the network right now. And we are very pleased with the SUGV [Small Unmanned Ground Vehicle], which is the little robot that goes around.

Some of the others have created some challenges for us. And we will be looking before too long, once the R&D [Research and Development] is complete, to make some decisions on some of the other systems.

Mr. SMITH. Okay.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Bartlett.

Mr. BARTLETT. Thank you very much.

Whatever our topline is, we need to be as efficient as we can in using the monies.

There are three areas that I know we all have concerns about, and I just wanted to see where you are going with the—trying to solve these problems.

I am a huge supporter of research and early R&D. You never know, if you don't try, what will come of it.

So I don't want my concern here to be in any way—reflect on—indicate that I am not a big supporter of research and R&D. I think we need to do more of that, not less of that. I think we spend too little money there.

But I am very much concerned that we have too many programs that continue to the late R&D stage. There is no way we could possibly procure all of them.

And so we have to find a mechanism for aborting these things earlier rather than later, because there is just no way that we could procure all of the—all of the end items that the number of programs that we now have in late R&D. How are we going to address that problem?

A second problem is when a program is not going well, it has to really, really be moribund before we abort it. Two recent programs are future combat systems and the expeditionary fighting vehicle,

you know. And after years and years and billions of dollars, we finally decide, hey, that is not a good idea.

I think there were a number of people along the way who said, way earlier than that, that that was not a good idea, that we shouldn't be doing that.

How do we address that problem so we don't come to the point where we have these sunk costs of billions of dollars and aborting a program where parts are made, partners are made in many, many districts across the country so it gets wide congressional support?

And the third problem is there is always some new technology we can add. I have been here 18 years now. We never have finished a program on time and on budget. And we are partly responsible for that, because we keep saying, gee, couldn't it be a little better? Let us add this new technology.

How do we determine it is good enough and we stop there? We have an open architecture so that we can add these improvements later, because many times we are going to have to live with these things for the next 40 years.

So we want it to be as good as it can be. How are we addressing these problems? There are huge potential savings in these areas. How do we get there?

Secretary LYNN. Let me take your questions in order, Mr. Bartlett. One, we agree with you on the basic R&D. And the budget that we will send you next month will indeed have real growth in the basic R&D, try to protect that seed corn that you are rightly concerned about.

With regard to decisions on programs, I guess that is not a criticism, I think, Secretary Gates has suffered from.

He has made, I think, some tough, tough decisions, whether it is on the presidential helicopter or the F-22 earlier or the future combat system that you mentioned, which he terminated, then the expeditionary fighting vehicle this year.

I think the thrust of your question is right. The Department needs to make hard decisions early. And we are endeavoring to do that.

I think you are right. It is challenging, both in terms of the support programs' buildup, as well as the—it is always difficult to know when you have reached the point of do you have enough knowledge to make the decision or is it going to get better just around the next corner, which tends to be the promise.

Your third question on how do we—I think it goes to what the effort Mr. Andrews and others led on this committee.

It is the fundamental thrust of acquisition reform. It is how do you have budget and schedule be equally important as performance? You have to balance between all three.

I think we have often balanced in favor of performance, for often good reasons, but budget and schedule suffers. We are trying to, in our acquisition reform efforts, balance better.

And you will see, for example, in the program we are presenting next month, that we have, as the secretary has announced, we are going to pursue a new bomber program as part of family of systems approach to long-range strike.

An important element of that new bomber program will be a firm view of what the cost, of what the unit cost of that bomber ought to be, and that we ought to develop the best possible technology, but at that price.

Mr. BARTLETT. Thank you.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you.

Mr. Reyes.

Mr. REYES. Thank you, Mr. Chairman.

Gentlemen, welcome.

The first question is for General Chiarelli.

The committee was told by Under Secretary Westphal that the Army was intending on reinvesting some of its savings in the efficiency account in the Abrams, Bradleys and Stryker vehicle, doing upgrades for those three.

Could you provide us with a little more detail on those upgrades? And also, how much additional funding was the Army able to allocate to modernize these particular vehicles?

And how will it provide better capability for the soldiers?

General CHIARELLI. Well, those are three systems that we currently have been able to put some money in from our efficiencies, along with many others.

In Stryker, I think, you know, we are moving ahead with a double V-hull. We have been completing some testing, and that testing has come out very, very satisfactory.

We are very, very pleased with it and are moving ahead to provide additional protection for the entire crew of the Stryker, above what we have right now with the flat bottom hull, with some of the add-on armor kits.

It is a great improvement. We will be making increases or changes, improvements to both the Stryker and the Bradley. And I will have to get you the exact dollars on that at a later time, sir, and I will get those to you.

Mr. REYES. Okay.

The other area I would like to ask is in the area of the Patriot missile upgrades, and also the counter-rocket artillery mortar systems. What is the Army intending to do with those kinds of upgrades, and how will they play out into the capabilities to the intent to procure, and obviously with the end result of helping to protect our soldiers in the field?

General CHIARELLI. Well, sir, those improvements grew out of our portfolio reviews, where we took like-type systems and looked at the entire portfolio and compared systems. That came out of a portfolio we call air and missile defense.

And when we looked at that portfolio, we saw we had some broken programs. One of the programs that we had concern with was SL-AMRAAM. The cost of that missile for SL-AMRAAM had grown from \$300,000 to, I am told, over \$1,000,000 a copy now. And in POM [Program Objective Memorandum] 2010-2015 we were only buying 100 of those missiles.

And quite frankly, we saw changes in the threat from the time that that program had been conceived. We were able to take the savings from that particular program and apply them against Patriot and against counter-rocket and counter-mortar, because quite

frankly, counter-rocket and counter-mortar are the threats that are affecting our troops downrange today.

So with over a billion dollars in SL-AMRAAM savings we were able to reinvest that in counter-rocket and counter-mortar and also in upgrading Patriot.

Mr. REYES. Very good. Thank you, General.

I yield back, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Thornberry.

Mr. THORNBERRY. Thank you, Mr. Chairman.

Mr. Secretary, you mentioned Joint Forces Command in your opening statement. And as I am sure you remember from your previous time, a primary reason that the command was created was to have a major command that looks forward, a future command. And to have joint experimentation come together, so that you have a person at the table who is not just worried about what is happening today, but looking ahead.

So if the command goes away, and there are lots of reasons I understand to do that, who does that? Or is it your all's view that you don't need that person who is future-oriented with the joint experimentation capability?

Secretary LYNN. We agree with you, Congressman, that certainly looking to the future and in particular the emphasis on jointness through experimentation, through development of doctrine, are critical roles. We did not think we, at the point we are in the Department, that we needed a command to do that.

Now, we are retaining many of the sub-organizations—about half is the rough estimate—that were doing that, including the joint experimentation group. They will report—still the final recommendations are still being developed. But the Joint Staff and the chairman and the vice chairman will play a stronger role in advocating for jointness, in advocating for development of joint doctrine in this post-JFCOM [Joint Forces Command] world.

Mr. THORNBERRY. Yes, I think the concern is you bury stuff down in the bureaucracy, it is never going to percolate through. And that is part of where we were before Joint Forces Command.

General Dunford, I am not an expert in this area, but my understanding was the Marine Corps has had a requirement that the Navy is going to get the Marines so close, so many miles from shore, then they got to be transferred into some amphibious vehicles that will get them onto shore in a certain amount of time so that they are in fighting condition. Have those requirements changed? Have the miles changed? Have the time changed?

General DUNFORD. Congressman, thank you.

First, we are and continue to be committed to the capability that was represented by the EFV. That is to be able to provide the nation with a short access. Historically, we have planned over the past 2 decades for Marines to be discharged at 25 nautical miles. In recent discussions with the Navy, those figures have in fact changed. And we are in the process now of refining the requirement.

And we think it is somewhere in excess of 12 nautical miles, but something less than 25 nautical miles. So we are in fact reviewing the requirement right now in the context of both our capabilities

and limitations, as well as the enemy's capabilities and limitations, particularly some newly fielded equipment inside of the Department of the Navy.

Mr. THORNBERRY. Admiral, is the Navy okay with getting closer to shore and being more at risk of missiles from reaching the ships?

Admiral GREENERT. Congressman, we are. We have taken a very close look at this, and with our integrated fire control capabilities in the future, our ability to network with the self-protection, the RAM [Rolling Airframe Missile], and some of the other systems, the rolling airframe missile that we have, our counter-swarm capability, we believe—and I am in concurrence with General Dunford—somewhere around 12 miles, maybe a little bit more, is acceptable.

We have modeled this closely; we have war-gamed it closely. We are reasonably comfortable. There may be situations when, as the maritime component commander, we may not have as much time as we assume we will have. We will have to look at the risk factor regarding that. That will be the individual operator's judgment on that case. But overall, we are good with it.

Mr. THORNBERRY. Well, I appreciate y'all's answers. I think these are just two examples I picked of where we want to have further discussions with you. There has been a sense, at least from my part, that some edict comes down from on high saying cut the budget, and you all do the best you can and try to put a rosy face on it.

And I think the concern that some of us have is, okay, what are the implications of eliminating this vehicle, eliminating this command? Have we thought through who does it, what kind of capability we lose if that happens?

And personally, I think there is concern about having that thought through and analyzed, rather than going through strictly a budget exercise, even though obviously all of us are in favor of finding efficiencies wherever we can. So I appreciate it. I think there is further discussion to be had.

Mr. Chairman, I yield back.

The CHAIRMAN. Thank you.

Mr. Andrews.

Mr. ANDREWS. Thank you, Mr. Chairman.

Good morning, gentlemen. Thank you for your testimony.

Mr. Secretary, thank you for referencing what the members of this committee did on procurement reform. Mr. Conaway deserves at least equal credit for that, as do many members. And we appreciate the fact you are already starting to implement those reforms. Thank you.

I wanted to come back to the topline discussion, where Secretary Gates on January 6th talked about \$78 billion off the topline through the efficiencies that have been outlined. Under the 5-year plan that you are presently working under, defense spending will still be considerably higher 5 years from today than it is today. Isn't that right?

Secretary LYNN. Yes, sir.

Mr. ANDREWS. If I look at the math correctly, the difference between the plan that you are presently operating on and what Sec-

retary Gates has now suggested is instead of the defense budget being 17 percent higher than it is today, it will be about 14.5 percent higher than it is today. Is that essentially right?

Secretary LYNN. I don't have the math in front of me, but it sounds right.

Mr. ANDREWS. Yes, the numbers to be were \$567 billion in the base budget in the first year, and \$663 by the fifth year. He would take that down by \$78 billion over 5 years.

Given that, I want to commend you and the Secretary for the real choices that you are putting before this committee and the Congress. The easiest thing to do here—it has been for 2 decades or longer—is to say there can be operating efficiencies and overhead savings and we can spend less if we do that. In the 20 years since that has been said the budget has probably tripled, not just doubled. So there really have to be some real decisions.

And I think you have raised a very interesting one with the EFV [Expeditionary Fighting Vehicle] recommendation. I note the EFV had a Nunn-McCurdy breach in 2007. And our expert staff tells us, a Nunn-McCurdy breach is triggered under the law when a program exceeds its budgeted schedule by 25 percent or more. Do you happen to recall the magnitude of the Nunn-McCurdy breach for the EFV? How far over budget was it?

Secretary LYNN. Unless General Dunford can provide it, I would have to provide it for the record.

General DUNFORD. Congressman, I can talk to the unit cost. The unit cost was \$5 million in 1995. At that time, we had planned to buy 1,013 vehicles. The program now is 573 vehicles, and it is \$17 million for unit cost. So as you can see, it is significantly more.

I think the Nunn-McCurdy threshold is about 25 percent. So we exceeded the Nunn-McCurdy threshold for unit cost—

Mr. ANDREWS. So let me get this straight. When the Congress made a decision to procure these vessels in 1995, we were anticipating they would cost \$5 million a copy? And that has ballooned to \$17 million?

General DUNFORD. That is correct.

Mr. ANDREWS. So it has more than tripled in cost? In lay-person's language, why is that? Why did it more than triple in cost?

General DUNFORD. One critical factor is that at the time in 1995, we planned on buying 1,013 vehicles. The current program is 573 vehicles. So that accounts for some of the unit cost.

Quite frankly, Congressman, I can't tell you why the rest—why it exceeded cost in other areas. I do know that the unit cost was impacted by the total number of vehicles that we were going to buy and other factors. Really, I think probably General Dynamics can be better able to explain that than me.

Mr. ANDREWS. My understanding is that we have not yet passed milestone B on this program, that we were approaching it, but not yet past it?

General DUNFORD. Congressman, we are just about to be at knowledge point two in February.

Mr. ANDREWS. Yes. And what planning has taken place in the Department with respect to an alternative, if in fact we don't procure these vessels that have been presently planned? How would we get Marines from the ship to the shore?

General DUNFORD. Congressman, as I mentioned earlier, first we are committed to continue to be able to do that and provide a short access for the nation. So we are committed to be able to get any vehicle that moves from ship to shore. We believe that the knowledge that we learned in the EFV program, combined with some new acquisition processes, will allow us to get a vehicle that will allow us to meet the operational requirement at significantly less cost.

Mr. ANDREWS. Is there going to be a gap between when we get to that point and now? Is there any operating deficiency that the Marines would be subjected to?

General DUNFORD. We can currently meet our requirements. The use of the assault amphibious vehicle, which is a legacy program, absolutely has an effect on our tactics, techniques, and procedures. So we mitigate the risk of a legacy program by our employment concepts. What we will do now is take a look at service life extension program for the assault amphibious vehicle to address some of the lethality shortfalls, some of the mobility shortfalls.

And then, we also at the same time, will take a look at, you know, what the expeditionary fighting vehicle really represents is a small part of our overall ground tactical vehicle plan, and about two-thirds of what we need to come from ship to shore in armored vehicles. So we will take a look also now in addressing what we call the Marine Personnel Carrier, which is the balance of our amphibious capability.

Mr. ANDREWS. Thank you very much, I appreciate it.

The CHAIRMAN. Thank you.

Mr. Secretary, I didn't want to interrupt when you were asking the questions. But I would like to have a little understanding. When the secretary briefed us on this additional \$78 billion, what he said was, "Next year's budget would have a 1 percent increase, the following year, a half percent and then 3 years of flat." Now, how does that grow those kind of numbers?

Mr. ANDREWS. Will the gentleman yield?

The CHAIRMAN. Yes.

Mr. ANDREWS. If I may, before the secretary does, my understanding is that the numbers are in real dollar terms. So that is how.

Secretary LYNN. That is part of the answer. Mr. Chairman, the—we don't actually know what the fiscal 2011 to 2012 growth rate is, again, because we don't know what the fiscal 2011 budget. But it will be somewhere between 1.5 and 3 percent real growth. That is on top of inflation, which is in the 1.5 to 2 percent.

So you are looking at nominal growth of 4 or 5 percent fiscal 2012. Then the real growth in fiscal 2013 and 2014 is 1 percent in 2013, a half a percent in 2014, then zero real in 2015 and 2016. In other words, the budget would still grow, but only to keep pace with inflation so that when you net those numbers up, I believe you end up with the line that Congressman Andrews led with.

The CHAIRMAN. Okay.

Secretary LYNN. So, in current dollars, it wouldn't grow by those numbers? It would be inflated dollars? In current dollars, it would grow more because of the addition of inflation—

The CHAIRMAN. Right. Thank you.

Secretary LYNN. When the secretary said to you 1 percent, a half percent, zero, he was talking real. You have to add inflation to that.

The CHAIRMAN. Thank you.

Mr. Akin.

Mr. AKIN. Thank you, Mr. Chairman.

I would like to start by making a distinction between two things. And I have to say that I don't have so many questions as answers. We still get 5 minutes for answers, so I am going to just give you a little bit of where I am coming from sitting in this committee.

The first thing is is what you have done. You started the beginning of the year and decided we are going to cut defense by \$78 billion, make some big changes in various programs and a whole series of decisions. The question is were those all good decisions or not. That is one question.

The second point, though, is how you did it. The U.S. Constitution requires the members of this committee to be involved and be part of the decisions for national security. The end of last year this committee was approached on the fact that we had an opportunity to get two purchases for 10 Littoral Combat Ships, which was different than what we had had planned.

At the last minute, we were said this would be a good idea for the Navy. It is saving us some money, and it is a good thing to do. We took a look at the numbers in a very compressed timeframe, passed legislation and supported the Navy in that decision, even though we had no idea that it was coming until a week or so before, a couple weeks before when we actually made the legislation and got it done.

We worked with you as co-partners. This month we received, like a cc on a general press release to the public, that we have made all of these unilateral decisions, and we had no idea a bunch of them were even coming.

The expeditionary fighting vehicle strikes me as one where the assumptions are very thin. It appears that we are almost canceling a capability in order to make a \$78 billion cut on the surface. We will look into it. But my concern is that you are trying to make, or you have inadvertently made, this committee irrelevant because you are not keeping us in the loop informing us of what you are looking at.

That has gotten progressively worse over 10 years to where it is right now. And that is unacceptable, at least to me, as a subcommittee chair. And I believe I may speak for a few other members of this committee that we want to be part of the decision-making process.

If you go back 200 years and look at the history of our national defense, you find that it is a partnership between military and civilians. And both sides play a role in that. And at times, the civilian side, that is this committee, has made recommendations in 20/20 hindsight that have turned out to be very good military decisions such as, among other things, arming predators.

And I don't like, and I don't think this committee will tolerate, being left out of the process of decisionmaking. So we will have our hearings. And we will look into those decisions. And the decisions

that we think are poor we will not be shy about explaining why we think those are poor decisions.

But I just think it is clear in January when we are starting off on a new foot that we understand each other. And I am going to try to explain it so that you understood where we are coming from because we don't like to be called at the last minute and say—I talked to the secretary of the Navy 2 days ago, and I said, “I am very concerned about cutting the defense budget.” He said, there are not any cuts to the defense budget that he knew of. We had the speech last night that talked about it.

Now, to the overall concept, I think it is in your best interest to use us as part of your team to help you do your jobs. I think it is foolish to ignore us because here is what is going on. You want to take a big look at where we are, budget-wise, in this country.

You take your entitlements: Medicare, Medicaid, Social Security. Add the other entitlements, and then add service on the debt, which is like an entitlement because when we sell a U.S. treasury or something, we have to keep paying the interest like a little machine that spits out dollar bills. We can't not pay that.

So you take all those entitlements together, add them up. Right now those entitlements are equal to the revenue that we take in as a nation. So you can cut defense to zero, cut discretionary spending to zero, and we are still just even. You cannot pay for entitlements by cutting defense. But you can destroy our country by cutting defense.

Now, you want to take a look at some concerning numbers? If you take a look at defense spending as a percent of total budget authority, we are now, with these proposed cuts, to the same place we were in 1998 when we hollowed out our forces. That is the kind of thing that it is our job to be concerned with and our job to go to bat and say to the Budget Committee, “Wait a minute. We really can't take defense. We can't take the Marines and deny them the capability to go from ship to shore.”

And if you want to put new engines in some vehicles that date back to the Korean era and they can go from four to six knots, somehow or other, I am not seeing that as a very workable solution, with all due respect to my good friends from the Marine Corps. I know you are trying to do what you think you have got to do, budget-wise. But some of these decisions need to be run by this committee first. And I just wanted to put a marker down.

Mr. Chairman, if I am a little too strong, correct me. But that is—that is my strong sense. There needs to be partnership. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mrs. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

And, gentlemen, thank you all for your distinguished service. I want to turn to an issue that involves our people, the men and women who serve. I know that the Department is looking at a number of reforms in the area of military health care. And clearly, in many ways, everything is on the table here.

But I wonder if you could share with me what concerns the services have raised as it reflects some of the proposals in the—that you have in health care. Now, I know we are not looking at spe-

cifics right now. But I am just wondering somewhat about that process and about how the services are weighing in, what their concerns are. What have they raised?

Secretary LYNN. Well, let me let the vice chiefs speak for themselves. Let me just give an opening comment.

As you indicated, part of the development of this program was an attempt to reign in health care costs, which have more than doubled over the past 10 years. The—there is some proposals with regard to fees, with regard to hospitals, pharmacy benefit and overall efficiencies. Happy to go into more detail at the appropriate time.

But the process by which those were developed was a full Department-wide process led by the Secretary where he had a series of meetings that included the entire leadership, the chiefs, the service secretaries, the combatant commanders, senior OSD [Office of the Secretary of Defense] leadership. I know Chairman Mullen led at least one, I think more than one, tank session. So this was a very fulsome process.

But let me turn to the vice chiefs for their reaction.

General CHIARELLI. I would just echo what Secretary Lynn said. We were part of that process and agreed with the decisions that have been made.

I will tell you in my area, the area that I am most concerned about is I don't have enough uniform health care providers. But we made a decision in the Army a while ago to cap the number of uniform military health care providers we had at a certain number. And I need to find room inside my end strength to add some more. It is just not enough.

We have been able to make up with that through contract health care in certain areas. But when it comes to areas like behavioral health care, I have got a real problem there, as the nation has a real problem there because we just don't have enough.

So I find myself competing with the nation to get that really, really important asset that the United States Army needs at this particular time. A great example I will give you is second and third effects is I need alcohol and substance abuse counselors. But many of them have the degrees necessary to fleet up to become behavioral health specialists at an increased salary.

So what I find myself doing—as hard as I try to hire alcohol and drug abuse counselors, I bring in five to Fort Campbell, Kentucky, and I lose five as they fleet-up to behavioral health specialist positions that pay additional funds. So that is an area for me that is of concern.

Admiral GREENERT. Thank you, ma'am.

I echo General Chiarelli's comments regarding uniform health care providers. Our concern was as we reviewed—and there were more initiatives than what is in the budget. And some were removed. Our concern was to ensure that our active duty members and their families received proper care and world-class care that they deserve.

And we are comfortable with that, make sure that availability of care outside the service when needed to—consults—that that was—that that capacity was still there. And we are comfortable with that. And that pharmacy, any changes to the pharmacy, that we

could retain that service and make it available. Again, we were comfortable. Ma'am, I would say it was a collaborative process.

Mrs. DAVIS. Yes. So you are saying, particularly on the pharmacy benefit, that you didn't see any drawbacks to that that would affect the men and women?

Admiral GREENERT. That is correct.

Mrs. DAVIS. All right.

General DUNFORD. Congresswoman, like the other vice chiefs, our primary concern was ensuring that our Marines that are forward-deployed have world-class medical care. We are also concerned with making sure that our Marines, when they come home, and their families, have world-class medical care. And we are unaware of any initiatives in the proposals that would—that would degrade that health care.

And so, we have very much been part of that process. And we looked at the other initiatives that don't affect the active duty force and have been, again, part of that process and feel like we have an opportunity to shape that.

General BREEDLOVE. Ma'am, I would echo the remarks of my fellow vice chiefs. It was a collaborative process. We were part of it, and we joined that process. In the Air Force and we remain focused on the downrange care of our troops involved in the conflict.

But we recently finished the year of the family in the Air Force, and we focused on the after-care as our troops come home and also taking care of those families when their troops or downrange. And we continue to remain focused on that, and we don't see any detriment to that in what we see in this business.

Mrs. DAVIS. All right.

Well, I appreciate that, because I think there have been some concerns that there hasn't been that kind of involvement of the different services in that decision. So I want to be sure that we are balancing the need to find some savings, but at the same time clearly those benefits are expected, and people deserve those benefits. And we want to be sure that we are doing that in the proper way.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Forbes.

Mr. FORBES. Thank you, Mr. Chairman.

Mr. Secretary, it is great to see you. And as you know, we have got a limited amount of time, so I will be concise, and I hope you will be as well.

In your statement you said we owe it to the taxpayers to make the most of every dollar entrusted to us, and then you go want to say one of the ways we are going to do that is the services will achieve savings through implementing better business practices.

I looked at many of our Fortune 500 companies to see some of their business practices. And if you look at companies like Wal-Mart, AT&T, Hewlett-Packard, Verizon, IBM, Procter & Gamble, Kroger, Costco, Boeing, Home Depot, Target, they will indicate to you that the core business practice that is superior to all of the others is to make sure they know where their money is going by having audited financial statements. In fact, Congress feels so strongly about that we require them by law to do the same.

Now in the Department of Defense, we are giving to you what would essentially be the 22nd largest economy in the world, if you were a country. It is over \$700 billion last year. And as you know, by law we require our agency heads to submit to us audited financial statements each year so that we know where the money is going.

Now, 21 different agencies have complied with that. Clearly, the statute came back and said the Department of Defense needed to do that. And in your statement you go on to say proposals we are describing today are the result of a detailed, comprehensive budget and program review led by Secretary Gates and involving the entire senior military and civilian leadership of the Department.

So, Mr. Secretary, my question for you, first one today, is what percentage of the \$700 billion budget of the Department of Defense did Secretary Gates file the audited financial statements required by law in 2007?

Secretary LYNN. Mr. Forbes, we are—the Department does not have an auditable financial statement.

Mr. FORBES. So none were filed in 2007.

Secretary LYNN. I think one or two agencies, but it is a very small part of the budget.

Mr. FORBES. First of all, you are the chief management officer of the Department of Defense. Is it your testimony today that you do not know how many were filed? Or are you testifying that two agencies did file on the Department?

Secretary LYNN. I am going to have to provide the exact—

Mr. FORBES. I will tell you it was none. How about in 2008?

Secretary LYNN. Well, 2008 I wasn't at the Department, but I—

Mr. FORBES. Do you know whether any financial statements were filed?

Secretary LYNN [continuing]. I think it was—I doubt—I—

Mr. FORBES. There were none.

Secretary LYNN [continuing]. Don't think it would have been any.

Mr. FORBES. How about 2009?

Secretary LYNN. I think the same answer.

Mr. FORBES. How about 2010?

Secretary LYNN. I believe the same answer.

Mr. FORBES. Do you know how many will be filed in 2011?

Secretary LYNN. The same.

Mr. FORBES. Do you know how—what percentage of the \$700 billion budget in the Department of Defense will be in audit ready posture for 2011—that is, that we could even be capable of auditing?

Secretary LYNN. I don't think any, sir.

Mr. FORBES. The President last night told us that in making decisions in our country, he said, "It will be harder, because we will argue about everything—the cost, the details, the letter of every law. Of course, some countries don't have this problem. If the central government wants a railroad, they build a railroad, no matter how many homes get bulldozed. If they don't want a bad story in the newspaper, it doesn't get written. But we all believe in the rights enshrined in our Constitution."

Mr. Secretary, I believe that the Department of Defense has developed the philosophy of bulldozing. When you make a decision, you make that decision and, as Congressman Akin said, you don't even include us. You don't even give us the information. And then you bulldoze ahead without doing the tough work of trying to work it through us.

You know, when we ask you to bring to us individuals who can testify, give us your analysis, give us your documentation of these cuts or anything else, you refuse to do it. So then we ask you to do the reports so that we can get the information and we can reach an analysis, and the secretary does press conferences pooh-poohing reports to Congress and that is just too tough. It is too hard. We are not going to do reports.

So then we put it in the law and we say you got to comply with that, because this is the law of the land. But when we did that for a shipbuilding plan, the Secretary just said, "I am not going to give it to you." When we put it in the aviation plan, the Secretary said, "We are just not going to give it to you." And when require audited financial statements so we can just know when our money is going, the secretary just says not going to do it.

And the question we ought to be asking ourselves—is DOD above the law? What—what do we have to do to get you to comply with the law? And how can we even begin to talk about savings and efficiencies when we cannot verify a single dollar of where our defense budget is going?

And, Mr. Chairman, I will close by just saying this. Shame on us if we continue to give the Department of Defense billions of dollars without doing the most basic of all good business practices by simply knowing where that money is going.

Mr. Chairman, with that, I yield back.

Secretary LYNN. Mr. Chairman, if I could respond to a couple of the remarks there, first, I agree with Congressman Forbes. We do need to develop auditable financial statements. We have developed a plan to do that. The plan is quite aggressive. It is going to be difficult to achieve.

And we have focused on the budgetary resources for the reasons that you gave, that that is the most important responsibility that the Department be able to tell the Congress and the taxpayers how each dollar is spent.

So the secretary very much agrees that we need to comply with this. We have as a plan to do that.

With regard to the shipbuilding and the aviation plans, I think that was a disagreement with the committees, as we did provide those when we had them. When the committee was asking for it, it was in the first couple of months, where the—that the Administration had taken office, and they simply didn't exist. As soon as they existed, we did provide them to the Department.

Mr. FORBES. Mr. Chairman, I don't want to take more of my time, but just to respond to the secretary.

Mr. Secretary, it wasn't the committees that requested it. It was the law that requested when you had to file it, and it told you what to do if you didn't have a plan.

And secondly, if any of these Fortune 500 companies came up and said, "We just can't comply with the law, because it is too

hard,” what would we do to them? And, you know, I think it is a priority that we ought to make in the Department, and we ought to insist on it in this committee.

And thank you, Mr. Chairman, for the extra.

The CHAIRMAN. Thank you.

Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman. Congratulations on your first hearing.

I would like to just say that I actually think that on the merits, Congressman Forbes is absolutely right about what the law says. And it was very frustrating over the last 2 years that we didn’t get that shipbuilding plan.

But as you said, we did get that last year.

And I would like to actually focus for a minute, Admiral Greenert, on the testimony regarding the impact of these changes to the Navy and ship acquisition. Again, the testimony we received is that the savings will be directed towards, again, reinvestment in the Navy and that six ships are going to be added to the Navy’s fleet as a result of this.

And we will—I guess the first question I have is is that going to change the shipbuilding plan that was submitted last year?

Admiral GREENERT. Yes, sir, it will, from the perspective of there will be an additional six ships to that shipbuilding plan. We have been able to move ahead in some of our required shipbuilding—for example, oilers. We need to get double-hulled oilers. We are operating on a waiver—that is, a U.S. waiver—and around the world that we may not have those waivers, so that helps us toward the longer view.

It brings us with another destroyer, *Arleigh Burke* destroyer, which helps us—obviously, increases our warfighting capability right there. And then, of course, the last one would be the T-AGOS [Military Sealift Command Oceanographic Research Ship], or the sonar trailing ship, if you will, which increases our ASW [Anti-Submarine Warfare] capability.

Mr. COURTNEY. Well, to me, you know, that is a priority—

The CHAIRMAN. Mr. Courtney?

Mr. COURTNEY. Yes?

The CHAIRMAN. If could just interrupt just for a second—

Mr. COURTNEY. Sure.

The CHAIRMAN. We have been told with the new schedule this year that we will be interrupted with votes. That will start the week of the 14th. We have just been interrupted by a vote, and the votes are going to be shorter than in the past. We can’t wait till it is almost over. So you will be the last questioner.

But anybody else that wants to leave now to vote, there will be two votes, and then we will return, and Mr. Wilson will be first after Mr. Courtney.

Mr. COURTNEY. Great. Thank you, Mr. Chairman.

Again, the—what you just described obviously addresses a priority that this committee, and particularly the Seapower Committee, has been struggling with for years, which is despite the massive increase in the Pentagon, we have steadily seen the fleet size fall below what the Navy has told us repeatedly is necessary, at 313 ship Navy.

And to me, if we are for finding ways to, again, make the Navy more efficient and reinvest it in what I think everybody agrees is what we all want, then that is certainly not weakening our defense. It is actually accelerating the past to get to the goal that we all want.

These sort of story that I think—cautionary tale that I think we—we in this committee have to keep aware of, particularly in the context of shipbuilding, is what happened with the *Zumwalt*, the DDG-1000, where again, you know, anything goes in terms of the way that was put together. And it crashed and collapsed of its own weight because of the high cost.

And last year the shipbuilding plan that was sent over projected out a huge bulge that was going to be caused by the SSBN price tag, 7 billion per copy. It is my understanding that again the Pentagon has really worked hard to try and, you know, bring that price down so that we don't find ourselves in a *Zumwalt*-like situation five, 10 years from now.

And I was wondering if you could maybe talk about that cost savings measure and any progress that the Navy has achieved.

Admiral GREENERT. Thank you for the question, sir.

Yes, we had a—we have a very collaborative process, I believe, on the Ohio replacement program. A little bit to Mr. Bartlett's question or comment earlier, how is it that we can interject, if you will, cost as a key performance parameter?

And so we have a cost threshold and objective on the *Ohio* replacement program. Point here is as we develop this, as we are into the early phases of design, we have to address cost again and again and again as a function and balance it against the capabilities.

Admiral GREENERT. We haven't been very good at doing that in the early phases.

It has been all about capability. And then we deal with the bill later. So we are very focused on that, as you know, sir, because of your background and in your area of shipbuilding.

This is a fairly well-defined capability that we are building. And so this is a good program to get started in this regard.

Mr. COURTNEY. And certainly, the shipbuilding plan, the Nuclear Posture Review, the Quadrennial Defense Review, all were unanimous in saying that, you know, this is something that is essential to having a sea-based nuclear deterrent, is something that we must move forward on.

But we can't allow costs to consume every other aspect of the Navy's budget and frankly, put pressure on the rest of the Pentagon.

Secretary Lynn, in your opening comments, you talked about the end strength changes post-2015.

Again, when I first came to Congress in 2007, that was one of Secretary Gates' first initiatives, was just to expand the end strength for the Army and the Marines.

You alluded to the fact that we would still end up at a net position stronger than we were in 2007. But you didn't really sort of flesh out the numbers. I was wondering maybe if you could describe that in a little more detail.

Obviously, we don't want to find ourselves in a situation where the Guard and Reserves are really forced to do something that they never were done—had to be done in the past and pick up the slack.

Secretary LYNN. I am going to ask for help from the vices on that. I think the Army, after the 27,000 reduction will be about 30,000 above what Secretary Gates—is that right?

General CHIARELLI. Well, sir, if you add in the increases to the Guard and Reserves, which are not part of the decrease, in reality, it would be 38 plus another 9, which is 47 higher than we were when Secretary Gates became Secretary of Defense.

Secretary LYNN. And then the Marine Corps, General Dunford?

General DUNFORD. Congressman, we have been given a window of 15,000 to 20,000. But we still have an opportunity to go back to the Secretary of Defense and provide him with the results of our recent four-structure review group.

So the commandant is taking a look at the comprehensive capabilities and capacities that we will need.

And the—and he feels confident he will have a chance to talk to the secretary about this specific end strength that the Marine Corps will have in the future.

Mr. COURTNEY. All right. Thank you.

The CHAIRMAN. We will now take about a 15-minute break. We will get back as quickly as we can. Thank you very much.

[Recess.]

The CHAIRMAN. Well, we were told it was two votes. It was only one. So we—we got back, some of us, a little sooner.

Let us begin where we left off with Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman. And thank you for your leadership as the new chairman of our committee.

And, gentlemen, thank you for being here today. It has been inspiring to me to know of your service and to be here with a joint service hearing. I am from a joint service family with immediate family members who are Army, Navy, Air Force.

And my late father-in-law, General Dunford, was a very proud Marine, and my late brother-in-law. So I cover all of you.

And as I am watching, though, the budget debate that we have, I am very concerned. Representing Fort Jackson, the extraordinary Army personnel and families there, the Marine Corps Air Station at Buford Parris Island, the Buford Naval Hospital, the proposed cuts in the Army of 27,000, another 22,000, cutting the Marine Corps 15,000 to 20,000—a question that I have for General Chiarelli and General Dunford.

Have these proposals—are they done only in the context of cutting the budget? Or has there been a military understanding of the challenges of our country, an ongoing war, protracted war with Al Qaeda, Islamic extremists that we have today, potentially a conventional war in the future? And so, I would like to know from both of you what has been the driving force and what can be understood by the extraordinary people serving our country.

General DUNFORD. Congressman, in the case of the Marine Corps, Secretary Gates has given General Amos an opportunity to do a force structure review group, which is going to take a look holistically at all the capabilities and capacities we need to deal with future challenges. So there are—there have been no specific num-

bers identified for us to draw down at this time. It is a window that the secretary has given.

On the 7th of February, General Amos will have an opportunity to sit down with secretary of defense and walk through what he believes the Marine Corps ought to be in the future. And so, we feel comfortable that the outcome will be based on the commandant's recommendations for capabilities and capacities and not just a fiscal growth.

General CHIARELLI. Congressman, as you know, the 22,000 that you talked about was a temporary end strength increase that Secretary Gates provided the United States Army as we moved off of stop-loss. It was absolutely critical, and we have always planned that in 2013 we would, in fact, bring the force back down to 547,400.

The Army supports the plan to reduce the size of its active force by 27,000 in fiscal year 2015 and 2016. We support that plan.

The chief personally talked to the secretary of defense last summer and asked him to preserve our end strength at 547,400 through 2014. And he has with this plan.

And most importantly, the secretary has put on the table three critical assumptions that must be met. First, that we are out of Iraq, we see the drawdown and Afghanistan taking place, and we do not see that commitment of land forces in any other theater.

We feel this is important for our force that we have the planning time to do this. This is reversible planning that could be reversed, if conditions change. But it allows us to take care of our force as we realize the need to balance the force. I don't want to pay for a whole bunch of people and not have any money for procurement accounts. It allows us to ensure we have a balanced force in the future.

So we support this plan and are beginning the analysis right now.

Mr. WILSON. Well, for both of you, what you are saying is reassuring to me for persons serving in the military and military families conditions-based.

In regard to dwell time, that goal has been three to one for active components, five to one for Reserve components. Is this going to be affected by the potential of a draw down?

General CHIARELLI. I can't tell you that right now, because I don't know what demand is going to be, but we feel that one of the reasons we would go back to the secretary is if we couldn't guarantee our force a minimum dwell time of one to two when these drawdowns began.

Now, one to two is critical for us, one to four for the Reserve components. Ideally, we would like to get to something higher than that, but our redline is one to two.

General DUNFORD. Congressman, certainly, our assumption is that no drawdown would take place until our commitments are reduced. We are now approaching a one to two deployment to dwell across the Marine Corps, and the expectation is that we would not draw down again unless our requirements are adjusted to be able to maintain at least that one to two deployment to twelve.

Mr. WILSON. Thank you very much.

The CHAIRMAN. Thank you.

Mr. Kissell.

Mr. KISSELL. Thank you, Mr. Chairman. And I would also like to add in my congratulations to you, and looking forward to working with you on this committee once again.

Mr. Secretary and all of our guests, thank you for being here. Thank you for what you do.

Mr. Secretary, one of the things that was alluded to earlier was the procurement savings legislation that we passed, which I thought was a great bipartisan legislation with good legislation.

How is the implementation of that legislation going? What savings have—do we see yet perhaps? How will that play into the savings we are looking for? And is any of this savings that we estimated would come from that legislation included in what we are talking about here?

Secretary LYNN. Thanks for the question, Mr. Kissell.

The thrust, I think, of the legislation and the thrust of our acquisition reform efforts are, one, to establish stability requirements, not to continually change the requirements, but to establish a baseline and move forward on that, spiral in additional capabilities later, if necessary; second, maintain an adherence to cost and schedule, not have an unbalanced approach where you are only looking for more performance; and then, third, to use independent costing as a brake on the system.

We are implementing all three of those. I think we are quite far along on all three. In terms of savings, I think it is too early to say, because what you—it takes a while to push these all the way through all of the programs.

And where you will see savings is, hopefully, what you would see is that instead of having cost overruns and schedule delays, we would hit the program milestones as they were laid out.

So you—in many ways it is less cost savings and more cost avoidance. You wouldn't have the case that we have had in the past, where you have on average 20 to 30 percent cost overruns after milestone decisions.

Now, we haven't had very many milestone decisions since we put in place the legislation that took place, so I think we are going to have to measure that and come back to you in the—over the course of the next couple of years.

Mr. KISSELL. Thank you, sir. And I think it is important and that communication that we have been talking about and several of my colleagues today have. I am not going to restate that, but it is concern to a lot of us that we do communicate in some of the decisions that are being made, as we perhaps might need to revisit those because of a change in whatever.

You know, we need that communication in a way other than just hearing about it from whatever source might be. We need to hear from, you know, the way it is supposed to be.

General Breedlove, one specific situation that I read about yesterday, and the name of the UAV platform escapes me right now, but it seems like it is something-Stare that the Air Force is wanting to implement a new platform.

And the article in the paper indicated there was a lot of problems here. This seems like maybe a good example of the kind of program

that we could be talking about here, where something may be running into trouble.

Just wondering, you know, what the thoughts are on that program, how we are going forward with it, perhaps why we are going forward with it, if it is having these issues.

General BREEDLOVE. Congressman, thank you for that question and the ability to clean up what I think may have been some early and not exactly correct information.

That program is called Gorgon Stare. It is a program which allows our ISR [Intelligence, Surveillance and Reconnaissance] forces to look at a larger portion of the battlefield and to be able to bring information to our soldiers and Marines on the ground that they need about a much bigger piece of their battle space.

Our current systems, as you know, we like to talk about them as having a very narrow field of view, and it makes it tougher to support the ground troops with some of those.

This particular wide-area surveillance system early in its development, because it was a pretty good leap forward in technology, was having some trouble with keeping the coordinates and the positions that we wanted to watch. It was having some troubles with those, and a leaked early report talked about those troubles.

Three things were identified and the program that needed to be fixed. All three of those are very close to fix or fixed now, and the program is, quite frankly, performing better. And we expect and hope to field it soon, early in the summer maybe, into the theater in order to bring that capability to our soldiers and Marines on the ground.

Mr. KISSELL. Thank you, sir, because it is so important to keep that capacity there.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Kline.

Mr. KLINE. Thank you, Mr. Chairman.

Thank you, gentlemen, for your service and your testimony.

There are many things I would like to cover in our very limited time, but I know that the chairman is going to be insistent on keeping us to 5 minutes.

I want to sort of identify myself with the comments of my colleagues, Mr. Akin and Mr. Forbes, in the frustration in not getting information, in not being consulted that not being part of the process of shaping, arming, equipping, recruiting, retaining the Armed Forces as we are charged should do by the Constitution.

And I have grave concerns about some of the cuts. General Dunford and I have had conversations about the expeditionary fighting vehicle. I have great concerns that we have got a program here where the requirement has been identified for many, many, many years, going back to where I was much younger, had hair, was brown, and I was in uniform, and we started putting what we then called the triple-A [Advanced Amphibious Assault Vehicle] into the FYDP [Future Years Defense Program], into the POM. And this was back in the 1980s.

And so now we have this cancellation, and I, like many of my colleagues, and I expect you will hear from my Marine colleagues here about their concern over that. But in my remaining 3 minutes and

47 seconds, I want to talk about end strength and the force structure that goes with it.

I believe, along with many experts, including the fine folks who form the Quadrennial Defense Review independent panel, Messrs. Hadley and Perry and their teams, that we should not be looking at reducing the end strength of the Marine Corps and the Army.

I have been a member of this panel now for going on 9 years, and I watched the debate and the struggle as we took the size of the Army and the Marine Corps and year by year worked to build that end strength as we were putting enormous pressure—enormous pressure—on the Reserve component in ways that had never been envisioned.

The Minnesota National Guard has been called up again and again. The Red Bulls served the longest combat tour of any unit in the Armed Forces continuously in Iraq. They are back again and back again. And I am horrified at the prospect of drawing down that end strength and assume the force structure that goes with it.

And I am afraid that we are doing that as a cost-saving measure. And I assume that the assumption is that if you have fewer Marines and soldiers, you need fewer—less equipment and therefore less cost. I think that is a poor strategy. I am very, very concerned about that. But if you are going to draw down, then by golly, we need to know in some detail what that force structure is going to be and how you are going to equip that force structure.

I would like to think that—I heard part of the answer to my colleague Mr. Wilson's question about end strength that, you know, conditions based, and we were going to look at that. This process is a little bit unwieldy, as you know, in drawing down and building up end strength, but particularly in building up.

If we accelerate a draw down—and I am not sure when exactly that would start; I heard part of that question—then we are going to be in a position where we have got an end strength that is back—slightly above, but close to where we started. I think we are looking at end strength for the Marines in this proposal of around 180-some thousand. We were at about 175,000 when this started.

We are kind of back where we started—Army a little bit bigger than when we started with fighting in Iraq, but considerably smaller than where it is today. And you, gentlemen, know how hard it is to build back—build that back up and get the force structure that goes with it.

So I guess I am looking for some reassurance that somehow you now in a way we haven't had maybe ever, but not in decades, some sense of what the requirement is going to be for our soldiers and Marines in places that we can think about now, but where we are not deployed.

Mr. KLINE. I am a little reluctant here to suggest some areas and geography, but we know that there are tough things going on in Yemen. There are tough things going on in sub-Saharan Africa.

The Al Qaeda threat has not gone away. I assume you agree with that, that we are still at war with Islamist extremists, Jihadists.

How—in 30 seconds, anybody, how in the world can you tell me you think we don't need this size of an active Army or Marine Corps? Anybody?

General DUNFORD. Congressman, I can tell you, in the case of the Marine Corps that we actually began our Force Structure Review Group back in August. So it predated the efficiencies exercise.

And in our case, we are taking a hard look at the actual operational requirements. This was not a drill to draw down the Marine Corps.

It was a drill to examine what we believe to be future Marine Corps requirements and to ensure we had balanced capability across the Marine-Air Ground Task Force.

So we want to make sure we had a balance between the numbers of people that we had across the MAGTF [Marine Air-Ground Task Force] as well as, you pointed out, as well as how to properly equip them.

And I can assure you that the recommendations that General Amos will make to the Secretary of Defense are made based on the capabilities he believes the Marine Corps needs to have in his best assessment of what the organizational constructs of the Marine Corps of the future ought to be.

Mr. KLINE. Okay, I am out of time. And so I am going to yield back, except to say we will be looking at it very closely, because I am fully ready to challenge that assumption.

I yield back.

The CHAIRMAN. Thank you.

Mr. Critz.

Mr. CRITZ. Thank you, Mr. Chairman. I just have a couple of quick questions.

Secretary Lynn, I am looking through some of the savings that have been identified. And it is—one of the things that popped out, it says, many of the efficiency savings announced are from consolidation of I.T. systems.

But in your testimony, you said that the assistant secretary for network in information integration has been eliminated. Now is that two separate jobs?

Or does this assistant secretary not have purview over the I.T. [Information Technology]—consolidation of I.T. systems? I am just trying to figure out how that works.

Secretary LYNN. Good question, Congressman. The assistant secretary position has been eliminated. The chief information officer, however, has not. And that individual used to be dual-hatted.

And the problem we found with that is that it diffused their responsibility—diffused their focus.

They were—in the old job, they were focused on buying radios, command and control, a whole series of things.

We have moved those acquisition functions to where they belong, we think, which is the Under Secretary for Acquisition.

We are asking the CIO now to focus on information technology, focus on how do we interact in this cyberworld that we find ourselves in.

And so Teri Takai, who is our Chief Information Officer, will, in fact, be leading that effort in a strengthened CIO office.

Mr. CRITZ. Okay. Well, I am going to hit on a subject that has been talked about a little bit here. It is the EFV vehicle.

And we have been talking about, I guess, the minimum distance it's being talked about from shore is going to be about 12 nautical

miles. And on a good day, the AAV [Amphibious Assault Vehicle] goes, what, maybe eight knots?

So how long does that mean that, once the Marines drop in the water, it is going to take them to get to shore? I don't know how to do the math here.

General DUNFORD. Congressman, it would take a little over an hour.

Mr. CRITZ. Now, is there a maximum time—

General DUNFORD [continuing]. That speed in 12 knots. In other words, it would be about an hour and 30 minutes, if you, if we are at 12 nautical miles and you are going eight knots.

Mr. CRITZ. It would be an hour and a half?

General DUNFORD. That is correct.

Mr. CRITZ. Now, do you have a target of how long you want the Marines bouncing around in the water before you hit the shore?

General DUNFORD. We do, Congressman. We think that much more than an hour significantly degrades the Marines' capability to fight.

Mr. CRITZ. So we still do have a need for the EFV. And we have sunk about, what is it, \$3.5 billion into research, development, going into this.

And what the secretary is telling this committee is that, well, we are just going to move on. We are going to upgrade the AAV to meet the current needs until we figure out what to do next. Is that correct?

General DUNFORD. I think, Congressman, we are really going to do two things. We are going to upgrade the current AAV with a service life extension. But we are going to very quickly seek to get a new amphibious vehicle.

And we believe we can significantly exceed the normal procurement timelines associated with a new vehicle by leveraging some of the acquisition processes that have been used to support Marines that have been deployed in Iraq and Afghanistan over the last several years, that the MRAP [Mine Resistant Ambush Protected] is a good example from an acquisition process perspective of something that was fielded very quickly.

So we very much anticipate being able to get a new amphibious vehicle in a much shorter timeline than a traditional 8 to 10 years that it might take.

Mr. CRITZ. Okay. One of the things that I heard talk about with the EFV was that it was a flat-bottom vehicle, and with the rise in IEDs [Improvised Explosive Device] that we have hit, that that didn't seem to make sense.

So I know that the contractor has come up with sort of a pasty to put on the bottom, once they hit the shore, which I am a little bit surprised if you can do that in a hostile environment.

But the AAV also has a flat bottom. Is that correct?

General DUNFORD. That is correct.

Mr. CRITZ. Okay. To—I have 1 minute left, but I wanted to go back to what Mr. Forbes was asking. And the Defense Department has identified about \$78 million in savings off the topline.

Now, I am curious of how much of that savings is going to be plugged back in so that the Defense Department can then start

providing this committee the audits that have been required by law for the auditable reports.

So I am curious because that allows us to do our job. And what Mr. Forbes was saying, what you have heard from this committee is we are the ally. We are not the enemy. And we want to be helpful.

But we need to know what we are looking to do and how we can be helpful. So has any of that savings been targeted to help provide this committee the information that we need?

Secretary LYNN. The overall efficiencies effort was developed \$178 billion in savings. Of that, \$100 billion has been reinvested, frankly, primarily in warfighting requirements, as opposed to more the back office functions.

And \$78 billion was provided for deficit reduction to accomplish a broader Administration goal. We still are committed to improving our audit readiness and ultimately getting to auditable financial statements.

That is not because we are a commercial organization. And it is necessary for things like shareholders. The importance for us of audited financial statements is it improves our management information systems.

It improves our ability to track budgetary resources, in particular. And so our focus is on doing that. And we do have an upgrade plan to develop that capability.

General CHIARELLI. I would only add, Congressman, that the Army—I think the other services too, are moving toward that.

We have—we publish a common operating environment to make sure that our ERPs [Enterprise Resource Planning] can talk and databases can talk and we can get to a point where we are an auditable organization.

And we are moving out on that as quickly, I think, as we can.

The CHAIRMAN. Thank you.

Mr. Franks.

Mr. FRANKS. Well, thank you, Mr. Chairman.

Mr. Chairman, I always to thank those who wear the uniform of this country for their commitment to stand between the malevolent and the free people of the world. And I am grateful to all of you.

Mr. Chairman, as it happens, there is one particular member of this panel this morning that is a dear friend of mine that was a commander of Luke Air Force Base in Arizona.

And seems like every time we hear about him, he has gained another star or some other promotion.

In fact, the Air Force seems to be running out of stars where Mr.—General Breedlove is concerned, and made him vice chief of the Air Force. And I am—I guess I say that partly because I am very grateful to the man.

He took me up in an F-16 some years ago. And we did an F—a 360-degree loop. And I have—was—have always been grateful that he was at the controls and not me. But I appreciate all of you for being here.

I guess, with that, my first question would be to the general. After saying nice things, now we have got to put him on the spot.

General, I am concerned that we have failed to modernize our nuclear arsenal, or at least I think that has been a—sort of a continuing failure. I don't want to put it on any one administration.

But this Administration, in particular, seems focused on maintaining our present military—our nuclear arsenal rather than modernizing it. And there have been some savings spoken of.

And I understand that the Air Force is planning to develop a new long-range bomber as part of the family of long-range strike platforms.

And I am just wondering if you think that that bomber will be or could be used as a modernization platform for our nuclear arsenal.

General BREEDLOVE. Congressman, thank you for your kind remarks and the opportunity to talk to both of these. I would like to offer that we are upgrading all three of the bombers in our current fleet.

The B-1 has done a magnificent job supporting our ground forces in Afghanistan due to upgrades that we have made to that fleet.

The B-52, we are currently investing in upgrading communications gear and other pieces that will make it even more viable into the future.

And much the same with the B-2. We have an ongoing upgrade program for the B-2. So I will be happy to have our folks come by and give you more details on those upgrade programs for the existing fleet.

For the new aircraft, yes, sir. In the long run, we intend for it to start out conventional but grow into a nuclear capability.

And it will have an upgrade effect and a capability into many years beyond our existing programs, is the plan.

Mr. FRANKS. Well, thank you, sir.

I guess I—Deputy Secretary Lynn, I am—sort of pose the question in a little different terms to you.

You know, Russia and North Korea and Iran seem focused on modernizing their nuclear arsenals, to my great and grave concern. The savings that you spoke of in your written testimony, I think is about \$70 billion.

Will any of that be dedicated to modernizing our nuclear arsenal? What are—what is your perspective there?

Is it—are we to assume that the Administration will continue to focus only on maintaining? Or can we look to see some of the indications that they have made on modernizing our nuclear forces to be kept and to be focused upon?

Secretary LYNN. We indeed do have plans to modernize all pieces of the—of our nuclear force. The one where new resources have been provided is the one you asked General Breedlove about, which is the bomber.

We have—we did ship some of the savings that we developed over the course of the past few months into increasing funding for that bomber. It was as General Breedlove indicated.

Its initial focus would be on the conventional mission. But we intend to build in the ability to do the nuclear mission so that we can transition to that role, if that is the decision made down the road.

The other piece I would add for you is outside of this department, but is in the Department of Energy.

Secretary LYNN. It is one of the critical pieces of modernization, is we need to modernize the nuclear infrastructure in the Department of Energy. And part of the debate over the START [Strategic Arms Reduction] treaty included an Administration commitment to undertake that modernization. And the President has moved resources. And we have been working with the Department of Energy on that.

In many ways that is actually the near-term requirement. And as I say, it is in the Department of Energy, but it is fulfilling one of our requirements. So we are working very closely with them on that.

Mr. FRANKS. Well, thank you. That is very encouraging to me, and I certainly recognize the President's commitment on that. And I appreciate your following through.

And thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Ms. Sutton.

Ms. SUTTON. Thank you, Mr. Chairman, for holding today's hearing. As a new member of the committee, it is my first opportunity to participate. And I appreciate, gentlemen, your testimony.

The topic today is integral to our committee's work, as is clearly evident by the questions. The proposed budget reductions and efficiency initiatives have the potential to eliminate wasteful spending and allow us for the reinvestment in those critical areas where we need our priorities to be.

And I do applaud the Secretary, Secretary Gates, and all those who worked over the last few months to try to achieve a start at this undertaking. And there is no question that difficult decisions have and will need to be made, however, I think my concerns and the concerns of those in Ohio who I have the privilege to represent, are that appropriate decisions are made.

So in discussing military spending, we have to assess how each proposed change impacts our national security, our military personnel, and our economy, including jobs in our manufacturing base. And I am interested to hear from today's witnesses a little bit more about how these proposals impact these important priorities. You have certainly given us a good start on those issues.

In the coming weeks and months, I am also interested in working with DOD and the Office of Corrosion Policy and Oversight. Secretary Lynn, you just mentioned the modern—to modernize our nuclear infrastructure. Corrosion has an issue to play, is an issue there.

Oversight to address corrosion and the impact that it has on our military assets and our strengths, and the significant cost savings that it offers us if we address it up front, as demonstrated by the Office of Corrosion Policy and Oversight. It is not a glamorous topic, but I think it is one that is worth our time and attention, especially given the potential savings if we address it in a smart and appropriate way.

So as we move forward, my hope is that we will take a balanced and coordinated approach to evaluate cost reduction and military spending levels without sacrificing our core priorities. And if I

could, Secretary Lynn, I would like to just direct a couple of questions to you.

The proposed reductions and efficiencies include, as we have heard here, a reduction in the permanent end-strength of the active Army and Marine Corps. And one of the concerns I have and one that I have worked on in the past and introduced legislation to address is the issue of the stop-loss policy, where the length of our servicemembers' tours of duties have been involuntarily extended.

I just ask, you know, we have been able to make some gains in making sure that our soldiers are getting fair compensation for that extended time fighting our wars. But what is the status of the use of stop-loss currently? And what assurances can you give that these proposed reductions won't result in a return to the utilization of stop-loss for our soldiers?

Secretary LYNN. Well, on the first part of the question, we have been aggressively pursuing the members of the service and former members of the service who would be subject to additional compensation based on the legislation that granted them some benefits for having been held up in the stop-loss program.

On the second piece, as General Chiarelli indicated, the Secretary was absolute in his direction to the Army to eliminate the stop-loss program. The Army is equally resolute in committing themselves to eliminate that. The immediate impact was the increase of the 22,000 temporary increase in the Army end-strength to allow the Army a transition period.

And we think we are going to—I'll ask General Chiarelli to comment in a second—but we think we are going to be able to eliminate it in that timeframe and then phase those 22,000 out. But I don't think Secretary Gates or the Army leadership has any intention to return to that policy.

General CHIARELLI. I think, as you know, we have not stop-lossed for the last year and our last soldier held up on stop-loss, if my memory serves me correctly, will come off in March of this year. We have no desire to go back to stop-loss, and our Army force generation model has personnel aim points that we are implementing and will continue to implement that will allow us to be—allow us to ensure that we avoid getting ourselves in a situation where we would have to use stop-loss again.

It provides us some aim points throughout the year for both bringing on soldiers and bringing them off duty that ensures we maximize their time in the Army.

Ms. SUTTON. Thank you.

The CHAIRMAN. Thank you.

Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman. And gentlemen, thank you so much for joining us, and I want to thank you so much for your service to our nation.

As you heard a little bit earlier, the concerns I think among committee members go to a very basic level. And that is we have to make decisions about budgeting and make decisions about strategic needs of this nation. And the strategic analysis in information needs to come to us first, so that we can make those decisions.

The disappointment has been is that information has not been forthcoming, and many times not in a timely fashion so that this

committee can make decisions. And as you know, we have a constitutional responsibility to make those decisions. We would rather it be done in partnership with a free flow of information from the service branches, from the Secretary's office.

When that doesn't happen, it creates a tremendous difficulty for us to make those tough decisions. We need to understand what the strategic needs are and then say, here is the finite amount of resources we have to get that job done, and then make those priority decisions.

So I would encourage you that when we request information, that we are able to get that in a timely manner. It is absolutely unacceptable to get a 30-year shipbuilding plan or a 30-year aviation plan after the point where this body makes decisions.

So that absolutely has to happen. It is going to be tough going forward to make those choices. And I know you all have been thoughtful about putting your proposals out there on how we achieve efficiencies.

All of us agree the efficiencies need to be there. The concern too is this lack of detail about that \$78 billion and where that will go. We want to make sure again that we are meeting the needs.

It is great to have \$100 billion in savings and have those roll back into the Department of Defense, but the question is, if you are going to take \$78 billion out, where exactly where is it coming from and where is it going then? And I think that is obviously a bit broader issue that we can address at the higher levels here in Congress.

But I do want to get to some of the proposals that you put forward as far as initiatives. And General Dunford, I want to go first to you about the EFV. I have some very basic concerns. As you know, the requirements there, we have a very aged AAV, as you know, at the very edge of capability. We have seen some problems with it. And I know you have spoken a little bit about the plan, but the concern here is what is the plan going forward?

We have spent \$3 billion and have processed through 20 years of development on the EFV, and now we are saying, well, let us change course. It is too expensive. We can't afford it. We can't afford the operation and maintenance. And then the question is, is the details. How is the AAV going to get us to that next generation of amphibious vehicles, and how are you going to manage the acquisition process? Are you going to compress it? Is it going to be expeditious? The key is, is it going to have a thorough test and evaluation period? What is the timeliness?

And the bottom line is this. If you are going to use the AAV as a bridge to that next generation vehicle, the question is, is when is that next generation vehicle going to be in the water carrying Marines to shore when they have to make an amphibious landing?

So I will start there.

General DUNFORD. Congressman, thanks.

First, I would like to provide the context within which General Amos made his recommendation to the Secretary. When we looked at all of our reset costs coming out of the current war, and we looked at all of our future requirements, and we looked at the period of time 2018 to 2025, we found that the EFV alone ate up 50 percent of our overall procurement dollars, and exceeded 100 per-

cent of how much money we typically spend on the entirety of our ground tactical vehicle fleet.

And to put that in some perspective, the EFV program was 573 vehicles, and we have got 43,000 vehicles—43,000 or 45,000 vehicles in our fleet today. So it came down to—and on the operation-maintenance side, similar figures. So it came down to with regard to the EFV that it was simply unaffordable for us to balance our requirements.

The EFV carries eight infantry battalions. We have got 36 battalions—27 in the active force and 9 in the reserve forces. We have an overall requirement for 12 battalions to be lifted by some type of armored vehicle in order to meet our war plans.

For those vehicles now, we are looking towards what we call a Marine Personnel Carrier, which will be a new vehicle to address that particular requirement. What we would like to do is look at the totality of our requirement over the next couple of years to look at a service life extension program for the AAV, to look at moving the Marine Personnel Carrier earlier in the pond so that we get that out there and to meet some of those requirements that we have right now, today.

And to be able to leverage the EFV program, the knowledge that we have gained from the EFV program, as well as the knowledge that we have learned in the development of other programs, to get the new amphibious vehicle there in a much shorter period of time—I can't tell you this afternoon how soon that will be. As I mentioned earlier, the normal acquisition timelines are somewhere between eight and 10 years.

We are very confident, sitting down with our acquisition experts, and also taking a look at what is available out there in terms of what industry can produce. We are very confident that we can exceed that normal 8- to 10-year acquisition process. We have been working for 2 years on the details of a service life extension program for the assault amphibious vehicle unrelated to this decision, and so we will have an opportunity to leverage the dialogue we have had with industry about that particular program as well.

We are going to roll all this up into a portfolio approach, the new amphibious vehicle, the service life extension program for the AAV, and the Marine Personnel Carrier. The difference that we will see as we move forward though, is we are going to use cost as an independent variable as we get the new amphibious vehicle. We know in the aggregate how much we can spend on the totality of our ground tactical vehicle fleet, so we will share that with industry.

General DUNFORD. And so, we need all these three programs to, together in conjunction with the other requirements across the Marine Air-Ground Task Force, to be within what we project to be the resources that we will have allocated in the future.

So that is the general approach that we are taking, Congressman.

The CHAIRMAN. Thank you very much.

Ms. Hanabusa.

Mr. Hunter.

Mr. HUNTER. Thank you, Mr. Chairman.

Gentlemen, thank you all for your service and your testimony and the diligent work and hard work that you put into this. I just

have, kind of, a simple question I would like to ask everybody. If you are talking about risk—and we have been talking about canceling these programs, certain programs, cutting down on other programs, leads us to—it is within what Admiral Mullen called the risk envelope, the acceptable risk envelope.

Tell me, do you think if you got rid—and I am just going to throw some things out here. If we got rid of the F-22, we stopped production of that, that was within the risk envelope. We are going to stop—there has been talk about stopping the F-35 STOVL. That is within the risk envelope. There has been talk about cutting the B-22 Osprey. That is within the risk envelope.

You have the EFV, obviously, which has been hit on by, I think, every member here. That has been thought of to be in the risk envelope. I would like to know what the basis for calculating that acceptable risk is for situations that we are unable to respond to because we lack a certain type of equipment and why that is okay.

Does that question make sense? Why is it okay to have that acceptable risk of not being able to respond to a certain threat or do a certain thing? I am just wondering.

Probably, Mr. Secretary, you first, sir. How do you calculate that risk?

Secretary LYNN. I think from the start of his tenure, Secretary Gates has talked about balancing the force between the near-term threats that we face and the conflicts we are engaged in and the longer-term threats that we might face 5, 10, 15 years from now.

And I don't think it is too far to say he thought that the program that he inherited was out of balance and was more focused on longer-term threats developing what he called exquisite capabilities for niche scenarios and not focused enough, frankly, on the fights that we are in in—before Iraq and right before us, Afghanistan.

So the overall thrust of our efforts has been to maintain acceptable risk in those longer-term scenarios, but to, frankly, reduce the risk in near-term, so to shift money to MRAPs, to shift money to ISR—

Mr. HUNTER. If I could, Mr. Secretary, let me—

Secretary LYNN [continuing]. Money to UAVs.

Mr. HUNTER. Let me be more specific now. We—you approved, obviously, the LCS [Littoral Combat Ship]. We have two different versions of it now. We have two different LCSs that operate in an area that is supposed to be the war of now, the literal areas within 20 miles of any shoreline.

The Marine Corps—I think their amphibious move to shore from ship was in Lebanon in 2006. It was more of an evacuation peacetime move. I think General Mattis led an actual amphibious assault in 2001, if I am not mistaken.

What I don't understand is how do you say the LCS works within this area and we need it there because of the type of threats that we face, yet we don't need another vehicle that would do the same thing that is not a conventional warfare-type vehicle.

I mean, if Russia invaded tomorrow and parachuted in and was like the movie, "Red Dawn," you wouldn't have the EFV running around. Right? But you would use the EFV if you had to hit a shoreline and you had to help some people out or you had some terrorist threat that you had to hit quickly.

How do you marry those two? I am not understanding what—I understand your point. But the logic seems to elude me on how those two things can be separated, something like the LCS and the EFV to both operate that kind of have the same type of mission and that would operate in the same waters, yet one is cut, and one is not. In fact, one is doubled.

Secretary LYNN. We didn't actually double the LCS. But we accelerated the buy. That is fair enough.

The—let me be clear. The secretary and the Marine Corps remain committed to the amphibious assault mission. We are not eliminating the amphibious assault mission. What we are changing is the investment approach to that mission.

As General Dunford indicated, the—using the EFV developed a relatively small number of vehicles at a very high cost that consumed the Marine Corps tactical—the vehicle budget for longer than a decade and absorbed more than half of its overall procurement costs. So—

Mr. HUNTER. If you don't mind, I would—I have got 20 seconds left.

Secretary LYNN [continuing]. What we are proposing is a different approach that involves a new, cheaper vehicle and upgrading the older vehicles.

Mr. HUNTER. So it is—

Secretary LYNN. But it is still commitment to—

Mr. HUNTER. General Dunford, it is acceptable risk to not have an answer to that core capability that—or that core requirement. It is acceptable risk because it is too expensive? Is that—is it too expensive to have the ability to hit a shore with an EFV-type vehicle? And I am out of time.

General DUNFORD. Congressman, I don't think it is too expensive to have that capability. And we are committed to that capability.

In our case, we had finite resources. And I think the expectation is that the Marine Corps be relevant across the range of military operations. And so, what we were confronted with is the need to balance our investment portfolio across the Marine Air-Ground Task Force for operations across the Marines, the military operations, most specifically focused as a crisis response force and readiness.

So we view ourselves as taking a different approach to meeting that capability requirement. The vehicle that we are talking about, the EFV, simply took too much money away, and, frankly, incurred a significant amount of risk in the rest of our portfolio. And so, we were out of balance as the Marine Air-Ground Task Force. That is from a Marine Corps perspective, the situation we are in.

And that is what drilled the decision to walk away from the EFV and then go back after a new amphibious vehicle that meets the capability that I absolutely share your concern with. And I think the nation should not incur the risk of not having the ability to assure access to the joint force from ship to shore. We remain committed to that. We just believe we can meet that requirement at less cost than the EFV program.

The CHAIRMAN. Thank you.

Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman.

And, Secretary Lynn, I applaud the Defense Department for courageously proposing a reduction of \$78 billion from the defense budget growth through 2016 and challenging the services to make better use of their money. This committee and the Congress must, however, play our constitutional role in defining the scope and specifics of these cuts. But it is an admirable initiative. And I do want to commend you for it.

As we complete our withdrawal from Iraq and begin to draw down in Afghanistan, the Pentagon will have to share the burden of getting our fiscal house in order, no doubt. And it is refreshing to see Defense Department leadership coming to grips with this new reality and proposing steps, if only baby steps, to adopt to this new reality.

Secretary Lynn, defense funding accounted for about 15 percent of federal budget authority during the mid to 1990s, the mid to late 1990s. Since the invasions of Afghanistan and Iraq, it has climbed to about 20 percent. Do you believe that as we end these two wars that we will be able to meaningfully reduce defense spending while maintaining our capacity to respond to threats, project power and ensure the security of the United States?

Secretary LYNN. Congressman, I think that the proposal that we are bringing to the committee formally next month as part of the budget process, which involves real growth in the initial few years of the plan, while we still expect to be engaged in conflicts, particularly in Afghanistan and then flattens out in the outer years, when we hopefully have a substantially reduced commitment in Afghanistan as well as Iraq is a responsible balance between the need to reduce federal spending to bring the deficit down and the need to maintain absolutely the highest defense capabilities to protect the national security interests of the nation.

Mr. JOHNSON. Thank you, sir.

General Dunford, the Marine Corps and the Department of Defense are insistent that sea-based forcible entry is an essential capability even as you move to shut down the EFV program. The Department has no specific proposal to replace the EFV. And we have spent, what, \$3 billion thus far in research and development? And we are at the point now where we can start production of these vessels at a cost that exceeds that which was anticipated many years ago.

And the vehicle at this point, I think, has been described by Secretary Gates as being superb, I believe, or exquisite or excellent in its performance. So we would essentially be throwing \$3 billion away and starting out with a Korean War-era vehicles that have been upgraded, if you will, with plans to produce another 21st-century fighting vehicle.

It just seems that we go this far and then we make a decision to yank a program, despite the cost to the taxpayer and perhaps the efficiency of the Marine Corps in carrying out its obligations.

That is something that is almost nonsensical. I know it is costing money, but we need these vessels for you to complete your job. Can you tell how much money the Department of Defense would save by canceling the EFV and developing an alternative? And also, when do you plan to present a detailed proposal for an alternative

program? And when can we get the information that backs up your decision to stop this project?

The CHAIRMAN. General, maybe you could get that information to him on the record, please.

General DUNFORD. Thanks, Mr. Chairman.

Absolutely, we will get the information in terms of how much there is a cost avoidance aspect of the EFV, and we will share the details of that information. That money is again what we hope to reinvest to address our other requirements.

[The information referred to can be found in the Appendix on page 75.]

General DUNFORD. But I would just respond to the Congressman and say we do absolutely share that commitment to a sea-based forcible entry capability. We share the commitment to get a new amphibious vehicle as quickly as possible in the manner that I described earlier. And we will come back over, and we will share with you the details of that.

We have just gone out now to begin to discuss with industry what is in the area of the possible, again using cost as an independent variable. We will take that request for proposal and continue to work with industry to meet our requirement.

Mr. JOHNSON. And we, frankly, don't have any idea whether or not a newly developed vehicle would cost in excess of what we would pay for these—

The CHAIRMAN. Thank the—

Mr. JOHNSON [continuing]. That are ready to come on line at this point.

The CHAIRMAN. Thank you very much.

Mr. Rigell.

Mr. RIGELL. Thank you, Mr. Chairman.

And good afternoon, gentlemen.

As a gentleman who has spent a summer becoming a Marine at Parris Island, as did my son and my dad, who served at Iwo Jima, it is really a great honor to serve on this committee.

Admiral Greenert, given the operational tempo of our Navy and really, I think, the collision of how we are running our troops and our—and hours shifts with these budgetary concerns that are coming in, the idea of spending what could be \$1 billion to move the carrier to Mayport seems to me to be a severely misplaced priority.

And given the other demands, other things that are lacking, it certainly seems to me that it would be critical and much wiser to invest or reinvest that money in more pressing matters, particularly those that affect readiness.

So could you concisely give us, the committee, an update on exactly where we are with the prospect of moving a carrier from Norfolk to Mayport?

Admiral GREENERT. Thank you very much for the question. We considered that proposal, as we considered everything in this budget preparation, and we are convinced that the value, the strategic value of having our carriers dispersed exceeds any risk, if you will, associated to the budget.

We are—we stand by the numbers. It is about \$580 million cost. We are very comfortable with that number, the cost to move to Mayport. Some of the dredging, some of the early projects—well,

really, the dredging has gotten started. So we looked again, as I said before, and we stand by that.

The risk, when you talk about what are we concerned about in readiness, frankly, more near-term we are concerned about a continuing resolution because of the risk that that places on our readiness ships—\$4.5 billion alone to our readiness accounts this year.

Mr. RIGELL. Admiral, what steps did you—did the Navy take, if any, to examine what could be done in Norfolk to mitigate those risks? I am convinced, as are some other retired flag officers who I seek counsel from and others, that practical steps could be taken to mitigate that risk and keep the carrier in Norfolk, allowing us to use those funds to—for more pressing matters.

Admiral GREENERT. The issue is not necessarily—well, it isn't the risk in Norfolk. It is the consequences is what we are talking about to have—the consequences of having all of—not having an alternate port in the East Coast, as we have on the West Coast, as we have for East and West Coast for all of our other ship types. The consequences is what— is the main issue here, not the risk, if you will, of an event.

Mr. RIGELL. My time is short.

Mr. Secretary, would you address for us what—are there any other cuts that you are contemplating with respect to JFCOM?

Secretary LYNN. Congressman, we are in the final stages of developing the implementation plan. The—we expect that the overall cut will be, as the secretary said, in the 50 percent range. I don't think it is going to vary from that. And we will provide the detailed to you we have completed that evaluation.

Mr. RIGELL. The—that chairman, I think, rightly pointed out the pattern of lack of transparency. And I would certainly appreciate and, I think, reasonably expect, as would other committee members, that there would be a proactive effort on the Department to communicate with leadership within the communities. And I would certainly appreciate that going forward.

Now, finally, with respect to TRICARE and the prospect of increasing those deductibles, you know, it is widely understood when you enlist in the armed services that you are going to get lifetime health benefits. And I think to raise those premiums or to raise the deductible I think is a breach of trust with those who have served our country.

And if we want to change it going forward, that is an entirely other—that is a different subject. And I think we should do better disclosure to those who are considering a military career to fully explain to them going forward that your benefits might be changed.

But I know every person who has enlisted in the military, they did so, and they served, believing they would get lifetime care. And I would ask the Department to re-examine that and to set that aside as a possible option to address our fiscal problems.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Secretary LYNN. Mr. Chairman, if I could just address that last point briefly, please, we are not, Congressman, moving away from that commitment to lifetime care for retirees. The TRICARE proposal simply would lift the freeze, which I don't think was part of the promise that they would have fees frozen at the 1995 level.

We think the fees should essentially rise with inflation so that you should maintain a constant benefit, but that you shouldn't—if you don't rise with inflation, essentially the benefit improves every year. That—we don't think that was part of the commitment, so we are trying to put in place some kind of reasonable inflation measure on those fees, and just—that is just for working-age retirees. It would not affect the active-duty force at all.

Mr. RIGELL. Full disclosure from the recruiters, please.

Thank you so much, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Gibson.

Mr. GIBSON. Thank you, Chairman.

And I want to thank the distinguished panelists here today for their service, for their leadership, and for appearing before this committee. I would like to express my support and admiration for all our service men and women and for their families. Serving us so courageously and selflessly forward in a time of war, multiple deployments, is recognized.

I make my pledge for solemn commitment to protect this cherished way of life. Having said that, I want to appreciate what has been said today, the testimony, you know, the candor, the effort to find savings. This deficit that we have threatens our very way of life, and everything needs to be on the table as we go forward.

You know, I am interested to learning more about the intellectual underpinnings for some of the rationale for the cuts, particularly in relation to vision for our country's strategy, a fully developed strategy of ends, ways and means, and how that impacts policy decisions, programming and budgeting.

And in particular, my question today is for Mr. Lynn and has to do with Joint Forces Command. I am interested in understanding in relation to the strategy and, in fact, purpose for the original charter for the Joint Forces Command, what has changed over time and the rationale for why the disestablishment. Thank you.

Secretary LYNN. Congressman, this goes back to the Goldwater-Nichols legislation, which I am sure you are familiar with, which shifted the balance of the military and put more emphasis on joint warfighting capabilities by strengthening the combatant commanders, by putting in place an emphasis on joint doctrine and joint training, by strengthening the role of the chairman of the Joint Chiefs of Staff and having the joint staff report to him rather than the chiefs as the body.

All of those measures were intended to strengthen joint news. One of those measures—it was after the Goldwater-Nichols era, but a decade later the Department set up the Joint Forces Command to help implement those purposes.

We think the combination of the Goldwater-Nichols efforts, as well as the work of the Joint Forces Command, has accomplished a lot. And we think that the combatant commands are in a much stronger place than they were 2 decades ago, and we think the services have a much more joint focus than they did 15 years ago.

And in that context, we think that we can pursue jointness without the billion-dollar expense of a four-star command. We are going to retain a portion of that. As I responded to Congressman Rigell, we think about half of those functions will be retained there.

But the overhead of a four-star command, all of the supporting elements—we think we can save those, and we think that leadership can be done by the chairman and the vice chairman and the joint staff. And we still think we will continue down that path of jointness.

Mr. GIBSON. I thank the gentleman. I just want to affiliate myself with the remarks that we can restructure our command and control headquarters. We can achieve consolidation.

I think this is really the time to think big, to take a look at the way we lay down forces, to take a look at the way we structure our command and control. I think there may be some other alternatives that we can look at.

And as we go forward, Mr. Chairman, I would tell you that I am willing to be part of that effort, if the committee was interested in looking at ways for the 21st century, how we can have these—just take a look at full spectrum command and control across all the regional combatant commands and taking a look at the Joint Forces Command and figuring them out. What is the best way that we can protect this cherished way of life in a manner that is consistent with the Republic?

I yield back. Thank you.

The CHAIRMAN. Thank you. Thank you. And you will be given that opportunity.

Mr. West.

Mr. WEST. Thank you, Mr. Chairman.

And Secretary Lynn and distinguished members of the panel, I just want to say it is an absolute honor to be here serving on this committee.

It truly is the culmination of an American dream when I consider the fact that my father was a soldier in World War II, that my mother served 25 years civilian service with the 6th Marine Corps District Headquarters in Atlanta, an older brother who served as a Marine in Vietnam, the 22 years that I had on active duty service, and now my young nephew, who is serving as an assignments officer with field artillery branch at HRC [Human Resources Command].

So as I bring that experience to bear, I want to echo some of the comments that we have talked about, the military personnel side and those reductions, because I recall a time when the Soviet Union collapsed—and I was still there in active duty and I ended up being a brigade operations officer—and having to go out and not being able to qualify some of our soldiers except for the Weaponeer, that simulation system, or not having the repair parts to be able to keep our Howitzer systems up and operational.

So as we look—go forward, I want to make sure that, as we talk about this military personnel, that we don't go back and do what we did at that time when the Soviet Union collapsed, where we saw the military as a bill-payer for some of the other budgetary programs that we wanted to do, because I think one of the most important things we have to realize that the world right now is a lot more Machiavellian than it is a peaceful world.

And we must be able to provide the national security to our people here. The thing that I look at is what are the second and third order effects?

We talk about the effects on the National Guard. We talked about the effects on the Reserve forces. You know, we look and see that now we are starting to see a lot of stress on our men and women in uniform with the countless amounts of deployments they are doing, four and five deployments.

I want to make sure that, as we go forward and we talk about the end strength of our fighting forces, that we are really sitting down and looking at the emerging threats and doing a threat-based assessment and an analysis so that we don't find ourselves as we did going into Iraq in 2003, where we didn't have the right type of equipment, where we didn't have a force that was ready for those long, continued operations.

And so I would ask, Secretary, as we look at these personnel reductions that we have the time to bring in some of the combatant commanders to really look at what are the emerging threats in some of these theaters of operation.

We see what has happened in North Korea. We understand what is going on in Somalia and Yemen. Things are not as well as they could be in Afghanistan. We have a threat there in Pakistan.

If you look south of our border, in Mexico, it is starting to look a lot like Iraq and Afghanistan with beheadings and mass graves and things of that nature, and roadside bombs.

So, you know, the world is still a dangerous place.

So what manner did we use as an assessment or an analysis to come up with these reductions to the Army and to the Marine Corps, because we do need those fighting forces to be viable, as they are a land combat and maritime combat force.

Secretary LYNN. Congressman, I have 8 years of experience in the Department building programs and budgets prior to my 2 years here.

In those 10 years, the involvement of the combatant commanders and the building of a budget is unique in, I think, the way Secretary Gates has led this.

I—he had repeated meetings through the course of the summer and the fall to evaluate all of the proposals with all of the leadership.

And the—all—the Pentagon leadership is the normal practice. Usually the chiefs and the service secretaries—

Mr. WEST. Understand.

Secretary LYNN [continuing]. OSD representatives around the table. The combatant commanders are, frankly, usually brought in for just a meeting and told what the budget is. And they go back out and do their jobs.

In this case, they were brought in for repeated meetings, repeated discussions. They were a part of the process. So I think the secretary's understanding of the risks is fully informed by their recommendations.

With regard to the force structure changes, I would take you back to, I think, the phrase that General Chiarelli used, that the proposals we have are conditions-based.

They are at, frankly, at the back end of the planning period and that was intentional, both to allow time for planning, but also to allow time for the expected reductions in Afghanistan and Iraq to take place.

Assuming those do, we think that this is acceptable risk, but as I said, conditions-based. If the conditions are different than that, we will have to reevaluate, and for just the reasons that you said. We do not want to have inadequate force to meet the threats that we might face.

Mr. WEST. Okay. So, in other words, we have built-in flexibility?

Secretary LYNN. Absolutely.

Mr. WEST. Very well. I yield back to you, Mr. Chairman.

The CHAIRMAN. Thank you.

Ms. Hanabusa.

Ms. HANABUSA. Thank you, Mr. Chairman.

Thank you, gentlemen, for being here.

Secretary Lynn, as you know, I represent Hawaii. And each one of you have your services represented in Hawaii. And we all believe that Hawaii is very critical, especially in the Far East arena.

Now having said that, an integral part of our success in Hawaii has been our civilian workforce. And in reading Secretary Gates' statement as well as some of yours, there are mentions of cutting in personnel.

And I assume part of it is meant to be military personnel and part of it is meant to be civilian personnel.

I would like to know how you are making the distinction between when you say cuts or freezes and you talk about it in terms of savings in TRICARE, for example.

How is it that you are making the distinction as to which part of this workforce shall be cut? And in addition to that, somebody is going to have to do that work. So I assume that part of this is also looking at outsourcing of that work.

And I would like to know how that decision is being made as to how much of it will be kept in terms of a civilian personnel within the military, and how much of it you would be outsourcing.

Secretary LYNN. With regard to outsourcing, we actually think we have oversteered in that regard and that there are certainly valid purposes and valid roles in outsourcing.

But we think, in some cases, we have gone too far. We think in the acquisition workforce we frankly outsourced too much of our expertise. And we need to bring more of it back in house.

And we are endeavoring to do that, even though, as you indicated, there—we are—we have a—I guess I would call it a soft freeze. We have made an exception for those acquisition increases.

We also think in terms of staff support, headquarters and other office functions, we have relied too heavily on outsourcing. And that is the reason for the secretary's directive that those staff augmentees be reduced by 10 percent per year over the next 3 years.

So we are still conscious—we could not, frankly, do the nation's business without contractors. So this is not at all an attack on contractors. But we think, as I said, we have oversteered, and we are now trying to correct the rudder a bit.

Ms. HANABUSA. So if you can tell me very simply, what are the areas—you are saying in acquisition areas, you are assuming that we would probably bring them back in-house versus outsourcing it.

But what—when you speak, for example, to staff augmentation, what exactly are those functions and are they intended to be frozen, never filled, cut? How do you look at that?

Secretary LYNN. They are intended to be cut.

And what I mean by those, those are people, for example, who work for private contractors but come to work every day in the Pentagon, would be an example of the kind of augmentee we are trying to reduce.

We are just trying to reduce the size of the overall headquarters as an efficiency measure.

And in particular, we think that the growth over the last decade of private contract support, in that particular role, has been too great. And we are cutting that back.

Ms. HANABUSA. How does it impact each state, like, for example, my state?

How would you—when you start to cut or augment, whichever way you are going to do it, in terms of acquisition or whatever, how are you going to face that decision in each state? Is there going to be some kind of a uniform policy?

Secretary LYNN. Well, we are not really doing it state by state. We are doing it organization by organization.

So the heaviest—you would feel the impact where you have headquarters. So, I mean, in Hawaii, there are several headquarters.

Ms. HANABUSA. Right.

Secretary LYNN. They will see some private contractor reductions here. Of course, I mentioned the Pentagon, see some reductions here as well.

Ms. HANABUSA. Are we ever going to see—is there any plan to augment the workforces, like in headquarters, like in Hawaii?

Secretary LYNN. Admiral Greenert.

Admiral GREENERT. Yes.

Congresswoman, as you know, the Navy has got a pretty big footprint in Hawaii. So, if I may, I will speak a little bit to it.

First, in the military footprint, we found that our ships weren't properly manned due to some initiatives we put out earlier. And so we have a lot of destroyers and cruisers.

We will be increasing manning in our destroyers and cruisers. When you take the net effect to the fleet in Hawaii, there is a net increase of about 300 military personnel.

Looking at civilian personnel, civilian workers, if you will, government civilian workers—our harbor naval shipyard is important to us. And we have increased manning there and as—and joint basing as well.

Ms. HANABUSA. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

Secretary Lynn, the \$70 billion in reductions, \$14 billion or approximately 20 percent is listed as economic assumptions and other. What are those economic assumptions, and what is the breakdown of the other?

Secretary LYNN. The economic assumptions are changes in inflation rates, changes in pay rates that, in other words, what it essentially means is that, when you make those changes—and in this

case they are reductions—you can buy the same program for fewer dollars.

Mr. SCOTT. Those are the economic assumptions?

Secretary LYNN. Yes, that is right.

Mr. SCOTT. What is the other?

Secretary LYNN. The other is just the—all the proposals that are too small to list. We will provide those when we provide the budget.

Mr. SCOTT. So we can get a detailed breakdown of all of those and the economic—

Secretary LYNN. Absolutely.

Mr. SCOTT. Mr. Chairman, could I ask a further question?

General Breedlove, we—and Mr. Franks talked about this a little bit. I would also like the information on the B-1, the B-52 and the B-2 on those upgrades, if you would.

And as we talk about this new bomber, what capabilities will that bomber have that the upgraded B-1, B-52, B-2 don't have?

General BREEDLOVE. Sir, thank you for the question. We will get on your calendar and bring by the discussion of the three existing bomber aircraft.

The new aircraft, we envision to bring up the capabilities to today's standards in many ways. One of the cost savings approaches we have for this bomber is to not lean forward into technology that is not proven, but bring our aircraft up to the current day's standards.

For instance, our existing bomber fleet, the stealth capability and technology is 15 to 18 years old. We have done a lot of work in the F-22 and the JSF that tells us we can do that better.

So the new bomber will have better stealth capability but not making leaps forward that we can't count on. And I could walk through the systems of the airplane, the avionics, the ISR capabilities. It is all the same story.

General BREEDLOVE. We have had years of improvement in those capabilities since we built the F-22, the JSF, the B-52, et cetera. And we will bring this new bomber up to today's standards of capabilities.

Mr. SCOTT. General, if I may follow up with that. If we are going to spend the money to upgrade, again, the B-1s, why wouldn't we put that technology in—into the upgrades of the current fleet? And, you know, that—

General BREEDLOVE. Sir, in some cases, that is exactly what we are going to do. But an aircraft like the B-52 was never built to be stealthy.

Mr. SCOTT. Yes, sir.

General BREEDLOVE. You cannot bring that to that aircraft. So the—to the degree that we can bring today's technologies to these existing platforms, we are doing that. And that is part of what we will bring to your office, sir, and to Congressman Franks' office and discuss with him.

Mr. SCOTT. One further question on that. What is the anticipated cost of the new bomber?

General BREEDLOVE. That, sir, is not fleshed out totally yet. We are trying to drive to a number that will allow us to buy a fleet that can address the numbers and types of threats around the

world that we face, as you know, sir, the fleet size of the B-2 has challenged a very dedicated group of aviators and maintainers. And our distinct goal in this aircraft is to control the costs so that we can buy a fleet that makes us operationally relevant around the world and around the target set.

Mr. SCOTT. One final question, if I may, General. I represent Warner Robins, Robins Air Force Base. And there were \$3 billion approximately in savings and changes to the logistics of the operations of the depots. Could you go through a breakdown of that?

General BREEDLOVE. I can give you an overall read, and then I will try to hit a few of the specific examples. We are not taking those savings in people. They are in processes. What we are trying to do is adopt more processes like our civil competitors, bring leaner—what I would call leaner stocking and supply practices so that we do not have money tied up in excess stock and supply. And those are examples. And again, I would be happy to come by and talk about a list of those, if you would like.

Mr. SCOTT. Thank you so much.

I yield back.

The CHAIRMAN. Thank you.

Mr. Coffman.

Mr. COFFMAN. Thank you, Mr. Chairman.

And I want to acknowledge some of the comments that have been made prior to me about the Department of Defense not being responsive to the Congress of the United States in terms of inquiries. And I want to really second that. And I hope you all can do a better job this year and going forward with working with members of Congress in terms of providing inquiry—information to inquiries.

First of all, I would love it if somebody could get back to me and to the committee. I am sure you looked at everything in terms of making reductions. And I think we still have four brigade combat teams in Europe and forward-deployed. And so, is there a potential reduction in short-term, long-term and redeploying those forces back home?

Having served with the First Armored Division in the United States Army during the Cold War, I certainly saw the need for those forces there then. And, of course, we had a lot more then. And I question the need for them now. We can certainly demonstrate our support for NATO by doing joint military exercises on a periodic basis. And so, I question having permanent U.S. bases there.

In South Korea right now, I think we are moving from an unaccompanied tour, our 28,500 personnel that are there, to an accompanied tour, 1-year assignments and 3-year assignments and building all the infrastructure associated with that for dependents. Given the tensions on the peninsula right now, I question the need for that. And I question the cost for that. And I would like to know if we suspended that personnel change and we didn't have to build all the schools, the housing and everything associated with dependents, what is the cost savings associated with that.

Then I want to—I certainly want to commend you, Mr. Secretary, on some of the savings that you have done in terms of the Department of Defense being so top-heavy, combining commands, doing away with Joint Forces Command. Having served in the first Gulf

War with the United States Marine Corps—I transferred over from the Army to the Marine Corps—and then gone back in 2005 to serve in Iraq, I can tell you the culture of the military has changed from when we started Joint Forces Command in terms of accomplishing that critical mission of being able to work together.

And we are there now. We certainly need to stay on top of that. But it is time to dismantle that bureaucracy. And I want to commend you. I think the Defense Department is unlike any other agency of government, that it is easy to establish new commands, establish new bureaucracies. And it is hard to dismantle anything. And so, again, I want to commend you for that and certainly support those cost-saving efforts.

On the EFV, the Expeditionary Fighting Vehicle, I am very concerned, having read the secretary of defense's comments on the Nunn-McCurdy breach about affirming the requirement of the Expeditionary Fighting Vehicle and listening to the testimony today where it seems like we are trying to massage a savings where I am not sure that there ought to be one.

I am going—Admiral, I would like to—if you could give us a report in writing. You talked about how we went from 25 nautical miles to 50 nautical miles out—and how we are able to achieve that without exposing our forces to a higher risk.

General Dunford, you mentioned that we were going to do a service life extension program to the EFV and that you had a lower cost alternative also to the EFV. But it seems like we have a gap in terms of our capabilities as to meeting the requirement, even if we went out—even if 12 nautical miles was acceptable. We don't have that capability now with the AAV.

I am not sure even with the service life extension program we are going to have that capability there. And I think that a lot of the technology, a lot of the costs associated with the development of the EFV anyway is going—is probably going to be transferred to this supposedly low-cost—lower-cost vehicle where we didn't have all the startup costs in terms of research and development. So I think that there is a lot of—I think at the end of the day with the EFV question, what we will have is a gap in the requirement.

And, look, if a gap in the requirement is acceptable as a cost savings measure, then tell us that because really, that is, at the end of the day, what I am hearing, that we will take a risk in not meeting the requirement in order to save money because, I think, the Department of Defense feels that—feels that the—having force entry requirements is not all that significant.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you, Mr. Coffman.

Thank you for being here today, for giving as many as members of the committee who stayed an opportunity to ask their questions. Just one final closing comment. I think you probably sensed the frustration of many of the members on the committee for their feeling of lack of communication. I know we have the hearings. I know you present things to us from time to time like you only had the update on that \$78 billion that we hadn't planned on.

It just seems to me that if—if we work closer—we do not want to be confrontational. We want to be supportive. Every member of this committee strongly supportive of the armed services. But we

get the feeling that sometimes decisions are handed to us as a *fait accompli*. And we are irrelevant. And, you know, we all have big egos up here, or we wouldn't be here.

That is now what I really mean. But it is important to give us the opportunity to do our job. And we want to work together to make that happen. So if you can carry that message back, you are going to hear a lot of it until we feel like we are being brought into the process.

Thank you very much.

Secretary LYNN. Mr. Chairman, if I could just respond to your last—

The CHAIRMAN. Sure.

Secretary LYNN. Very much appreciate what you said. I did get the flavor of the comments and the breadth of them. I will say I think the Department recognizes that not all wisdom is South of the Potomac River and that Congress has a very important role to play and very much value added. And I have heard the examples of the F-117 and UAVs. And Congress has often been right in these debates.

So I take your comment seriously. And we will endeavor to work with the committee. And we very much appreciate the committee's support.

The CHAIRMAN. Thank you very much. This hearing is adjourned. [Whereupon, at 12:59 p.m., the committee was adjourned.]

A P P E N D I X

JANUARY 26, 2011

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JANUARY 26, 2011

Statement of Chairman Howard P. “Buck” McKeon (R–California)
House Committee on Armed Services
Hearing on
Proposed Department of Defense Budget Reductions and Efficiencies Initiatives
January 26, 2011

Good morning, ladies and gentlemen. Thank you for joining us for our first hearing of the 112th Congress. I can’t think of a more appropriate subject to begin our oversight, than a discussion of the Department of Defense’s topline budget expectations, the manner in which Secretary Gates is bringing fiscal discipline to the Department, and his proposals for finding efficiencies to reinvest in much needed modernization and operations.

Before we get started, I would like to take this opportunity to introduce our new leadership team. In adopting the Committee rules last week, the Committee reorganized the jurisdictions of the subcommittees to align with military missions, rather than individual military departments. Our new subcommittees and leadership teams are:

- Emerging Threats and Capabilities—Chairman Mac Thornberry and Ranking Member James Langevin;
- Military Personnel—Chairman Joe Wilson and Ranking Member Susan Davis;
- Oversight and Investigations—Chairman Rob Wittman and Ranking Member Jim Cooper;
- Readiness—Chairman Randy Forbes and Ranking Member Madeleine Bordallo;
- Seapower and Projection Forces—Chairman Todd Akin and Ranking Member Mike McIntyre;
- Strategic Forces—Chairman Mike Turner and Ranking Member Loretta Sanchez; and last, but of course not least,
- Tactical Air and Land Forces—Chairman Roscoe Bartlett and Ranking Member Silvestre Reyes.

I could not be more pleased about the selection of these members for our leadership team for the 112th Congress and appreciate the great depth and breadth of experience that they each bring to the table. I am confident that we will have a productive and purposeful year and I look forward to working with them.

In September of last year we held a preliminary hearing on the Department's efficiencies initiative. At that time, I expressed concern about the lack of information we had been provided. I remain dismayed, despite repeated assurances from the Department about an interest to work together on these issues, that we have seen little change in the Department's willingness to share information and work with us.

Let me be clear: I agree with Secretary Gates that we must scrutinize defense programs to ensure we are getting the most bang for our buck and concentrating our limited resources on the highest priority programs. I support initiatives focused on reducing waste, streamlining operations, and eliminating redundancies across all enterprises.

However, I will not support initiatives that will leave our military less capable and less ready to fight. Make no mistake about it—we stand at a critical juncture in the wars in Afghanistan and Iraq. As we draw down in one AOR and build up in another, the decisions we make today will directly impact the level of success of these efforts. I cannot say it strongly enough. I will not support any measures that stress our forces and jeopardize the lives of our men and women in uniform. I will also oppose any plans that have the potential to damage or jeopardize our national security.

What concerns me most about the current proposals are the plans to reduce Army and Marine Corp end strength and the reduction of an additional \$78 billion from the Department's funding topline. I previously expressed concern that the Administration would not allow the Department to reinvest savings identified by this initiative. The good news is that the Secretary has been able to keep the \$100 billion. The bad news is that we were not privy to plans to take nearly as much out of the Department's budget. I intend to pursue the impact of this decision by the Administration. We have asked much of our men and women in uniform over the years. They have bravely fought and sacrificed for all of us—each and every one of us in this room. I cannot in good conscience ask them to “do more with less.”

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Statement of Ranking Member Adam Smith (D–Washington)
House Committee on Armed Services
Hearing on
Proposed Department of Defense Budget Reductions and Efficiencies Initiatives
January 26, 2011

The primary duty of the House Armed Services Committee is to provide for the security and safety of our country. Our country faces many challenges and we must continue to make certain we have the proper resources and policies in place to meet the threats that we face not only today, but also in the future. This is, and will remain, my top priority.

We must also ensure that every dollar spent on defense is done so in an effective and efficient manner. Simply spending more money does not make us safer—spending money effectively and wisely does. Therefore, as responsible policymakers, it is our job to improve efficiencies and identify and eliminate sources of wasteful spending, while at the same time investing in the programs and policies that make us safer.

With this in mind, I applaud Secretary Gates' initial announcement that the Department of Defense has identified approximately \$178 billion in potential savings and overhead efficiencies in its five-year base (non-war funding) budget plan. Roughly \$100 billion of that total amount would be reinvested into key operating needs and high-priority military programs, and about \$78 billion will go toward reducing the deficit. While Congress will certainly want to review the specific details of this proposal, it appears to be a good first step in the right direction.

Reflected in this proposal is an understanding that spending wisely is a more effective policy than spending just for the sake of spending. As our nation looks to address the looming crisis with respect to the national deficit and debt, spending defense dollars wisely not only makes sense for our national security, but it also makes for good fiscal policy. In the coming weeks, as the committee begins its work crafting the Fiscal Year 2012 Defense Authorization Bill, I look forward to thoroughly reviewing the details of these proposals along with the President's budget request.

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Statement

of

William J. Lynn, III
Deputy Secretary of Defense

before the

House Armed Services Committee

January 26, 2011

Embargoed Until Released
by the House Armed Services Committee

Good morning, Mr. Chairman and members of the committee. Thank you for this opportunity to discuss our efficiency efforts at the Department of Defense. First I would like to extend my thoughts and support to Representative Gabrielle Giffords, her husband Navy Captain Mark Kelly, and the others affected by the events in Tucson. Gabby and Mark are part of our military family. We are cheering Gabby on as she begins her rehabilitation.

Today I am pleased to be joined by the Vice Chiefs of Staff of the Army, Navy and Air Force and the Assistant Commandant of the Marine Corps. I have a brief statement, following which we will all entertain your questions.

The leadership of the Department is well aware that the nation is dealing with significant fiscal pressures. We owe it to the taxpayers to make the most of every dollar entrusted to us. Your committee's recently released oversight plan underscores this point by stating your intent "to ensure the Department of Defense is operated efficiently and with fiscal discipline in order to maximize the return on the taxpayers' investments."

We could all benefit from following the direction of President Eisenhower, who believed we should spend whatever is necessary for defense but not one penny more.

To that end, the Department sought in both the Fiscal Year 2010 and Fiscal Year 2011 budgets to curtail or eliminate programs that were either too troubled to continue or that provided capabilities that were too narrow to justify their costs. We identified more than 20 programs in these categories; had these programs continued as planned, they would have cost more than \$300 billion.

Over the past year we have continued our unsparing evaluation and I will discuss several new program terminations in a few moments. But we have also initiated a comprehensive search for greater efficiencies, particularly in our business operations, our personnel system and our headquarters structure. Specifically, Secretary Gates laid out three key objectives that I will describe today:

- The Services were directed to achieve \$100 billion in efficiencies over the FY 2012 to 2016 Future Years Defense Plan (FYDP);
- The Services could retain and reinvest these efficiency savings in enhancements of high priority warfighting programs; and
- The Department developed additional efficiencies and other changes to accommodate a \$78 billion reduction in its topline, in order to contribute to the Administration's deficit reduction efforts.

Military Services Save \$100 Billion

Over the past six months, the Military Services have undertaken a comprehensive examination of their overhead accounts to achieve the \$100 billion savings objective. The savings come from numerous sources. A portion is generated by reorganizations that reassign personnel and reduce layering in the Department. For example, the Army will consolidate six installation management command regions into four and close the Evaluation Task Force. The Navy will eliminate selected squadron staffs and disestablish the Second Fleet in Norfolk -- transferring needed functions to its Fleet Forces Command. The Air Force will consolidate two air operations centers in the United States and two in Europe. It will also consolidate three Numbered Air Force staffs in areas where major Air Force commands can assume the workload.

The Services also will achieve savings through implementing better business practices. For example, the Army will leverage efforts of other organizations to reduce the number of data centers. The Navy will take steps including selective manning reductions at about 290 shore commands and shifting 6,600 billets to increase shipboard manning. At my direction the Air Force will implement better business practices in satellite procurement, establishing more stability in the development process and utilizing block buys for acquisition.

In addition to these business practice efficiencies, the Services garnered savings through reductions in programs that cost too much or provide too little capability. The Army, for example, will terminate procurement of the SLAMRAAM surface-to-air missile and the Non-Line-of-Sight Launch System. The Marine Corps will terminate the Expeditionary Fighting Vehicle (EFV). The EFV program would have consumed \$12 billion in future procurement costs -- the bulk of Marine Corps procurement funding for a decade -- while providing only a fraction of the needed amphibious assault capability. Instead the Marine Corps will sustain its amphibious assault mission by reinvesting EFV savings into upgrades of existing vehicles and other initiatives.

Military Services Reinvest All Savings

As directed by the Secretary, all savings realized by a Military Department will be retained and reinvested by that department. Approximately \$28 billion of the total savings will be used over the next five years to deal with higher-than-expected operating expenses, including costs for sustainment of weapons systems, depot maintenance, base support and flight hours and other training. Without our efficiency initiatives, we would have been forced to reduce procurement or cut force structure in order to cover these costs.

The remaining savings -- some \$70 billion -- will be used to enhance high priority military capabilities. Let me cite a few key examples to give you a sense for these important initiatives:

- The Air Force will begin development and acquisition of a new long-range bomber, part of a family of long-range strike platforms. The Service will also maintain maximum procurement of Reaper UAVs, increase procurement of the Evolved Expendable Launch Vehicle to ensure access to space, and buy more Joint Strike Fighter simulators.
- The Army will invest more heavily in modernization of the Army's battle fleet of Abrams tanks, Bradley Fighting Vehicles, and Stryker wheeled vehicles, accelerated fielding of a new tactical communications network and purchase of more UAVs. In another important initiative, the Army increased funding for its suicide prevention and mental health counseling programs.
- The Navy plans to use its savings to buy six more ships than were in last year's plan, including an additional destroyer. The Navy will also develop a new generation of electronic jammers, increase repair and refurbishment of Marine equipment, and develop a new generation of sea-borne unmanned aircraft.

In sum, our efficiency initiatives will permit improvements in warfighter capability in ways that would not have been fiscally possible in the absence of the efficiency campaign.

Accommodating the Topline Reduction

The strength of our national defense ultimately depends on a strong economy. The level of today's deficits threatens to undermine the strength of the American economy. As part of the Administration's broader effort to address the deficit, the Department reduced its topline budget for FY 2012 to 2016. This reduction – which totaled \$78 billion compared with last year's plan – will still result in a defense base budget request of \$553 billion in FY 2012 and modest real growth in the near years of this FYDP.

In order to protect warfighter capability, we accommodated this topline reduction through additional efficiencies and other changes outside the warfighting accounts. Substantial savings were achieved through defense-wide personnel changes. Secretary Gates has imposed a freeze on civilian personnel levels in the Department through FY 2013, with limited exceptions to accommodate growth in the acquisition workforce and a few other areas. The Secretary also mandated a reduction of 10 percent per year in FY 2011 through FY 2013 in the number of contractors who augment government staffs. These limits apply not only to the military departments but also to the Office of the Secretary of Defense, the Joint Chiefs of Staff, the Combatant Commands, and the Defense Agencies. We expect to accommodate these limits through personnel efficiencies and reductions in unnecessary or lower-priority work.

The Department will also reduce the number of general and flag officer billets by about 100 (out of approximately 900). Our civilian Senior Executive Service billets will be reduced by about 200 (out of a total of about 1,400). The reductions will take place over the next two years. We will also implement the President's guidance, which the Congress agreed with and mandated in law, and freeze civilian salaries for two years.

We have sought to address the enormous growth in our medical costs through management efficiencies, while continuing to provide high quality military health care. But we believe it is time to lift the 15-year freeze on TRICARE enrollment fees for working-age retirees, phase out subsidies that DoD currently provides to a relatively small number of non-military hospitals, make adjustments to pharmacy co-pays, and implement other management efficiencies.

Finally, we are taking steps to streamline our organizational structure. As the Secretary announced last August, we are disestablishing the Joint Forces Command and the Business Transformation Agency and eliminating the position of Assistant Secretary for Networks and Information Integration. In addition we will pursue efficiencies in intelligence operations and in our information technology investments.

I have focused today on program changes that we believe will substantially increase efficiency. Unfortunately, if the Congress leaves the Department on a year-long continuing resolution (CR) for FY 2011 at reduced funding levels, we will likely see a drop in both effectiveness and efficiency this year. Operating under the significantly reduced funding level now being debated would cause severe problems, likely requiring us to curtail critical activities needed to support our troops and carry out our national security mission. A year-long CR would also rob us of the flexibility needed to meet warfighter needs. I strongly urge the Congress to enact a defense appropriation bill for FY 2011 with sufficient funding to meet requirements.

Mr. Chairman, the proposals we are describing today are the result of a detailed, comprehensive budget and program review led by Secretary Gates and involving the entire senior military and civilian leadership of the Department. I know that some will argue that our proposals cut defense too much; others will argue that we have not cut enough. We believe this budget strikes the right balance for these difficult times. In the words of Secretary Gates, "This budget proposal represents a reasonable, responsible, and sustainable level of defense spending for the next five years."

I want to end my statement by thanking the Committee for your support of the Department and the men and women who bear the burdens of our nation's defense. Thanks to you – and the American people – these men and women have the resources to carry out their missions whenever and wherever they are needed.

This concludes my prepared remarks. My colleagues and I welcome the committee's questions.



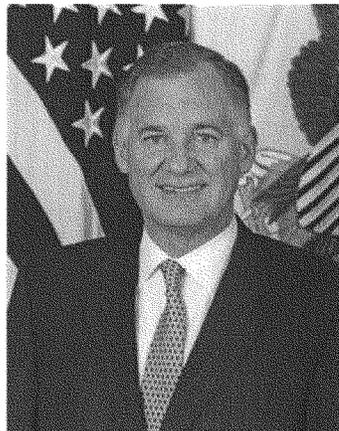
WILLIAM J. LYNN, III
Deputy Secretary of Defense



William J. Lynn III is the 30th Deputy Secretary of Defense. Mr. Lynn's career has included extensive public service at various levels within government. Mr. Lynn served as the Under Secretary of Defense (Comptroller) from 1997 until 2001 and for four years prior to that he was the Director of Program Analysis and Evaluation (PA&E) in the Office of the Secretary of Defense.

Before entering the Department of Defense in 1993, Mr. Lynn served for six years on the staff of Senator Edward Kennedy as liaison to the Senate Armed Services Committee. Prior to 1987, he was a senior fellow at the National Defense University and was on the professional staff of the Institute for Defense Analyses. From 1982 to 1985, he served as the executive director of the Defense Organization Project at the Center for Strategic and International Studies.

Mr. Lynn also has experience in the private sector from 2001-2009. He served as senior vice president of Government Operations and Strategy at Raytheon Company. He also served as executive vice president of DFI International, a Washington-based management consulting firm, from 2001 to 2002.



A graduate of Dartmouth College, Mr. Lynn has a law degree from Cornell Law School and a master's in public affairs from the Woodrow Wilson School at Princeton University. His publications include a book, *Toward a More Effective Defense*, as well as articles in various newspapers and professional journals. He has been recognized for numerous professional and service contributions, including three DoD medals for distinguished public service, the Joint Distinguished Civilian Service Award from the Chairman of the Joint Chiefs of Staff, and awards from the Army, Navy and Air Force.

GENERAL PETER W. CHIARELLI
 Vice Chief of Staff, United States Army
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General Peter W. Chiarelli became the 32nd Vice Chief of Staff of the U.S. Army on August 4th, 2008. In his previous assignment, he was the Senior Military Assistant to the Secretary of Defense from March 2007 to August 2008. He hails from Seattle, Washington and is a Distinguished Military Graduate of Seattle University. General Chiarelli was commissioned a second lieutenant of Armor in September 1972.

Throughout his career he has served in Army units in the United States, Germany and Belgium. He has commanded at every level from platoon to corps. His principal staff assignments have been as the Operations Officer, 1st Cavalry Division at Fort Hood, Texas; Executive Assistant and later Executive Officer to the Supreme Allied Commander, Commander United States European Command at SHAPE Headquarters, Mons, Belgium; as the Director of Operations, Readiness and Mobilization, at Headquarters, Department of the Army.

He commanded a motorized infantry battalion at Fort Lewis, Washington; an armor brigade at Fort Lewis, Washington; served as the Assistant Division Commander for Support in the 1st Cavalry Division at Fort Hood, Texas; commanded the 1st Cavalry Division at Fort Hood, Texas and in Iraq during Operation Iraqi Freedom II; and commanded Multi-National Corps-Iraq. General Chiarelli holds a Bachelor of Science Degree in Political Science from Seattle University, a Masters of Public Administration from the University of Washington, and a Masters of Arts in National Security and Strategy from Salve Regina University.



General Joseph F. Dunford, Jr.
Assistant Commandant of the Marine Corps

General Dunford was promoted to General and assumed the duties of Assistant Commandant of the Marine Corps on 23 October 2010. A native of Boston, Massachusetts, General Dunford graduated from St. Michael's College and was commissioned in 1977.

General Dunford's assignments in the operating forces include Platoon and Company Commander, Co K, 3rd Battalion, 1st Marines; Company Commander, Co A, 1st Battalion, 9th Marines; and Company Commander, Co L, 3rd Battalion, 6th Marines. He served as the Operations, Plans, and Training Officer in 2d ANGLICO and the Regimental Executive Officer, 6th Marines. He commanded the 2nd Battalion, 6th Marines and the 5th Marine Regiment. He served as the Chief of Staff, 1st Marine Division.



Other assignments include Aide to the Commanding General, III MEF and a tour in the Officer Assignment Branch, HQMC. He has also served as the Marine Officer Instructor, College of the Holy Cross; as a member of the Commandant's Staff Group; and as the Senior Aide to the Commandant of the Marine Corps. Joint assignments include service as the Executive Assistant to the Vice Chairman, JCS; Chief, Global and Multilateral Affairs Division (J5); and Vice Director for Operations (J3).

As a general officer, he has served as the Assistant Division Commander, 1st Marine Division; the Director, Operations Division, Plans, Policies and Operations, HQMC; and the Deputy Commandant for Plans, Policies and Operations; and most recently as Commanding General, I MEF and Commander, Marine Forces Central Command.

General Dunford is a graduate of the U. S. Army Ranger School, Marine Corps Amphibious Warfare School, and the U. S. Army War College. He holds an M.A. in Government from Georgetown University and an M.A. in International Relations from the Fletcher School of Law and Diplomacy.

Vice Chief of Naval Operations

8/13/2009 - Present

Admiral Jonathan W. Greenert

Admiral Jonathan W. Greenert is a native of Butler, Pa. He graduated from the U.S. Naval Academy in 1975 and completed studies in nuclear power for service as a submarine officer.

His career as a submariner includes assignments aboard USS *Flying Fish* (SSN 673), USS *Tautog* (SSN 639), Submarine NR-1 and USS *Michigan* (SSBN 727 - Gold Crew), culminating in command of USS *Honolulu* (SSN 718) from March 1991 to July 1993.

Subsequent fleet command assignments include Commander, Submarine Squadron 11, Commander, U.S. Naval Forces Marianas, Commander, U.S. 7th Fleet (August 2004 to September 2006) and Commander, U.S. Fleet Forces Command (September 2007 to July 2009).

Greenert has served in various fleet support and financial management positions, including deputy chief of naval operations for integration of capabilities and resources (N8); deputy commander, U.S. Pacific Fleet; chief of staff, U.S. 7th Fleet; head, Navy Programming Branch and director, Operations Division Navy Comptroller.

He is a recipient of various personal, and campaign awards including the Distinguished Service Medal (5 awards), Defense Superior Service Medal and Legion of Merit (4 awards). In 1992 he was awarded the Vice Admiral Stockdale Award for inspirational leadership. He considers those awards earned throughout his career associated with unit performance to be most satisfying and representative of naval service.





BIOGRAPHY

UNITED STATES AIR FORCE

GENERAL PHILIP M. BREEDLOVE

Gen. Philip M. Breedlove is Vice Chief of Staff of the U.S. Air Force, Washington, D.C. As Vice Chief, he presides over the Air Staff and serves as a member of the Joint Chiefs of Staff Requirements Oversight Council and Deputy Advisory Working Group. He assists the Chief of Staff with organizing, training, and equipping of 680,000 active-duty, Guard, Reserve and civilian forces serving in the United States and overseas.

General Breedlove was raised in Forest Park, Ga., and was commissioned in 1977 as a distinguished graduate of Georgia Tech's ROTC program. He has been assigned to numerous operational, command and staff positions, and has completed nine overseas tours, including two remote tours. He has commanded a fighter squadron, an operations group, three fighter wings, and a numbered air force. Additionally, he has served as operations officer in the Pacific Command Division on the Joint Staff; executive officer to the Commander of Headquarters Air Combat Command; the senior military assistant to the Secretary of the Air Force; and Vice Director for Strategic Plans and Policy on the Joint Staff.



Prior to assuming his current position, General Breedlove served as the Deputy Chief of Staff for Operations, Plans and Requirements, Headquarters U.S. Air Force, Washington, D.C. He was responsible to the Secretary of the Air Force and the Chief of Staff for formulating policy supporting air, space, irregular warfare, counterproliferation, homeland security, weather and cyber operations. General Breedlove has flown combat missions in Operation Joint Forge/Joint Guardian. He is a command pilot with 3,500 flying hours, primarily in the F-16.

EDUCATION

1977 Bachelor's degree in civil engineering, Georgia Institute of Technology
 1982 Distinguished graduate, Squadron Officer School, Maxwell AFB, Ala.
 1991 Distinguished graduate, Air Command and Staff College, Maxwell AFB, Ala.
 1991 Master of Science degree in aeronautical technology, Arizona State University
 1995 Master's degree in national security studies, National War College, Fort Lesley J. McNair, Washington, D.C.
 2002 Fellow, Massachusetts Institute of Technology Seminar XXI, Washington, D.C.

ASSIGNMENTS

1. March 1978 - March 1979, student, undergraduate pilot training, Williams AFB, Ariz.
2. March 1979 - August 1979, pilot instructor training, Randolph AFB, Texas
3. August 1979 - January 1983, T-37 instructor pilot, evaluation flight examiner and runway supervisory unit controller, Williams AFB, Ariz.
4. January 1983 - September 1983, F-16 student pilot, MacDill AFB, Fla.
5. September 1983 - January 1985, F-16 aircraft commander and instructor pilot, 614th Tactical Fighter Squadron, Torrejon AB, Spain
6. January 1985 - March 1987, air liaison officer, 602nd Air Support Operations Group, Kitzingen AB, West Germany
7. March 1987 - January 1988, F-16 pilot, 526th Tactical Fighter Squadron, Ramstein AB, West Germany
8. January 1988 - August 1988, Chief of Flight Safety, 316th Air Division, Ramstein AB, West Germany
9. August 1988 - August 1990, F-16 flight commander, then assistant operations officer, 512th Tactical Fighter Squadron, Ramstein AB, Germany
10. August 1990 - July 1991, student, Air Command and Staff College, Maxwell AFB, Ala.
11. July 1991 - May 1993, Chief of Air Operations, United Nations Command and Republic of Korea/U.S. Combined Forces Command, Yongsan Army Garrison, South Korea
12. May 1993 - July 1994, Commander, 80th Fighter Squadron, Kunsan AB, South Korea
13. July 1994 - June 1995, student, National War College, Fort Lesley J. McNair, Washington, D.C.
14. June 1995 - July 1997, operations officer, U.S. Pacific Command Division, Joint Staff, the Pentagon, Washington, D.C.
15. July 1997 - June 1999, Commander, 27th Operations Group, Cannon AFB, N.M.
16. June 1999 - May 2000, executive officer to the Commander, Headquarters Air Combat Command, Langley AFB, Va.
17. May 2000 - May 2001, Commander, 8th Fighter Wing, Kunsan AB, South Korea
18. June 2001 - June 2002, senior military assistant to the Secretary of the Air Force, Headquarters U.S. Air Force, Washington, D.C.
19. June 2002 - June 2004, Commander, 56th Fighter Wing, Luke AFB, Ariz.
20. June 2004 - June 2005, Commander, 31st Fighter Wing, Aviano AB, Italy
21. June 2005 - October 2006, Vice Commander, 16th Air Force, Ramstein AB, Germany
22. October 2006 - July 2008, Vice Director for Strategic Plans and Policy, Joint Staff, the Pentagon, Washington, D.C.
23. July 2008 - August 2009, Commander, 3rd Air Force, Ramstein AB, Germany
24. August 2009 - January 2011, Deputy Chief of Staff for Operations, Plans and Requirements, Headquarters U.S. Air Force, Washington, D.C.
25. January 2011 - present, Vice Chief of Staff of the U.S. Air Force, Washington, D.C.

SUMMARY OF JOINT ASSIGNMENTS

1. July 1991 - May 1993, Chief of Air Operations, United Nations Command and Republic of Korea/U.S. Combined Forces Command, Yongsan Army Garrison, South Korea, as a major
2. June 1995 - July 1997, operations officer, U.S. Pacific Command Division, Joint Staff, the Pentagon, Washington, D.C., as a lieutenant colonel
3. October 2006 - July 2008, Vice Director for Strategic Plans and Policy, Joint Staff, the Pentagon, Washington, D.C., as a major general

FLIGHT INFORMATION

Rating: Command pilot
 Flight hours: More than 3,500
 Aircraft flown: F-16, T-37 and C-21

MAJOR AWARDS AND DECORATIONS

Distinguished Service Medal
 Defense Superior Service Medal
 Legion of Merit with three oak leaf clusters
 Defense Meritorious Service Medal with two oak leaf clusters
 Meritorious Service Medal with three oak leaf clusters

Aerial Achievement Medal

EFFECTIVE DATES OF PROMOTION

Second Lieutenant June 1, 1977
First Lieutenant Dec. 10, 1979
Captain Dec. 10, 1981
Major Nov. 1, 1988
Lieutenant Colonel June 1, 1993
Colonel Jan. 1, 1998
Brigadier General Oct. 1, 2003
Major General June 23, 2006
Lieutenant General July 21, 2008
General Jan. 14, 2011

(Current as of January 2011)

**WITNESS RESPONSES TO QUESTIONS ASKED DURING
THE HEARING**

JANUARY 26, 2011

RESPONSE TO QUESTION SUBMITTED BY MR. JOHNSON

General DUNFORD. [The response was not received at the time of publication.]
[See page 41.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

JANUARY 26, 2011

QUESTIONS SUBMITTED BY MR. TURNER

Mr. TURNER. 1. The Department's plan includes a reduction in 360 contractors from MDA. Across the FDYP, the Missile Defense Agency (MDA) will add \$1.7 billion for research and development of the Standard Missile-3 (SM-3) Block IIB interceptor and \$360 million for additional forward-based Army Navy/Transportable Radar Surveillance (AN/TPY-2) radars. To offset these increases, MDA has identified roughly \$2.4 billion in efficiencies and reductions; however, the specific distribution of these reductions is unknown.

i. Considering these reductions in personnel and funding, is it likely that the administration will meet the strategic goals and timeline laid out in the Phased Adaptive Approach?

ii. What programs will be adjusted to support these lower funding levels?

iii. With the move of MDA to Redstone Arsenal as a result of BRAC, MDA is currently facing a personnel issue in meeting the personnel needs as a result of the BRAC move and they have to meet the insourcing requirements with contractors. What process was used to come up with the personnel reductions?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. TURNER. 2. Secretary Gates recently announced his intent to eliminate 100 general officer positions.

i. How will the process to reduce general officer positions work?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. TURNER. What kind of analysis does the SecDef refer to when he said that "analysis" by the Navy and Marine Corps "suggests that the most plausible scenarios requiring power projection from the sea could be handled through a mix of existing air and sea systems employed in new ways along with new vehicles—scenarios that do not require the exquisite features of the EFV"?

Admiral GREENERT. [The response was not received at the time of publication.]

Mr. TURNER. What kind of analysis does the SecDef refer to when he said that "analysis" by the Navy and Marine Corps "suggests that the most plausible scenarios requiring power projection from the sea could be handled through a mix of existing air and sea systems employed in new ways along with new vehicles—scenarios that do not require the exquisite features of the EFV"?

General DUNFORD. [The response was not received at the time of publication.]

QUESTIONS SUBMITTED BY MS. BORDALLO

Ms. BORDALLO. 1. For Fiscal Years 2001 through 2010, what was the cost, including pay and benefits, and strength of the Department of Defense's civilian workforce? For the same years, what was the cost, including all object classes in 2500, and size of the Department's contractor workforce?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 2. Given that the A-76 process to evaluate whether work done by federal employees should be contracted out or remain in-house crosses personnel and acquisition functionalities within the Department, what is the Department doing to ensure that the appropriate management and leadership are engaged at all stages in the process, from preliminary planning through execution of a competition?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 3. How will the Department comply with the statutory requirement that inherently governmental functions be performed by civilian employees? For example, the Army's services contract inventory has revealed that 2,357 contractors have performed inherently governmental functions, less than half of which have been insourced.

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 4. What are the savings generated from the imposition of a three-year cap on the civilian workforce and all other efficiencies derived from the civilian

workforce, pursuant to the Secretary's January 6th announcement? What are the savings generated from the planned reductions in spending on service contractors?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 5. What workforce planning did the Department undertake before imposing a cap on civilian employees? How is this cap consistent with Title 10 United States Code, Section 129?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 6. The Secretary insists that there can be only "very limited exceptions" to the cap. How are those exceptions made? What is the process by which exceptions are granted? What criteria are used? Are the criteria consistent with various sourcing laws? What functions are likely to qualify? Which functions are not likely? Will the authority to authorize exceptions be reserved to a very high level? If so, why?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 7. How will the Department comply with Title 10 United States Code, Section 129a and Title 10 United States Code, Section 2463 if it cannot add new staff to take on functions that can be performed more efficiently in-house or should never have been outsourced because they are inherently governmental?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 8. Does the in-house freeze not mean that, effectively, all new work as well as additions to existing work will be contracted without regard to cost or risk?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 9. Will the Department's ability to undertake new contracts be subject to the same constraints? If not, why? Why should there be a hard cap on the civilian workforce and no cap on contractor costs? Will new contracts as well as additions to existing contracts also require very high-level authorization?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 10. How will the Department comply with the statutory requirement (Section 807, National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181) that unauthorized personal services contracts be "entered into, and ... performed, in accordance with applicable statutory and regulatory requirements," and, if necessary, be corrected, including through insourcing?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 11. How will the Department comply with the statutory requirement that DOD give "special consideration" to insourcing contracts that are poorly performed or undertaken without competition?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 12. How will the Department comply with Section 1111 of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84) and ensure that "funds authorized to be appropriated for the Department of Defense that are available for the purchase of contract services to meet a requirement that is anticipated to continue for five years or more shall be available to provide compensation for civilian employees of the Department to meet the same requirement"?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 13. Why did the Department limit its focus to support service contracts? What percentage of the Department's service contracting costs do support service contracts constitute? How does this limited focus accommodate the Department's concern, as expressed last August, with the extraordinary growth in contract costs for object classes 25.1 and 25.2?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 14. What other options did the Department consider with respect to reducing contractor costs? What was the dollar value of those other options? Why did the Department not consider freezing or cutting contract costs for all object classes?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 15. The Department's focus on the narrow category of support service contracts for cuts excludes the vast majority of service contract dollars. How will growth in non-support service contracts be constrained? How will the cuts in support service contracts be enforced in the absence of a contractor inventory that is integrated into the budget process?

Secretary LYNN. [The response was not received at the time of publication.]

Ms. BORDALLO. 16. For advisory and assistance services, for Fiscal Years 2007 through 2010, what were the estimated and actual costs for:

- management and professional services FFRDC;
- management and professional services non-FFRDC;
- studies, analyses and evaluation FFRDC;
- studies, analyses and evaluations non-FFRDC;

- engineering and technical services FFRDC; and
 - engineering and technical services non-FFRDC.
- Secretary LYNN. [The response was not received at the time of publication.]

QUESTIONS SUBMITTED BY MR. KLINE

Mr. KLINE. 1. It seems like we are already planning a decrease in manpower because we expect to be done in Afghanistan in 2014. How flexible are today's decisions to decrease force levels if we find that we are not ready to leave by 2014—or, worse, the contingency we are not expecting emerges in the meantime? How comfortable are you with end strength levels now and in the future to meet our warfighting requirements. With your men and women being asked to do more, not less, every day, how can you justify future planned reductions?

General CHIARELLI. [The response was not received at the time of publication.]

Mr. KLINE. 2. The conventional and asymmetric threats have changed significantly since 2001, and so has our National Security Strategy. Meeting the short-term wartime requirements in Iraq, Afghanistan, and the Horn of Africa was not the only reason we funded an increase in military end strength. On the contrary, the troop increases were done as a result of lessons learned from these conflicts—to realign our troop levels with the changing conventional and asymmetric threats for today and the future. How do these cuts in military personnel take into account the changes in National Security Strategy and our current security treaty obligations with other countries in the world?

General CHIARELLI. [The response was not received at the time of publication.]

Mr. KLINE. 3. The Services have been trying to achieve adequate dwell-to-deployment ratios in order to reduce the stress on the active, reserve, and National Guard forces. What is the status of your progress to meet your dwell-to-deployment ratio goals for active duty, reserve, and National Guard forces, and how will a planned reduction in end strength affect your ability to achieve the adequate dwell time?

General CHIARELLI. [The response was not received at the time of publication.]

Mr. KLINE. 4. According to the CBO in 2007, the estimated cost of increasing end strength from 2007 to 2013 was \$108 billion for the Army and the Marine Corps. Now we are talking about decreasing end strength before the initiative to grow the force is complete. How much do the see-saw decisions to ramp up and then ramp down military personnel end strength cost the government—in infrastructure, MILCON, equipment, and training?

General CHIARELLI. [The response was not received at the time of publication.]

Mr. KLINE. 1. It seems like we are already planning a decrease in manpower because we expect to be done in Afghanistan in 2014. How flexible are today's decisions to decrease force levels if we find that we are not ready to leave by 2014—or, worse, the contingency we are not expecting emerges in the meantime? How comfortable are you with end strength levels now and in the future to meet our warfighting requirements. With your men and women being asked to do more, not less, every day, how can you justify future planned reductions?

General DUNFORD. [The response was not received at the time of publication.]

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General DUNFORD. [The response was not received at the time of publication.]

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General DUNFORD. [The response was not received at the time of publication.]

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General DUNFORD. [The response was not received at the time of publication.]

QUESTIONS SUBMITTED BY MR. CRITZ

Mr. CRITZ. 1) Mr. Lynn, Robert Hale, the current DOD comptroller, warned in a 2002 paper that “Because efficiencies are hard to achieve, defense managers should avoid counting on projected savings to make up budget shortfalls.” He suggested that “Save ‘em before you spend ‘em” should be the motto of defense management. How does the Department reconcile this advice with the its current plan to spend projected savings on higher priority capabilities and programs before the savings have actually been realized?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. CRITZ. 2) Mr. Lynn, what are the projected savings over the FYDP from the proposed increase in premiums and copays for working age military retirees using TRICARE? How much does it raise the annual premiums working-age retirees pay? How much of the projected savings are from retirees being incentivized to move out of the military healthcare system onto their employer’s healthcare plans? What measure of inflation will the premiums be linked to for future increases (e.g. consumer price index, etc.)?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. CRITZ. 3) Mr. Lynn, does the healthcare proposal attempt to raise premiums for military retirees over the age of 65 (i.e. non-working age retirees) for the TRICARE for Life benefit?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. CRITZ. 4) Mr. Lynn, many of the efficiency savings announced are from consolidation of IT systems. What are the up-front costs of consolidating these systems, what is the timeframe for implementation, and what is the breakeven point in terms of how long the savings must be realized in order to recoup the up-front cost of implementation?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. CRITZ. 5) Mr. Lynn, the FY11 budget request showed a projected decrease in RDT&E funding each year from FY11 to FY15. Will some part of the savings from the efficiency initiative be used to keep RDT&E from declining as was previously planned?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. CRITZ. 1)Admiral Greenert, there are (3) basic landing elements during an amphibious operation. Launch distance from Ship to Shore, Speed of Landing Craft, and Travel time to the beach. Are there doctrinal requirements for any of these elements? If so, what are they? If not, why not?

Also, will there be a detailed joint Navy/Marine Corps requirements process that examines all requirements to include the proximity of amphibious naval ships to the shoreline; especially in hostile/anti-access scenarios?

Admiral GREENERT. [The response was not received at the time of publication.]

Mr. CRITZ. 1) General Dunford, the Commandant of the Marine Corps recommended cancelling the EFV program as part of the Secretary of Defense Efficiency initiatives. However, the Marine Corps and the Department still proclaim the requirement still remains. Has there been or are there plans for a comprehensive study to analyze the cost of EFV termination, AAV modernization, and new AAV program initiation; against continuing with the current EFV program? If so, when will this study be available? If not, why not?

General DUNFORD. [The response was not received at the time of publication.]

Mr. CRITZ. General Dunford, what is the minimum requirement for assault amphibian platforms of any type to ensure the Marine Corps maintains a dominant forcible entry capability? This includes deployed, home stations, training and schools, as well as maintenance spares.

General DUNFORD. [The response was not received at the time of publication.]

Mr. CRITZ. 3) General Dunford, the taxpayers have already spent \$3B and 15 years of effort on this program. Would it not be more prudent to complete the System Design/Development phase; saving the cancellation costs and then evaluate the program health before termination?

General DUNFORD. [The response was not received at the time of publication.]

Mr. CRITZ. 4) General Dunford, there are (3) basic landing elements during an amphibious operation. Launch distance from Ship to Shore, Speed of Landing Craft, and Travel time to the beach. Are there doctrinal requirements for any of these elements? If so, what are they? If not, why not?

General DUNFORD. [The response was not received at the time of publication.]

Mr. CRITZ. 5) Also, will there be a detailed joint Navy/Marine Corps requirements process that examines all requirements to include the proximity of amphibious naval ships to the shoreline; especially in hostile/anti-access scenarios?

General DUNFORD. [The response was not received at the time of publication.]

Mr. CRITZ. 1) General Breedlove, the FY11 budget request projected total spending of \$1.7 billion over the FYDP for long-range precision strike (e.g. the next generation bomber). How much does the FY12 budget request increase the funding for this program above what was already planned? What is the timeline for this program, specifically: when does System Development and Demonstration (SDD) begin, when is Initial Operating Capability (IOC) planned, and how many total bombers are planned?

General BREEDLOVE. [The response was not received at the time of publication.]

Mr. CRITZ. 2) General Breedlove, why is the Air Force proposing an optionally manned design for the bomber? Is this an example of the type of "exquisite requirements" that have plagued other programs? What studies have been performed to estimate the additional cost of making the bomber optionally manned instead of just manned or unmanned? Who performed these studies (industry or DOD) and what is the confidence level of the results?

General BREEDLOVE. [The response was not received at the time of publication.]

QUESTION SUBMITTED BY MR. SHUSTER

Mr. SHUSTER. 1. The MEADS program is structured as a tri-national cooperative development program involving the U.S., with Germany and Italy participating in a jointly managed development program. Initiated in 1996 and based on international program cost-sharing, MEADS was intended to field a new system quickly and at less cost to the United States while increasing trans-Atlantic cooperation and commonality (replace Patriot.)

To date, the MEADS development program has not delivered on promised timely and cost-effective fielding of new air and missile defense capabilities. Since the program's initiation, the time to field the First Unit Equipped (FUE) has repeatedly been revised resulting in increased costs and delays to fielding warfighter capability as follows:

- In 1996, the expected RDTE cost was \$2B to \$3B, with a planned FUE in 2008.
- In 2002, the expected RDTE cost was \$7B to \$9B, with a planned FUE in 2012.
- In 2008, the expected RDTE cost was \$10B, with a planned FUE in 2015.

As you know, Congress passed some strong language (FY11 NDAA) restricting the funds for the MEADS missile defense program, due to concerns that the program is over budget and behind schedule. It is currently still in System Design and Development which I understand requires additional funding to complete before a production decision: one study estimated the need for an additional \$1 B to \$1.5B just for the design and development phase.

- a. Regarding the MDA, the Department stated that approximately \$2.4 billion in efficiencies and reductions were identified. Has MEADS been reviewed as a programs to support these lower funding levels?
- b. Are there more efficient and affordable options out there and are OSD and the Army seriously looking at more cost-effective alternative capabilities, derived from Patriot and other AMD defense systems, as required by the NDAA bill language?

Secretary LYNN. [The response was not received at the time of publication.]

QUESTION SUBMITTED BY MR. RUPPERSBERGER

Mr. RUPPERSBERGER. 1. Two Defense Science Board reports and the Army's own reviews highlight that there is an outstanding need for adding an Auxiliary Power Unit to the Abrams Tank. The Abrams voracious fuel consumption is a significant platform shortfall that has caused the Tank to remain on conditional release for over twenty years awaiting an Auxiliary Power Unit. What is preventing funding for, and implementation of, APU technology developed and tested by the army over the past several years and reaping these cost and capabilities advantages?

General CHIARELLI. [The response was not received at the time of publication.]

QUESTIONS SUBMITTED BY MR. CONAWAY

Mr. CONAWAY. 1. You have directed the disestablishment of the Business Transformation Agency (BTA) as an efficiency. Is this an indication DOD has determined

BTA's function was unnecessary? If not, what is the Department planning to do with the BTA functions deemed necessary by DOD? If these functions are being transferred to or recreated in other organizations, how is DOD obtaining an efficiency?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. CONAWAY. 2. Deputy Secretary Lynn indicated in his testimony that the Services were directed to achieve \$100 billion in efficiencies over the FY 2012 to 2016 Future Years Defense Plan (FYDP) and the Services succeeded. He also indicated the Services could retain and reinvest these efficiency savings in enhancements of high priority warfighting programs. What is DOD's plan to track how this \$100 billion is reinvested and monitor over the coming years how this money is being used?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. CONAWAY. 1. Secretary Gates' proposal includes a \$6 billion funding decrease within fiscal years 2015-2016 for the reduced permanent end strength of the Active Army and Marine Corps. Specifically, the Army's permanent end strength would be reduced by 27,000 and the Marine Corps would be reduced between 15,000 and 20,000. First, how will these reductions apply specifically to those who deploy most? Secondly, what analysis was done, and by whom, in connection with this decision, especially with regard to the ability of both services to meet commander war fighting requirements on overall military readiness? Are these end strengths locked or would Secretary Gates consider changing them based on further analyses by the Army and Marine Corps?

General CHIARELLI. [The response was not received at the time of publication.]

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General DUNFORD. [The response was not received at the time of publication.]

Mr. CONAWAY. 1. As an Air Force Captain and pilot I question the necessity to develop a new flight suit for the forces. Would you consider delaying the development of a new flight suit currently under development? Furthermore, how do you plan to reduce unnecessary acquisition and procurement spending?

General BREEDLOVE. [The response was not received at the time of publication.]

QUESTIONS SUBMITTED BY MR. LAMBORN

Mr. LAMBORN. 1. For Missile Defense Agency (MDA), the Department stated that approximately \$2.4 billion in efficiencies and reductions were identified. What programs were adjusted to support these lower funding levels?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. LAMBORN. 2. Identified in the \$78 billion cut is the reduction of 360 MDA contractors. From what areas are these being cut and what impact will these have on meeting initial capability of the Phased Adaptive Approach in 2011?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. LAMBORN. 3. With the failure of the last two Ground-Based Midcourse interceptor tests, how will these efficiencies affect the Department's short- and long-term strategies in ensuring we have a reliable system for homeland defense? Will these cuts also put a strain on testing and integration?

Secretary LYNN. [The response was not received at the time of publication.]

QUESTIONS SUBMITTED BY MR. WITTMAN

Mr. WITTMAN. 1. Secretary Lynn, with regard to TRICARE and the unaffordable healthcare costs, particularly the working age retirees that were mentioned by Secretary Gates and the proposed reforms to TRICARE in FY12 to better manage medical cost growth, what is the plan? Will this reform be retro-active or will it be a new policy for all men and women joining the military after 2012? No one denies the fact that TRICARE should be reformed, but drastic changes should not affect those currently serving or retired from our military.

Secretary LYNN. [The response was not received at the time of publication.]

Mr. WITTMAN. 2. Secretary Lynn, how does the DOD plan to compensate for the reduction of the contractor force by 10%. Defense contractors have played a critical role in the technical and tactical advances we have made in weapons systems, shipbuilding, system engineering, C4I and ISR, procurements, test and evaluation, and program management. How to we plan on mitigating this void in the workforce while balancing an obvious increase in workload?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. WITTMAN. 1. General Dunford, did you examine any "80 percent" alternatives to the current EFV design before deciding to abandon that investment? Is there no alternative that would allow the U.S. Government to capture the value of the 3 billion invested to date?

General DUNFORD. [The response was not received at the time of publication.]

Mr. WITTMAN. 2. General Dunford, the Marines want a new assault vehicle, and as the Commandant stated on January 13, 2011, at the Surface Navy Association Symposium, "the cancellation of the EFV is by no means a rejection of the Marine Corps amphibious assault mission. I remain committed to develop and field an effective, survivable and affordable new amphibious vehicle . . . sooner rather than later!" When is "sooner"? We need a plan to move our Marines ashore in the 21st century with a 21st-century vehicle that they need and deserve for amphibious assault missions.

General DUNFORD. [The response was not received at the time of publication.]

Mr. WITTMAN. 3. General Dunford, did the Marine Corps consider alternatives to the EFV program leading up to the decision to recommend termination of the program? For example, the manufacturer has brought to our attention a high-low mix alternative that appears to be affordable at least based on the Marine Corps budget. Did you consider a high-low mix of EFVs and AAVs? Why not?

General DUNFORD. [The response was not received at the time of publication.]

Mr. WITTMAN. 4. General Dunford, you and the Commandant have repeatedly stated the EFV is unaffordable and that the program has become too onerous. What is exactly is "affordable" for the USMC when it comes to the EFV? Could your annual procurement budget accommodate \$500 million per year? Is it \$400 million or perhaps \$300 million? What is the goal price per vehicle and what are the target life-cycle management costs of the vehicle?

General DUNFORD. [The response was not received at the time of publication.]

Mr. WITTMAN. 5. General Dunford, the following is taken from CRS: *The Marines originally planned to procure 1,025 EFVs at a total cost of \$8.5 billion. According to GAO, as of March 2010, the EFV program will require \$866.7 million in research and development and \$10.226 billion in procurement funding for a total of \$11.163 billion to complete the program and field 573 EFVs. Each EFV was expected to cost about \$24 million apiece. There were concerns that the high cost of the EFV could consume up to 90% of the Marines' ground equipment budget. The former Commandant of the Marine Corps, General James Conway, reportedly was concerned that with potential future cuts to the defense budget, 573 EFVs might not be affordable. The Marines have stated that it will cost approximately \$185 million to terminate the EFV program.*

Budget aside, and only talking USMC requirements and mission capability, how many future generation amphibious assault vehicles (if not the EFV) does the Marine Corps need in order to conduct their ship-to-shore operations effectively throughout the 21st Century?

General DUNFORD. [The response was not received at the time of publication.]

QUESTIONS SUBMITTED BY MR. COFFMAN

Mr. COFFMAN. 1. Currently the military is transitioning between tours to certain areas that may be either accompanied or unaccompanied by family members. In South Korea and Europe, what are the savings of mandating unaccompanied tours in lieu of accompanied tours? For accompanied tours, what risk assessments have been conducted in light of the tensions on the Korean Peninsula? For South Korea, Europe, and Japan, to what extent do the host nations contribute financially to accompanied tours in building new housing, schools, and exchanges?

Secretary LYNN. [The response was not received at the time of publication.]

Mr. COFFMAN. 1. What is the impact of the current Continuing Resolution on shipbuilding operations, specifically in meeting the requirement of a 33 ship amphibious fleet?

Admiral GREENERT. [The response was not received at the time of publication.]

Mr. COFFMAN. 1. What is the reason for the change in requirement for the Expeditionary Fighting Vehicle? The certified requirement has been for a tracked amphib-

ious vehicle capable of deploying from amphibious shipping at least 25 Nautical Miles from shore. That requirement recently changed to between 12 and 20 Nautical Miles. What is the reason for this change? Are there significant changes in our ability to defend our fleet from enemy shore defenses or are we simply assuming a higher risk threshold in changing the requirement?

General DUNFORD. [The response was not received at the time of publication.]

Mr. COFFMAN. 2. If we cannot afford to purchase the Expeditionary Fighting Vehicle currently, how can we expect to afford to purchase a vehicle with similar capabilities in the future?

General DUNFORD. [The response was not received at the time of publication.]

Mr. COFFMAN. 3. Last year in a Senate Armed Services Committee hearing, the topic of early decommissioning of the amphibious ships *Nassau* and *Peleliu* was discussed. Lieutenant General Flynn, USMC, testified that the Marine Corps would like to see a joint Navy and Marine Corps operational assessment of the impact of any planned amphibious ship decommissionings before those decommissioning plans are made final. Does the Marine Corps maintain that position?

General DUNFORD. [The response was not received at the time of publication.]

QUESTIONS SUBMITTED BY DR. HECK

Dr. HECK. 1. The Fiscal Year 2010 Defense Authorization Bill required that the Department of Defense submit a report on the A-76 process that included recommendations and improvements. Would you please tell us what recommendations on the A-76 process will be included in that report to more effectively use this tool for right-sizing the contractor and government workforce?

Secretary LYNN. [The response was not received at the time of publication.]

Dr. HECK. 2. In your comments you referenced the Secretary of Defense's mandate to reduce the number of contractors who augment government staffs. In that regard, absent a robust inventory of contracts for services, and with the current moratorium on using the A-76 process, what confidence do you have that you can achieve the savings projected if you are not using all tools available to evaluate contractor and government performance?

Secretary LYNN. [The response was not received at the time of publication.]

Dr. HECK. 3. Lastly, what impact does the A-76 process have on civilian government employees compared to members of our armed services?

Secretary LYNN. [The response was not received at the time of publication.]

QUESTIONS SUBMITTED BY MRS. ROBY

Mrs. ROBY. 1. I represent Central and Southeast Alabama and I am very interested in knowing specifically how the efficiencies planned will impact the missions of both Fort Rucker and Maxwell AFB (including the Gunter Annex)?

General CHIARELLI. [The response was not received at the time of publication.]

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General BREEDLOVE. [The response was not received at the time of publication.]