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[H.A.S.C. No. 111–177]

THE FINAL REPORT OF THE INDEPENDENT PANEL'S ASSESSMENT OF THE QUADRENNIAL DEFENSE REVIEW

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
ONE HUNDRED ELEVENTH CONGRESS
SECOND SESSION

HEARING HELD
JULY 29, 2010

U.S. GOVERNMENT PRINTING OFFICE
62–163 WASHINGTON : 2010

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[There were no Questions submitted during the hearing.]

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[There were no Questions submitted post hearing.]

THE FINAL REPORT OF THE INDEPENDENT PANEL'S ASSESSMENT OF THE QUADRENNIAL DEFENSE REVIEW

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Thursday, July 29, 2010.

The committee met, pursuant to call, at 10:11 a.m., in room 2118, Rayburn House Office Building, Hon. Ike Skelton (chairman of the committee) presiding.

OPENING STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE FROM MISSOURI, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. Welcome to the Armed Services Committee. Today we meet to receive testimony from the co-chairmen of the Independent Panel reviewing the 2010 Quadrennial Defense Review [QDR]. Joining us today are the Honorable William J. Perry and the Honorable Stephen J. Hadley. We certainly welcome you and thank you for another one of your great contributions to our country. We appreciate it.

Today we receive the final report from the panel as required by last year's defense bill. This is the fourth QDR oversight-related event this committee has held, and I think that reflects how important we consider the QDR to be.

I would like to tell you right at the outset how impressed I am with this report. It will take several close readings to fully digest it, but I have to tell you, it has clearly met Congress' intent. And furthermore this bipartisan panel of experts has unanimously endorsed the entire report and that, of course, is a testimony to the co-chairs' wisdom and leadership.

As I mentioned at our last hearing, the report of the QDR is an important input into how Congress conducts its oversight. Conducting that review is an enormous task, and I will take a moment to once again commend the secretary, Secretary Gates on his leadership. He, rightly in my opinion, focused his effort on winning the wars we are in today.

But we cannot do that at the expense of preparing for the future, and there I am concerned that the QDR came up a bit short. I see that the independent panel has come to about the same conclusion.

I hope to use our time today to explore those findings and hear your recommendations so that Congress can get on with our critical task of providing appropriate resources on national security.

I see, for example, that you recommend an increase in our force structure in the Asia-Pacific area, and specifically highlight the need for a larger Navy. Of course, I have been making the very same point for years.

On the other hand, I was very surprised to see the report indicate that you thought the current end-strength of our active duty ground forces, Army and Marines, is sufficient. I respect your opinion, but I find that difficult to understand.

Watching the toll these wars have placed on our forces, I have been an advocate for increasing force strength for quite a while now, actually beginning back in 1995. I would caution against being too optimistic about the demand for these forces in the future and would like to hear the reasoning behind your panel's position.

I know we will get into specifics of that recommendation and many others, but first I would like to say that as a longtime supporter of the professional military education [PME] system and the Goldwater-Nichols personnel reforms in the Department of Defense [DOD], I was encouraged to see how thoroughly the review panel treated those topics.

You make a lot of very interesting recommendations. Establishing an interagency assignment exchange program, incentives to encourage civilian national security professionals to participate in such a program, and the creation of a consortium of schools and universities to develop and teach a common national security education curriculum.

I believe such steps are the only way to create effective, long-lasting cultural change in our stovepiped national security system. We must focus on people.

The review panel has charged Congress to act on these important recommendations. I encourage my colleagues to strongly consider their recommendations. As the panel's report says, our national security system was designed for a world that has long since disappeared.

We must find a new approach to meet the dynamic and quite complex threats of today. These interagency national security personnel reforms recommended by the panel are, frankly, a good place to start.

Now, let me turn to my ranking member and a good friend, the gentleman from California, Mr. McKeon.

[The prepared statement of Mr. Skelton can be found in the Appendix on page 39.]

STATEMENT OF HON. HOWARD P. "BUCK" MCKEON, A REPRESENTATIVE FROM CALIFORNIA, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. MCKEON. Thank you very much, Mr. Chairman. Welcome back to our witnesses, our co-chairs Secretary Perry, Ambassador Hadley, thank you for being here this morning. I really want to commend you for agreeing to serve as panel co-chairs and congratulate you on delivering a nonpartisan consensus report.

You know, in this time of so much partisanship you are really to be commended, you and the members of your panel for how you have pulled together and when I say not bipartisan, nonpartisan report I think you have done an outstanding job.

Let me also take a moment to thank the other panel members, those who are here and those who are not able to be here. I would particularly like to thank my appointees to the panel, Ambassador

Edelman and Senator Talent for their hard work and dedication to the panel.

Let me start by praising this report. It is a substantive, provocative, and responsible product. I anticipate the panel's findings and recommendations will be studied on both sides of the river and will impact the work of this committee.

Most importantly this report provides to Congress what the 2010 QDR failed to do. It took a look at the challenges our military will face beyond the next five years and made recommendations free of budgetary constraints about the type of force and capabilities our military will need for tomorrow.

The report rightly states that our Nation cannot afford business as usual, and warns of a potential train wreck coming in the areas of personnel, acquisition, and force structure.

Significantly, the report offers a realistic view of the global security environment: that maintaining and growing our alliances will place an increased demand on American hard power and require an increase in our military's force structure.

The release of your panel report cannot come at a better time. Despite the many challenges our military faces, Washington is abuzz with talk of cutting the Defense budget to solve the enormous federal debt.

Just last week, the *New York Times* ran a front page story saying that, "The Pentagon is facing intensifying political and economic pressures to restrain its budget, setting up the first serious debate since the terrorist attacks of 2001 about the size and costs of the armed services."

What it appears to be a serious debate on Defense spending as the *New York Times* suggests, then I think this panel's views need to be front and center.

As we consider and discuss the panel's findings and recommendations, we must keep in mind that this report reflects the consensus views of a bipartisan group of 20 national security experts.

This panel truly transcends partisan divide. In my opinion, the panel's report repudiates those seeking a peace dividend and reaffirms the need to prioritize investment in our national defense.

While the report covers a lot of ground on issues ranging from acquisition and contracting to whole-of-government reform, I want to focus on the core issues of global threats, force structure, and modernization.

This panel has a number of strong statements on the military's role in securing America's interests in the world. While it has become in vogue to bemoan the militarization of foreign policy, I think the report gets the balance correct.

You rightly state that the last 20 years have shown that America does not have the option of abandoning a leadership role in support of its national interests. Military decline is not an option.

With respect to force structure, the panel echoes many of the views expressed by members of this committee. We share the panel's concern that there is a growing gap between our interests and our military capability to protect those interests in the face of a complex and challenging security environment.

And while the Secretary of Defense may think the total tonnage of the U.S. Navy compared to the tonnage of other navies is the metric for assessing our ship requirement, many on this committee will agree with the panel's finding that military power is a function of quantity as well as quality.

If we are going to abandon the current decline and malaise and reassert America's global leadership role, the United States must have sufficient naval forces to patrol all the world's oceans. Numbers do matter.

Thus, I welcome and am interested in learning more about the panel's recommendation to increase the size of the Navy and Air Force. Moreover, I hope our witnesses will discuss why the panel concluded that the QDR force structure may not be sufficient to assure others that the U.S. can meet its treaty commitments in the face of China's military capabilities.

I also welcome the panel's recognition that part and parcel of force structure is addressing modernization. Our committee's many hearings seem to validate the report's finding that modernization has suffered for a long time because of the need to sustain readiness and the cost of current operations. I share your view that modernization is now coming due.

Finally, this report makes significant contributions to challenges the department faces in acquisition and contracting. However, I think the report rightly puts those challenges in perspective.

I agree with the finding that we cannot reverse the decline of shipbuilding, buy enough naval aircraft, recapitalize Army equipment, buy the F–35 requirement, purchase a new aerial tanker, increase deep strike capability, and recapitalize the bomber fleet just by saving $10 billion to $15 billion that the Department of Defense hopes to save through acquisition reform.

This report highlights many challenges this committee must address. I look forward to beginning that work today. Once again, thank you for being here this morning, for your service, for your report. I look forward to your testimony, and I yield back, Mr. Chairman.

[The prepared statement of Mr. McKeon can be found in the Appendix on page 42.]

The CHAIRMAN. I certainly thank the gentleman from California. Dr. Perry, we understand that you have a drop-dead time at 12:30. We will do our very, very best. We will stand by the five-minute rule the very, very best we can.

I also notice members of your panel, General Robert Scales, Professor Richard Kohn, and John Nagl are with us. He is right behind you. And staff director Paul Hughes, who helped glue all this together. We thank you for your service, and we are much appreciative.

With that, Dr. Perry we will start with you then go on to Mr. Hadley. You will have to——

Dr. PERRY. Thank you, Mr. Chairman. We have divided the report between Mr. Hadley and myself and actually he is going to start first. Thank you.

The CHAIRMAN. Mr. Hadley, please.

STATEMENT OF HON. STEPHEN J. HADLEY, CO-CHAIRMAN, QUADRENNIAL DEFENSE REVIEW INDEPENDENT PANEL, UNITED STATES INSTITUTE FOR PEACE

Mr. HADLEY. We saved the heavy lifting for the secretary. Chairman Skelton, Ranking Member McKeon, we want to thank you for the opportunity to appear before you and members of this distinguished committee to discuss the final report of the Quadrennial Defense Review independent panel.

The Congress and Secretary Gates gave us a remarkable set of panel members, who devoted an enormous amount of time and effort to this project. It was a model of decorum and bipartisan legislative-executive branch cooperation.

Paul Hughes as executive director of the panel ably led a talented expert staff and the result is the unanimous report you have before you entitled "The QDR in Perspective, Meeting America's National Security Needs in the 21st Century."

Our report is divided into five parts. The first part conducts a brief survey of American foreign policy with special emphasis on the missions that America's military has been called upon to perform since the fall of the Berlin Wall.

From the strategic habits and actual decisions of American presidents since 1945, habits and decisions that have shown a remarkable degree of bipartisan consistency, we deduce four enduring national interests which will continue to transcend political differences and animate American policy in the future.

Those enduring national interests include the defense of the American homeland, assured access to the sea, air, space and cyberspace, the preservation of a favorable balance of power across Eurasia that prevents authoritarian domination of that region and providing for the global common good through such actions as humanitarian aid, development assistance, and disaster relief.

We also discussed the five greatest potential threats to those interests that are likely to arise over the next generation. Those threats include but are not limited to radical Islamist extremism and the threat of terrorism, the rise of new global great powers in Asia, continued struggle for power in the Persian Gulf, and the greater Middle East and accelerating global competition for resources and persistent problems of failed and failing states.

These five global trends have framed a range of choices for the United States. We talk about this in the introduction to our report. We note the various tools of smart power, diplomacy, engagement, trade, other things that will increasingly be needed to protect our Nation and its interests.

We talk about the opportunity of using international institutions, adapting them to the new requirements of the 21st century, and creating new institutions as appropriate.

But we emphasize that the current trends are likely to place an increased demand on American hard power to preserve regional balances. That while diplomacy and development have important roles to play, the world's first order concerns will continue to be security concerns.

In the next few chapters we turn to the capabilities that our government must develop and sustain in order to protect our enduring

interests. We first discuss the civilian element of national power, what Secretary Gates has called "the tools of soft power."

We make a number of recommendations for the structural and cultural changes in both the executive branch and the legislative branch that will be necessary if these elements of national power are to play their role in protecting America's enduring interests.

The panel notes with extreme concern that our current federal government structure, both executive and legislative, and in particular those related to security, were fashioned in the 1940s and they work at best imperfectly today. A new approach is needed, and we tried to describe that approach in our report.

Let me turn to my colleague, Bill Perry, to summarize the balance of our report.

[The joint prepared statement of Mr. Hadley and Dr. Perry can be found in the Appendix on page 45.]

STATEMENT OF HON. WILLIAM J. PERRY, CO-CHAIRMAN, QUADRENNIAL DEFENSE REVIEW INDEPENDENT PANEL, UNITED STATES INSTITUTE FOR PEACE

Dr. PERRY. Thank you, Steve. And thank you very much, Mr. Chairman and Mr. McKeon.

For many decades during the Cold War, the primary mission of the Defense Department was to build a force capable of containing and deterring the Soviet Union.

The Defense Department recognized that we might be faced with other missions, but we considered them to be lesser included cases. That is whatever force we had capable of doing the primary mission would automatically be capable of doing the other missions.

In 1993, when I became the deputy secretary, the Cold War was over. We needed a new force structure, and we concluded then—we created something called the Bottom-Up Review that identified the primary mission of preparing for two major regional conflicts. And we considered there would be other missions, but they would be lesser included cases.

Today, the assumptions of the Cold War in the 1990s are no longer valid. A major portion of the U.S. military today is involved in two insurgency operations in Iraq and Afghanistan. Therefore, not surprisingly this QDR focused on success in Iraq and Afghanistan. I must say if I were the Secretary of Defense today I would have done the same thing.

On the other hand, we do need to consider missions that go on 20 years into the future. We do need to be building today the forces capable of dealing with these future contingencies.

Indeed, we believed, the whole panel unanimously believed, that a force planning construct to deal with these futures would be a powerful lever to shape the Defense Department. And because of the absence of this in the QDR, we decided we would offer our own judgment as to what those missions should be and how they might be met.

We concluded that the recent additions made to the ground forces will need to be sustained for the foreseeable future. We concluded that the Air Force has about the right structure except for the need to add long-range strike, more long-range strike.

We considered, however, a need, a definite need to increase the maritime force to sustain the ability to transit freely in the western Pacific. That need is at least as strong as it was during the Bottom-Up Review, and therefore we suggested that the force, the naval forces postulated in the Bottom-Up Review might be a baseline to consider.

We also noted the Defense Department needs to be prepared to assist civil departments in the event of an attack on the homeland and the cyber field. And we concluded that a portion of the National Guard should be dedicated to homeland security, in fact, generally that we needed to rethink the contract with the Guard and Reserve forces.

We observed that a major recapitalization will be required, particularly when we consider the wear and tear of our equipment during the wars in Iraq and Afghanistan. Now, the directive of Secretary Gates for efficiencies in the acquisition field is a good start, but we unanimously concluded it was not sufficient.

That is additional topline will be required to meet the needs we have laid out. This will be expensive, but deferring recapitalization will entail even greater expenses in the future.

We looked specifically at the field of personnel. We all believe that the all-volunteer force has been a great success, but the dramatic increases in cost in the last few years simply cannot be sustained.

We must seriously address this issue, and the failure to do so will lead either to a reduction in force, a reduction in benefits, or a compromised all-volunteer force, none of which are desirable outcomes.

To do this we must reconsider longstanding personnel practices, considering an extended length of expected service. It is in revising the benefits to emphasize cash instead of future benefits, to consider a vision in the longstanding up-and-out policy in the military and to consider a revision of TRICARE benefits. These are big issues, and I don't need to tell this panel that they are politically sensitive issues.

We recommended the establishment of a new national commission on military personnel, comparable to the Gates Commission back in 1970. The charter of this commission would be how to implement the changes that we have laid out that need to be made in personnel policies.

We looked specifically at the question of professional military education. I must say that I believe that the training and education programs in the U.S. military have played a key role in making our military the best in the world. It is expensive, but it is worth it.

With that in mind, we recommended a full college program for reserves with summer training and a five-year service commitment. We recommended expanding the graduate program to include military affairs, foreign culture, and language. We recommended a program to provide officers with a sabbatical year in industry.

As people read this report some, indeed many, may think that we have made a disproportionate emphasis on professional military education. And to which I would answer that while our military does an excellent job in training for doing the current mission, pro-

fessional military education prepares our force for future contingencies.

We did also look at acquisition. We recommended that we clarify the accountability in the acquisition force. Indeed, we devote several pages of our report to describing how to go about doing that.

We made a very specific recommendation that the DOD set a limit, a limit of five to seven years for delivery of all of the new defined and desired programs. Five to seven years is not characteristic of what has been the history in the last decade.

We have seen too many programs that have gone on for 10, 12, 14 years. I have simply observed that a program that has gone 10, 12, 14 years is guaranteed to cost too much. It is guaranteed to overrun. The programs that we have looked back historically that have been successful, the F–15, the F–16, the F–117 were all done in a four or five- or six-year timeframe, and that is no accident.

We argued that we should require dual-source competition for production programs in all cases where it will provide real competition. We observed that there is under way right now an acquisition program to provide for the urgent needs in Afghanistan.

We commend that program and suggest that we look to institutionalize how that is done because we need a regular program for dealing with urgent needs onto the future.

In the field of planning, we recommend the establishment of an independent strategic review panel, that the legislative and executive branch would establish in the fall of a presidential election such a panel, much as in the same way that you established this panel.

But we would recommend it be done in the fall of a presidential election year. That panel would convene in January as the new administration took office and would report six months later.

Its focus would be on strategic security issues. With that input, the new national security advisor would then prepare a National Security Strategy [NSS] involved under the directorship of the national security advisor with the involvement of the key departments, certainly including the Defense Department. This new National Security Strategy plus the planning program and budgeting system would replace the QDR in our judgment.

Finally, I would like to thank the Congress and the Defense Department for giving the panel such a competent and collegial group of people to work with.

And also I would like to say personally it has been a privilege and a pleasure to work with Steve Hadley, my co-chairman. To the extent our report has reached a consensus and has reached significant and important conclusions, I would give Steve the primary credit for that. Thank you very much, Mr. Chairman.

[The joint prepared statement of Dr. Perry and Mr. Hadley can be found in the Appendix on page 45.]

Mr. ORTIZ. [Presiding.] Thank you so much, and we know that we have two very capable outstanding Americans with us today testifying before our committee. And I just have maybe a couple of questions for Dr. Perry and Mr. Hadley. Thank you for returning back to our committee today.

With the increased activity that we see out of China and North Korea in the Asian-Pacific affairs, how did you factor in these po-

tential threats into your overall assessment of future force structure? And on another note, how do you see the services balancing the cost of training and equipment with the increasing cost of manpower?

Dr. PERRY. I will take a shot at that then give Steve a shot as well. The first and I think most important point I would make is that I consider the U.S. military forces today capable of handling successfully any military contingency I can contemplate in the western Pacific theater.

Our recommendations for an increase in maritime forces were looking primarily to future contingencies, but I do not want to leave the suggestion that we are inadequate to deal with the present contingencies because I believe the forces are totally capable of doing that.

Steve.

Mr. HADLEY. I would only add that that we obviously need to, in this time, use our resources very effectively, to give effective capability to our military in a way that is as efficiently done in terms of using the taxpayers' money. And we propose a number of things. Secretary Gates has proposed a number of things to save money in the department.

Acquisition reform we think will reduce costs. We think the overhead initiative Secretary Gates is an important one. We think it is important to get on to the increasing cost of the all-volunteer force if we are going to preserve that force.

There are a number of things which we think we can do to free funds to go into force structure modernization and preserving and sustaining the all-volunteer force.

It may be that we cannot find enough money within the defense budget to do what needs to be done, at which point the view of our commission is increases to the top line may be required, and I think our guess is probably will be required in order to do what we need to do now to be ready for the challenges over the next 20 years.

Dr. PERRY. Mr. Chairman, I would like to add one other comment to that.

Mr. ORTIZ. Sure, go right ahead.

Dr. PERRY. I was in Korea a week or two after the sinking of the South Korean ship, and I discussed in some detail with the Korean officials and our military officials there what I believe the proper response to that should be.

I recommended then that the South Koreans take major program to increase their anti-submarine warfare capability and that U.S. Navy should work cooperatively with them in that.

And I also strongly recommended that there be a very prompt anti-submarine warfare exercise conducted in that part of the South Korean naval waters in conjunction with the U.S. Navy. Those exercises, indeed, are now under way and I am very happy to see that outcome.

Mr. ORTIZ. And I just have another question, short one, and then I am going to yield to my good friend from California. In the last years, we have had—I can remember when you joined the Navy, you stayed in the Navy. When you joined the Air Force, you stayed

in the Air Force. But now we are beginning to see a lot of boots on the ground from the Navy, from the Air Force.

Was that given a consideration by your commission as to how we address that? Because we have problems to where sometimes we feel that some of these Navy ships are not manned well, and we have to cut corners on maintenance because we have got to put some of these Navy personnel on the ground. Was that ever considered? Or should it be considered?

Mr. HADLEY. I think it should and I will try on that. I think our panel did not discuss what I am about to say explicitly. I believe they would agree with it that we think it is a good thing that the Navy and the Air Force contributed to winning the wars we have in Iraq and Afghanistan.

But you are quite right. It has taken a toll on the Air Force and the Navy and particularly we think prospectively looking out 20 years. That is why we think we need to make the force structure adjustment in the Navy that we have recommended. And that is one of the reasons why we think we need a fully modernized force, to recognize that that was the right thing to do, but it did exact a toll.

And so what we have laid out is a strategy to take that into account and ensure that the Navy and the Air Force will be able to play over the next 20 years the wide spectrum of roles we need them to play in order to meet the challenges of the 21st century.

Bill.

Dr. PERRY. I think that is well said.

Mr. ORTIZ. The gentleman from California, Mr. McKeon.

Mr. MCKEON. Thank you, Mr. Chairman. Gentlemen, the panel recommends that the 1993 Bottom-Up Review should be the baseline for our force structure. Please explain why you recommend we adopt force structure that was recommended 17 years ago?

Dr. PERRY. In the focus, particularly on the naval forces, we observed that the needs for naval forces in 1993 and that the needs today are at least as great as the needs in 1993 and the Bottom-Up Review recommended a naval force for that.

We said the force should be no less than that. And so we used that as a baseline. We were not representing that as being the last word on what should be considered.

That for us is the baseline in our consideration. We see the needs of a naval presence, a maritime presence, particularly in the western Pacific at least as great now as it was during the Bottom-Up Review.

Steve.

Mr. HADLEY. I have nothing really to add to that. I think it was a combination of the respect for the process that was done then, and as Dr. Perry said, a notion that if that force was what we thought was required in what we projected to be a fairly benign environment and if that environment has been much more active than we anticipated and probably will continue to be active over the next 20 years, in some sense we need to at least have that force. And that is kind of how we backed into it.

We were not in a position to do the kind of force planning the Department of Defense would do, but we thought that we could establish that as a threshold and that is how we presented it in the

report. It least needs to be that force. In the case of the Army, the Marine Corps, we endorsed the fact that it is actually a larger, slightly larger force. And we think that is appropriate.

Mr. MCKEON. So that in 17 years, the world hasn't gotten safer and the 346 ships recommended in the Bottom-Up Review would be a bottom line, at least needing that many. And I think we are looking at now we have, what, 278 and the plan was to go to 313, so we are way behind.

The panel found that the QDR force structure may not be sufficient to assure others that the U.S. can meet its treaty commitments in the face of China's military capabilities. Can you develop this point? Which treaty commitments do you have in mind and which Chinese capabilities present the greatest challenge to our force structure, and how does this impact our allies?

Dr. PERRY. The primary treaty responsibilities of course would be in Japan and Korea. And all of our contingency plans for dealing with any conflicts involving Korea, for example, involve a rapid reinforcement of the forces we have there, primarily naval and air buildup.

Beyond that, we had to be concerned with possible contingencies that could arise south of there in Taiwan, the Philippines, South China Sea. All of those argue for a strong maritime presence in the region.

Steve.

Mr. HADLEY. I think it is fair to say that our allies in the region are nervous about the rise of China. They want us to engage China positively, to work with China to the extent we can and we are. But they want us to be there, diplomatically, economically, and militarily as a hedge, if you will, and also because they think that contributes to the strength of our diplomacy, which I think our panel would agree with. And there has been a lot of press coverage the last day or two of Secretary of State Clinton's comments in the region, and I thought that was a good approach.

Dr. PERRY. I must say, Mr. McKeon, I do not anticipate any military conflict with China, and I think indeed if one were to happen it would be a huge failure on diplomacy on the part of both countries.

But I also understand that our allies look to the United States for support in that region, and that if we were not to provide that support that they would feel obliged to build up military forces themselves, which would in turn lead to more military forces in China and would lead to an arms race in that region which would not only be economically disastrous for everybody, but would be from a security point of view, lessening our security, not increasing.

So maintaining a consistently strong military force, particularly maritime force in the western Pacific, I think is the best way of avoiding conflict and avoiding that kind of an arms race.

Mr. MCKEON. Peace through strength. The panel concludes that modernization has suffered for a long time because of the need to sustain readiness and the cost of current operations. However, the modernization is now coming due. What steps should the Defense Department take to address the modernization problem, and what should be our modernization priorities?

Dr. PERRY. I think Secretary Gates has recognized that the top line budget he has, given the expenses in Afghanistan and Iraq, are not adequate for sustaining the modernization of the force. And that is why he has called for a decrease in acquisition costs through efficiencies.

In my opening statement, I commended him for that move, but I also observed I do not believe those efficiencies are likely to provide enough funds to deal with all of the modernization recapitalization that is required.

Steve.

Mr. HADLEY. Our report tries to make a number of additional suggestions. Secretary Perry talked about the capability you can reasonably get in five to seven years. The report mentions two other things I would just underscore.

One is the need in some cases to trade off performance to maintain cost and schedule. This is not giving our troops less than what they need in terms of performance, but it is to say, let us not give our troops more than they need for performance at the cost of delivering systems too late and over cost.

Now, we need to find a way to make technology work, not only to ensure our men and women in uniform have the equipment they need, but also to use technology to drive down costs. You know, we see it in the IT [information technology] industry all the time.

We have got to find a way to make technology not only deliver the performance our troops need, but at increasingly lower costs so we can do the more than one-for-one replacement we are going to need to have a fully modernized, adequate force structure.

Dr. PERRY. Mr. McKeon, I would say that of all of the recommendations we make in this area, the one that would be most substantial in keeping costs down is the recommendation to hold procurement time to five to seven years. There is a long history of just how much the Defense Department overpays for programs that go on 10 to 12 years.

And the discipline that is needed to keep that from happening is to start out from the beginning with the program by holding them to this lesser time scale. That forces them to make the front-end decisions to keep these costs from blooming.

Mr. MCKEON. And that problem accelerates as technology further accelerates. As you are moving down the line, you keep wanting to add the latest, latest, latest——

Dr. PERRY. Yes.

Mr. MCKEON [continuing]. And seeking the perfect and never quite reach, as you say, the delivery of something that could help right now.

Dr. PERRY. Well, I am a strong advocate for the importance of technology and giving our military a leverage, a competitive advantage over other systems. The question is not whether to use technology, it is how to introduce it.

And if you limit it to five to seven years, that means the new technology is introduced in the additional mods. For example, the F–16A is followed by a B, a C, a D, an E, instead of trying to do all that at the first stage. That is the way we think it should be done.

Mr. MCKEON. And never get A delivered.

Dr. PERRY. Yes.

[Laughter.]

Mr. HADLEY. And the other thing, if I just might add that is in the report, that I know the subpanel who worked on this feels very strongly, we need to clarify roles and have clear authority and accountability within the OSD [Office of the Secretary of Defense] but also the service chain, as who is responsible for delivering the increment of technology on time and at cost.

It is a muddy picture with lots of layering and lots of review without clear lines of authority and accountability, and I think that is also at the heart of our recommendations.

Mr. MCKEON. Thank you, and my final question, on page 94 of the report, the panel states, "The budget process and current operational requirements are driven by the staff process and service priorities most likely shaped by the QDR far more than the QDR will now shape processes and drive future budgets and program agendas."

Is it then fair to say that the panel believes that the 2010 QDR was budget-driven rather than needs-driven?

Dr. PERRY. I would say rather that it was driven by the overriding focus on achieving success in Afghanistan and Iraq. That was what was driving the QDR.

Mr. MCKEON. That is what took it out just to the five years instead of the——

Dr. PERRY. Yes, and then let me repeat also that had I been the Secretary of Defense, I believe I would have done the same thing.

Mr. MCKEON. This whole process, we are not trying to criticize the Secretary of Defense.

Dr. PERRY. Right.

Mr. MCKEON. We are just trying to get to what our needs and how we——

Dr. PERRY. Absolutely.

Mr. MCKEON [continuing]. Get there. Thank you very much.

The CHAIRMAN. [Presiding.] Dr. Snyder, please.

Dr. SNYDER. Thank you, Mr. Chairman. I see Mr. Coffman sitting down there and Mr. Boswell over here, and I am reminded there are some of our most extensive military experience is on the bottom row, and I am going to yield to Mr. Boswell who has had more bullet holes and helicopters in Vietnam than most of us have had rides on helicopters.

I yield my five minutes to Mr. Boswell.

Mr. BOSWELL. Well, thank you, Mr. Snyder. I appreciate that. You may have overstated a little bit. I appreciate the panel and what you bring to us today, and thank you very much for your work and looking at the force behind you, I appreciate it as well. I see General Scales I have known for some time. We have a little history together as well.

I appreciate your comments about the western Pacific. I think you are right on. I appreciate that. I am concerned about—it is certainly a changing world after—my goodness, you have said that very well on your panel. The Iraq-Afghanistan situation, what is next? I wonder if your panel gave any consideration to the African continent and what might evolve there, which I feel a little gut concern about and everything.

And the reason I am piling it all together for just one setting, I have got an amendment I have got to offer down the hall in transportation infrastructure momentarily, but the reduction in force. It happens.

It has happened before and what happens in our preparation and continuity and experience in the officer ranks and particularly the noncommissioned officers, concerns me a little bit how we keep that interest there, very important.

And lastly it would be to do with the—we currently, it seems to me like we rely and use reserve components, our Guard and reservists as part of the standing force, just a little thinking in the deployments and so on.

And I have got about 3,400 to 3,800 going out of my state as we speak. And so, you know, how they are part and parcel—how do they fit in to this as we look ahead?

I agree. I questioned at first back when we went all voluntary, but I think it works. But it is pretty costly. And I am sure you have had some discussions on that, so with those things, I would like to hear your comments, and I will have to depart, and I hope I can get back. Please.

Dr. PERRY. And I will offer two comments on those very important points. And the first is that I believe, and I think our whole panel are strong supporters of the all-volunteer force. I, like you, was skeptical of it when it was started.

But I would conclude now it has been a great success. It has led us to the best military in the world and that we should do everything we can to sustain it, and the report was done in that spirit.

Mr. BOSWELL. I agree.

Dr. PERRY. Secondly on the very important strategic planning issue you raised at the beginning, we apparently had neither the time nor the resources for doing a full stage strategic review. And indeed, one of the casualties of that is not sufficient attention paid to Africa.

But that is one of the reasons we made a strong recommendation that the next time this is done, it be preceded by a strategic review panel and that is a very important recommendation we made in that regard. And I think it is responsive to the point that you were making.

Steve.

Mr. HADLEY. I would add just two points. Our panel thinks we really need to rethink the relationship between the active force, the Guard and Reserve, and whether we even need some mobilization capability beyond the Guard and Reserve. You know, we had a mobilization strategy, and we now really have a force-in-being strategy. And the question is which role for the Guard and Reserve? How much of it is an operational reserve? How much is it a strategic reserve? How much should it have an enhanced role for the homeland issues?

All of these need to be rethought because if there are missions that can be adequately or better done in the Guard and Reserve it is cheaper. And that would take some of the pressure off the active force. So this is one of the major agenda items for the national commission on military——

Mr. BOSWELL. On that point, I appreciate what you have just said because, you know, we rely on the Guard as you know and we have floods and everything else that takes place, and I think this needs to be really carefully looked at and I think that is good. Appreciate that.

Mr. HADLEY. Second thing I just want to underscore something that Secretary Perry said about the national security strategic planning process—sorry.

The CHAIRMAN. Go ahead and finish.

Mr. HADLEY. We think that what the committee tried to achieve in the QDR Independent Review Panel can't really get done adequately that way, and that the committee's objectives can be better met with this national security strategic planning process that we describe. Thank you.

Mr. BOSWELL. Thank you and yield back.

The CHAIRMAN. Before I call on the gentleman from Virginia, Mr. Forbes, Mr. Boswell raises the issue, the history of our country has been to increase the size of our military and drastically reduce the size of our military, and this has happened over centuries.

And Les Aspin, I remember when he was chairman once upon a time ago commented it would be good for the country should there be a specific percentage of the Gross Domestic Product [GDP] to be assigned to the military to the national security.

That is not going to happen. But how are we to carry, Mr. Boswell's thought a step further, how do we ensure against the dips and the peaks of interest in and size of and funding of things for national security? Major, major problem facing us.

Dr. PERRY. That is a very important and very fundamental question. I would not presume to try to answer it fully, but I want to make two points about it. The first is the investment we make in professional military education is a huge investment for preparing us for the future.

It is a small cost that allows us when the new contingency arises and we need to increase the force, we need be in a new mission, it means we are doing it from a stronger educational and analytical base at least.

A second is that we make a more effective use of our Guard and Reserve forces. We talked about that in the report but I really believe there is some very deep thought of bottoms up thinking is needed about the proper contract between our Guard and Reserves. They are absolutely a key, I believe, to dealing with the issue that you are describing.

Steve.

Mr. HADLEY. I have nothing to add. I think that is a good answer.

The CHAIRMAN. If history serves me correct, and I am sure the gentleman behind me may correct me on that, General Scales and Dr. Kohn, the golden era of professional military education was between the wars, between the First World War and the Second World War.

It was not by design. It was by happenstance, the shrinking of the military and those outstanding officers that chose to stay. So many of them not only attended war colleges, but they taught at war colleges. Thirty-one of the thirty-four Army corps commanders

in the Second World War taught at one time or another in the war college system.

How do we—what is bound to happen? The ups and downs in funding, which I don't like, you don't like, our committee doesn't like, but it might come to pass. How do we ensure what you just talked about in having another era of the golden age of military, professional military education? So that when trouble does come, you will have those potential leaders, whether they be platoon leaders or corps leaders ready, willing and able. How do you do that? How do we recreate what happened between the wars by happenstance? How do we do that on purpose?

Dr. PERRY. I believe the answer to that lies in an increased emphasis on professional military education. I also agree with the point you were making that the officers who have actually taught in the war colleges or taught in the academies bring a unique background and a unique capability so all of those points are important.

They are all, by the way, discussed in our report where I think we pay pretty careful attention to those issues.

Steve.

Mr. HADLEY. I think we have one, I think this committee needs to, as you have for the last ten years, helped show the way on professional military education to the department. Second, there is a terrific opportunity.

We have got people coming back from service in Iraq and Afghanistan who are tactically superb, but they have learned the wide range of skills they need to do the jobs we ask them to do in those settings.

I think they will have a demand for the right kind of professional military education, and if we afford it to them, it will help keep them in the force and so we don't lose this capability.

And lastly I think this rebalancing between active, Guard, Reserve, mobilization beyond Reserve is a way of helping manage cost but keeping that capability and talent available to the country. And that is what the national commission on military personnel needs to address.

Dr. PERRY. Mr. Chairman, besides our splendid academies and military universities, we need to make greater use, I think, of our regular universities. At Stanford where I teach, we had each year seven or eight senior officers come and spend a year at Stanford taking courses, meeting with the policy people there, teaching courses.

And I have felt this was so successful that in the last year or two I have worked to expand that program and I worked at each of the services to send more officers to them. And each of services have been very forthcoming in that regard. So in a small way we are working at one university to try to increase that interaction.

The CHAIRMAN. I noticed that there are two recommendations. One is that there be an entrance exam for war colleges. As I recall, the history of the German General Staff required an extensive examination before they were appointed to that position. Am I correct?

General SCALES. Yes, sir. It is true.

Dr. PERRY. General Scales said the answer to that is yes, and I am sure he knows.

The CHAIRMAN. And also there is a recommendation that an officer must serve as a professor before he or she reached the flag rank. Is that correct?

General SCALES. Yes, sir, it is true.

Dr. PERRY. Absolutely.

The CHAIRMAN. That is great. Okay, thank you.

Mr. Forbes.

Mr. FORBES. Thank you, Mr. Chairman.

And I want to echo what everyone has said about just the marvel of the great work that you have been able to accomplish. I wish we could bottle that up in so many different categories throughout Congress. And so I want to take your words and not add to them because I know they were well thought out, well-designed.

And one of the words that you mention in here is a train wreck. To us denotes something that is not just a matter of tweaking, but something we better be concerned about. And then Mr. Secretary, you made a comment that you said that you do not anticipate any military conflict with China.

And in your report, you guys basically say that—or you exactly say, "The risk we don't anticipate is precisely the one most likely to be realized." So taking those words and focusing just on China and us with the number of ships that we have, if you are recommending a Bottom-Up Review number that would be about 346 ships as I understand it in our Navy.

We know the Navy has always talked about a 313 ship number. Currently we are at about 283, 285 depending on the day. And for the first time we have had admirals sit where you are sitting telling us the Chinese have more ships in their Navy than we have in our Navy. Their curve is going up; ours is not.

I would like for you talk about those numbers, am I off on those numbers? Am I off on your intent? But secondly, the Chairman mentioned these spikes and peaks and valleys we have in funding. One of the things we know is that we have to set priorities.

We are looking at the Navy needing more ships, more personnel. There is a $28 billion in budget reduction we are looking for the Pentagon, $3 billion in shipyard infrastructure. They are talking about a billion dollar move of a carrier to Mayport, Florida.

And when I look at that, here is our frustration, we have put in statute a requirement that we get a shipbuilding plan for Congress to look at. The Department of Defense just refused to give us that last year despite the fact we even had a congressional inquiry unanimously supported by this committee to get it. We had a requirement in statute for an aviation plan so we can set those priorities; couldn't get it. We are due a China military power report that was due May 1; still haven't gotten it.

When we have admirals or individuals from the Pentagon sit where you sit and we ask them to prioritize, they refuse to do it. Talk to me about the numbers that I just mentioned, but also do you have suggestions of a mechanism that we can use to better partner with DOD in trying to get the information we need so we can help set these priorities?

Dr. PERRY. I will comment on a few of those points, but I will start off my comments by saying in my opinion, the United States Navy today is the most powerful Navy in the world, and whoever

is second is pretty far behind. Having said that, there is no reason for complacency.

First of all, the U.S. Navy as compared to the Chinese Navy has a worldwide responsibility. They have the responsibility well beyond the western Pacific. And in the Pacific alone, we do have to recognize the fact that we are declining in our force and the Chinese Navy is increasing in its force.

So all of those things together lead me to recommend to join with the panel in recommending that we work to increase the size of our Navy. And the reason for that in my mind has to be primarily with the importance of maintaining a strong naval force in the western Pacific.

I would emphasize again that I would not suggest that the number we used in the Bottom-Up Review Force is the last word on the problem. We wanted to call attention to the problem.

We wanted to say that the Bottom-Up Review is certainly the baseline for us for considering this, but we are calling for a new strategic planning review at the time of the next presidential election.

So roughly two years from now there would be another strategic planning review and would look in great detail at this problem and come up with a force construct appropriate for the missions that are described.

Steve.

Mr. HADLEY. I don't have anything to say. It is a good answer.

Mr. FORBES. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Taylor, please.

Mr. TAYLOR. Again Secretary Perry and Admiral, thank you for being with us.

Mr. Secretary, I have concerns that, going back to the fleet, that one of our biggest vulnerabilities is fuel. Carriers can go for approximately 15 years without refueling, the submarines, some of the newer ones, the life of the submarine without refueling.

But the ships that defend the carriers, DDGs and the frigates, the cruisers, they have to refuel every three to five days, and particularly in the Far East, the farther you get away, the burden cost of fuel, the vulnerability of the oilers.

I was curious if in your review you looked at that? Obviously one solution would be to the greatest extent possible going to nuclear-powered surface combatants. I was curious if in your calls for a 346-ship Navy if you also took a look at what I consider to be that vulnerability?

Mr. HADLEY. We opened the door within our committee to a discussion of this issue. We thought about whether in the acquisition process, for example, the fuel consumption issue should play in some way for all the reasons you suggest. And I think a number of our panel members felt very strongly about it. We could not come up with a mechanism as to how to take into account in terms of the planning.

And it is, you know, our philosophy was to do what we could and where issues remain to try to recommend commissions to follow it up. That is an issue I think this committee should pursue with the Department. So I would say good question. We framed the issue.

We could not come up with a recommendation on how to deal with it.

Dr. PERRY. I would add to that it is not just an important question. It has to do, of course, with more than just the vulnerability of our ships to fuel.

If we think today of gasoline at $3 a gallon at the tank in Washington, D.C., when you get that same gas delivered to a forward operating base [FOB] in Afghanistan or Iraq, it is $30 or $300, not counting the lives lost getting the fuel there.

This is a very, very important issue, and I do not believe our panel gave enough depth and attention to it.

Mr. TAYLOR. Going back to the mix of the vessels, as you know the LCS [littoral combat ship] program has run in late. The committee has recently followed Secretary Roughead's lead to truncate the DDG–1000 program at three, restart the 51 line. A later decision was made to put our Nation's missile defense on the DDG–51.

Did the panel—and I have been in favor of both of those moves—I am curious if the panel gave much thought as to those moves and whether or not they think how likely we are going in the right direction?

Mr. HADLEY. We did not try to review those specific decisions that you have described in terms of the DDG and all the rest. Clearly one of the concerns that the panel had is making sure that we deal with asymmetric threats, missile defense, weapons of mass destruction, cyber attacks and all the rest. But we did not try to sort of look at specific procurement decisions. We tried to set a broader framework.

Mr. TAYLOR. Okay. Mr. Chairman, I yield back. Thank you.

The CHAIRMAN. Mr. Kline, please.

Mr. KLINE. Thank you, Mr. Chairman and thank you, gentlemen, for being here, and for a really terrific report. I think the common thread here in this committee that I have heard both in this open hearing, in many conversations is a deep disappointment in the QDR, which we feel very strongly and I think you touch on that that it was in many ways budget-driven and not the product that we needed.

And this is the converse or the flip-side that this is an excellent document, and so I want to add my voice to those of all my colleagues here in saying well done. You touch on so many things, but I wanted to go to two related issues. And it is sort of getting at the difference between the QDR and your QDR in perspective.

You recommend, the panel recommended that the Congress and the executive create an independent strategic review panel, which based on what I am just saying sounds like a fine idea.

And I would be interested in any comments you have on is it a same sort of makeup as your panel? And would it be a permanent standing panel or ad hoc? Or just some—you probably have addressed it, but I would like to hear what you have to say about it.

And then an extremely important issue that gets to the point that General Schoomaker used to call I think the tyranny of personnel cost or something like that. When you talk about the rising military personnel cost and you call for a new national commission on military personnel, which I take it to be a sort of one-time, you know, the 1970 Gates Commission thing.

Dr. PERRY. Yes.

Mr. KLINE. If you could just address those, too, because both of them are getting to some outside expertise that is out from under the Department and the Administration.

Mr. HADLEY. We think the QDR did a number of good things, and I don't want to be too hard on it.

Mr. KLINE. That is okay, Mr. Hadley, I will be hard enough. I just want to get your solution to it.

Mr. HADLEY. But I want to reiterate something, what I said before. We thought that what this committee was calling for we couldn't really get out of the QDR and the QDR Independent Panel process. And that is why really we recommend shutting down that QDR process because the strategic out-of-the-box look, we don't think you can get there from here.

And that is why we said let us have a national security strategic planning process, whole-of-government, top-down and start it with what we have called the Independent Strategic Review Panel, which would get started and be formed in the fall of an election year, would be able to start the January after a presidential election and take six months.

It would be a group of outsiders appointed by the Congress and the President to think out-of-the-box, review the strategic situation, suggest what changes need to be made in our National Security Strategy and in some sense be the front end to the national security strategic planning process we then describe.

And it would be taken over by the National Security Advisor on behalf of the President for the new Presidential Administration in its first year.

We think that is the way to get the unconstrained out-of-the-box strategic look. Because the challenges we face heavily rely on the Defense Department but not just only the Defense Department, and that way it will give you this whole-of-government look that we think.

So our recommendation is what the committee wants is exactly right. We just think that the way we have gone about to get doesn't work, and this is a better way to get what the committee is looking for.

Bill.

Dr. PERRY. Several comments, first of all, it is critical that this panel be appointed both by the executive and legislative branch as was this panel and that it be bipartisan. In fact that it be nonpartisan, be created in a bipartisan way. We tried to run our panel as a nonpartisan panel, not as a bipartisan panel.

That the timing is critical; it has to be started sooner than our panel was started to do the job and that is why we suggested the fall of election year.

This could be a continuous body or it could be appointed every four years but I think there is a certain merit to having it as an ongoing body. And I think that should be—if the Congress decides to move in that direction, I think you should consider it as maybe a standing panel.

Mr. KLINE. Okay, thank you, gentlemen. And I guess I am out of time, but I hope somebody will explore that idea of the personnel

commission and in your vision how that would function. So I am sorry, I yield back, Mr. Chairman.

Dr. PERRY. And that would be a one-shot committee modeled after the Gates Commission dealing with the specific issues which we outlined in the report.

The CHAIRMAN. Thank the gentleman.

The gentlelady from California, Mrs. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

And I am going to go ahead and go into some of those issues and ask you for some responses. I certainly want to thank you all, all the panelists for this extraordinary effort. We appreciate it.

You obviously made a recommendation to reform the military personnel system, and one of the focuses of that was to provide for longer officer careers, which would allow for more education as you mention and career broadening assignments and the establishment of a more elite career force where high quality officers could serve in leadership positions for longer periods of time.

And the report does acknowledge that there are some cultural barriers to doing that and those cultural barriers would not lend themselves in your, I think, analysis to a kind of incremental approach.

And I wondered if the panel had a chance to look at one of the elements in the Defense Authorization Bill in fiscal year 2011 was to establish a pilot program to test an alternative career track for officers. And it would set guidelines for an incremental approach to achieve many of the objectives that you cite in your report.

And I just wondered whether—you seem to feel that using this incremental approach would not be the easier way to go, and that you felt that you needed to kind of do all of this in a more dramatic way perhaps.

We wondered whether in the authorization there was really a knowledge that perhaps service members would need to buy into a new strategy over time.

Dr. PERRY. Yes, we believe that the present system when an officer might be serving or a noncommissioned officer might be serving 20, 25 years is a terrible waste of talent. The reason our military is so good is because of the great investments we make in training and education.

Mrs. DAVIS. Yes.

Dr. PERRY. So once we have trained and educated these people, in 20, 25 years they leave, and in fact we push them out. That system just has to be wrong.

People are living longer now. They are living active lives longer. They have another 10 or 15, 20 years of good potential service available. And many of them, and indeed most of them, would like to do that if the system will permit them. So I think it is crucial that that part of the system be dramatically overhauled.

And I do not suggest it is going to be easy to do that, but I think it is important to do that. Our military today is much greater involved with technical and specialties and with specialized knowledge where education and training is very important.

And so we need to have a way not only of continuing the education and training of our officers, but then keeping them long enough to get the benefit of it.

Steve.

Mr. HADLEY. And we thought incrementalism is fine, but the need is so urgent, we thought the way to get visibility was the commission, and it would hopefully supplement and empower all the things you talked about.

Mrs. DAVIS. Okay, I appreciate that. I think Mr. Kline had raised the issue and of course that one of personnel, increasing costs for personnel per service member is obviously a very important one here.

And part of the difficulty is, I think, that we see that there are a number of reasons why that has occurred. Certainly benefits, other incentive programs have increased over time due to inflation, a need to compete with the private sector. There are a lot of reasons why those changes have occurred.

But it is also true that the Defense budget when we look at that suggests that as a percentage of the total Defense obligation authority that the military personnel accounts have actually been steadily decreasing since 1992 and have been under 25 percent of the total Defense obligation for the last 5 years.

And so I am wondering do you think that that was something that everybody had looked at on the panel? And does it, you know, change the calculus in terms of feeling that this is a problem because we have more expensive people in the services?

Or is it something that you felt really needed to be dealt with quite as you said, you know, sort of just attack it, the problem.

Mr. HADLEY. We included in our report the numbers, which suggest it has gotten bigger and if you go forward, it would get bigger. And there is also concern that what we need to do to maintain the all-volunteer force when the economy starts coming back will go up as well. So it was when we say "train wreck is coming," it is the projections that really have us concerned.

Mrs. DAVIS. Thank you.

The CHAIRMAN. Thank the gentlelady.

Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman. I also want to thank the co-chairs of the panel, appreciate all the hard work that you put into this. It is obviously a great document, and I appreciate all the thought that has gone into it.

If you look in perspective, I think you bring up some very interesting points. If you look at where the future leads us, and I like your point about saying that our QDR needs to reflect the long term needs of our military and not just that shorter-term element.

And I think that what you point out especially in chapter three when you talk about force structure and personnel, and you are saying the QDR force structure will not provide sufficient capacity to respond to a catastrophe, I think that is very, very telling.

Because as we know, it is as important for us to plan for the routine as it is for us to plan for the unexpected. And we all know that after the unexpected it is hard to go back and say, well, "We should of, could of, would have."

I like that you are looking out and saying listen the QDR's function really is to make sure that we are properly planning for those future issues that we may have to deal with.

And I also wanted to get you to elaborate a little bit on how you believe we can best do that in planning for a future force structure? And you point out that we ought to be using the 1993 Bottom-Up Review as a good baseline. And then from there looking at what current elements of our current force structure should be increased. And I am very interested in hearing your thoughts about your efforts to put forth the alternative force structure, which I think is very telling when you speak about where our Navy needs to be. And we had discussions just yesterday about what the force structure needs to be with our Navy and your alternative force structure points to 346 ships. And we currently have an inventory of 288.

I was wondering if you could give us a little more context to that 1993 baseline and your thoughts about that 346 number and what we can do and what we need to do to get there and the importance of that effort to get there?

Dr. PERRY. Thank you, Mr. Wittman. I want to emphasize that we do not believe we had the time or the resources to do a detailed force planning exercise.

Mr. WITTMAN. Sure.

Dr. PERRY. And so our recommendations need to be considered in two related parts. The first was the recommendation for the planning process that should be set up to do this——

Mr. WITTMAN. Right.

Dr. PERRY [continuing]. Which would begin two years from now, and do it with the right way. In the meantime, we felt that our judgment was the ground forces with the recent increases were at adequate levels that we ought to go up in the naval force we go back up to the Bottom-Up Review. That is a planning baseline to start from——

Mr. WITTMAN. Right.

Dr. PERRY [continuing]. But we need to reconsider that carefully in this two years from now.

Steve.

Mr. HADLEY. That national security strategic planning process our panel felt needs to provide better guidance, not only to the Department of Defense but to other agencies involved in national security as to threats and priorities so that the departments can take those and actually come up with a force sizing construct that can drive their internal planning process. That has been lacking.

I want to mention also that that would also drive the civilian side. We mention the need for greater civilian capability to go overseas with our military to help build civil structures in post-conflict and stabilization settings.

Indeed, we propose a national commission on the building of the civil force of the future to find a way to get civilian agencies able to deploy with our forces overseas. If we do that, then this planning process can also give guidance to how to size and prioritize that force as well.

Mr. WITTMAN. And I appreciate that. I think those are great points, making sure that we understand where the needed capabilities must be in the future. And then from our standpoint as decision makers here on the Armed Services Committee, to make sure that then we know in context how to properly make resourcing decisions.

And I think your point there about and the report states, "We cannot reverse the decline of shipbuilding, buy enough naval aircraft, recapitalize Army equipment, buy the F–35 requirement, purchase a new aerial tanker, increase deep strike capability and recapitalize the bomber fleet by just saving the $10 billion to $15 billion that the Department of Defense hopes to save through acquisition reform."

And we all agree acquisition reform needs to be there, but that proper planning, that strategic planning is really where the context of resource decisions need to be made here.

And I really appreciate you all pointing it out because I think that is so critical to this process is knowing that in context there if we don't have good planning it makes it almost impossible for us as decision makers to do that. So again, I thank you so much for that and appreciate your pointing that out.

The CHAIRMAN. Gentlelady from Guam, Ms. Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman and Secretary Perry and Mr. Hadley. Thank you for coming and briefing us today on your evaluation of the QDR.

My questions today revolve around training and readiness in the Pacific theater. Although the QDR discusses the forging of relationships to include China in order to have stable Pacific theater, it does not discuss any of the hurdles our military will face with regards to training and readiness.

Currently 8,600 Marines and their families are coming to Guam due to the 2006 United States-Japan Roadmap for Realignment Implementation Plan. However, one of the biggest reasons for the move is due to runway encroachment and the inability to conduct training in the existing areas.

Yesterday I received a copy of the final environmental impact study, "On the Move," and a major issue still not resolved is the proposed Marine firing ranges at Pagat on Guam. This is a culturally important area and it needs to be approached with cooperation between the island community, the local government of Guam and DOD.

More importantly, this highlights issues that surround all areas where we have forces stationed in the Pacific theater. And with that said, I would like to know if you agree with the assessment concerning training and acquisitions of training ranges.

And secondly should this not be more thoroughly addressed in the QDR? Finally, can either of you comment on how we should approach the training issue to ensure that our forces in the Pacific are properly trained?

Dr. PERRY. I have said before and I repeat again, I believe that training is a key to the effectiveness of the U.S. military today. I must say that the point you are describing I am confident is an important point, but it is not a point which our commission reviewed in any detail at all.

Steve, are you aware of anything we did to shed light on that?

Mr. HADLEY. No, it is good question, and we looked at the Asia-Pacific in force structure terms. We really did not look at it in readiness and training terms, and it is an omission and you are right about that.

And again it is the kind of thing I think the committee needs to pursue with the Department. It is something we probably should have looked at. We had to pick and choose given our time constraints. It is a terribly important issue.

Ms. BORDALLO. I understand it is an issue, you know, that is really with Guam and "On the Move," but I just wondered how we should we approach acquiring land? You know, it has been with imminent domain, which is something that our people of Guam do not approve of. And also in the ranges this comes to the point where I just brought it up, how do we acquire properties for firing ranges?

Mr. HADLEY. Well, you know, from the high-level, look, in terms of the process has gone over the last five, six years to adjust our force structure in Korea and Japan and the like, I think the watch word is to try to do it in a way that is acceptable with national governments, with local governments, and local populations because we want our troops and our training presence to be welcomed, not a source of contention. So I think the only way to do that is in this broad, consensual way.

Ms. BORDALLO. Well, it is a contentious issue in Guam, and I certainly hope we will be able to resolve it.

Dr. PERRY. And I regret we can't give you more detailed answers because I fully agree on the emerging importance of Guam in our whole strategy in the Pacific, so that is a very important question. Thank you.

Ms. BORDALLO. Thank you very much, and I yield back, Mr. Chairman.

The CHAIRMAN. Thank the gentlelady.

Mr. Bartlett.

Mr. BARTLETT. Thank you very much. I would like to read briefly from the introduction to your report. "The natural tendency of bureaucracies to plan short-term, operate from the top-down, think from existing parameters, and affirm the correctness of existing plans and programs of record." That is exactly what happened to the QDR process.

"Instead of unconstrained long-term analysis by planners, who were encouraged to challenge preexisting thinking, the QDRs became explanations and justifications, often with marginal changes of established decisions and plans," kind of the tedious repetition of the obvious.

The latest QDR continues the trend of the last 15 years. I have three concerns of strategic importance, and I wonder how they were reflected in the QDR.

The first of these is the new Chinese anti-ship missile. Some of its capabilities are classified, but I think in the public domain it is known that it is a real game changer. You can't get within 1,200 miles of it.

And we have essentially no assured defense against it. If it were on a ship, then we couldn't get within 1,200 miles of any ship. This is a real game changer. Is this reflected in the QDR?

The second concern I have of strategic importance is electromagnetic pulse [EMP]. This is the most asymmetric of all warfare potentials, a non-state actor, who had a tramp steamer, a Scud missile, and any nuclear weapon detonated above the atmosphere

could be devastating to our military or to our country. How is this reflected in the QDR?

And the third is our deep strike heavy bombers, I notice that the Chinese took out a satellite, and we can take out a missile with a missile. This new bomber will fly lower than a satellite and slower than a missile.

And I know it will be stealthy and its cross-sectional area will be very small, but radar is also becoming very much more capable as are the missiles that might take out the plane. These three concerns, I wonder how they are reflected in the QDR?

Dr. PERRY. I will comment on two of them. On the deep strike heavy bomber, we do recommend an increase, that the Air Force move forward with another deep strike and has deep strike capability.

In my opinion, we have such capability already in the B–2, and that the diagram should be a follow on to the B–2 and have the kind of stealth capabilities that the B–2 has. That is the unique capability that the United States has today and one which will be very important to be incorporated in any new deep strike bomber.

On the Chinese anti-ship capability, of course the U.S. Navy is very much aware of that emerging capability and is—think I would say in simple and unclassified terms has a serious program to try to deal with it.

I am not suggesting complacency in that area, but I would suggest that it is not going to—it need not be a game changer if we have appropriate countermeasures.

Steve, do you want to comment on any of those?

Mr. HADLEY. Just two points, I think this is a priority in the QDR. It is one of the six mission sets: deter, defeat aggression in anti-access environments. It is the second of our four enduring interests: a shared access to sea, airspace and cyberspace. It is a function partly of hardware, but partly of tactics.

And one of the things we pointed out in our report is the Navy and the Air Force are working on an AirSea Battle concept on how they would deal with the challenges presented by exactly the kinds of systems you describe in anti-access environments, and we applaud this. It requires a hardware solution, but also a strategy and tactics solution.

EMP, we did not address. I don't recall it being particularly addressed in the QDR. It is an important area. I think it is something we paid attention to in the days of the Cold War and have stopped paying attention to now, and it is a shortfall and something that needs to be addressed.

Mr. BARTLETT. Thank you, but even more important now than it was during the Cold War, and thank you for your recognition of that. I yield back, thank you.

The CHAIRMAN. Thank the gentleman.

Mr. Kissell, the gentleman from North Carolina.

Mr. KISSELL. Thank you, Mr. Chairman and thank you to the co-chairmen of this study and to all the panelists that help put this together. Looking at a different kind of structure for a couple minutes, government structure, you talk about that we are still basically operating under the government structure from the 1930s and

1940s and how that hampers our ability to perhaps define and move forward in better ways.

For someone who was not in Congress at the time—my first term—it would seem like with the government reorganizations that took place after 9/11 that we might have accomplished some of that.

So what in particular are we looking at in terms of the panel's recommendations that the government structure is not good and how perhaps did we not make the changes we should have after 9/11?

Mr. HADLEY. I would say two things. One we made a start after 9/11, but the environment now—9/11 now it is hard to believe is nine years ago and the world has changed, and there is more that needs to be done and that is what we try to assess here.

Secondly, there are things the executive branch needs to do, and we outline them in some detail in our report. There are also things Congress needs to do in terms of looking at its own committee structure.

We say that the executive branch needs to overcome the stovepipes, and we need to have the government work in an integrated way to achieve national security's challenges. That has implications for how Congress is organized as well, in our view.

And therefore one of our recommendations was to reconvene the Joint Committee on the Organization of Congress, which was established by statute in 1945, resulted in legislation in 1946 that changed how Congress committee structure organize.

We think Congress needs to reconvene that committee and look at its own organization to support recommendations that we make for reorganization in executive branch.

Mr. KISSELL. How would you assess in terms of what you talk about civilian structure, jointly with military structure as we go into different conflicts? How would you assess or did you assess the efforts that are being made in Afghanistan now as a model for perhaps doing this in the future or not?

Dr. PERRY. And I approach this problem with some personal experience of having been Secretary of Defense in Bosnia, where we had I thought and absolutely successful first-rate military operation, but the civilian function that needed to be performed had great difficulty because the civilian team doing them did not have the right training or background or experience for doing it.

And that problem manifests itself in spades in Iraq and Afghanistan, and so we called special attention to the importance of considering a civilian expeditionary force, a force that could along with the military, perform the missions.

And we are very far behind in the training and resourcing to do that. We made some specific recommendations in the report about how to do it, but mostly what we did was call attention to the importance of doing that, and much more detailed thinking needs to be done about how to actually accomplish that. But it certainly requires more resources in civilian departments now and it requires, in my judgment, that pulling together a force capable of doing that expeditionary work and training that force with the military.

Steve.

Mr. HADLEY. We learned some things in Iraq and Afghanistan. I think overwhelming we have learned that it is really hard, and we still don't do it well, and it requires a change of culture in our civilian agencies. It requires a change in the personnel system, probably change in legislation.

It was not designed to be deployable in the way our military is, and that is one of the reasons we are relying so much on contractors because they are more deployable than our civilian agencies and departments.

We don't know how to do it well. We are not organized for it, and that is why we think our recommendation for a national commission on building the civil force of the future is so important. We have got a lot of work to do on this area.

Mr. KISSELL. Thank you, gentlemen.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. Mr. Coffman, please.

Mr. COFFMAN. Thank you, Mr. Chairman. First of all gentlemen, I want to thank you for some extraordinary work here and members of the panel.

And in particular I think the reforming the personnel system I think is absolutely important and extending the career out to 40 years, as you mention, and allowing people to spend more time in specific billets, more time in grade. It may result in an operating savings as well.

But one question I have is that I was in the Army before the Marine Corps and I was in the Army at the time where they had conscription, and in my view it didn't work, and we had folks that didn't want to be there and didn't want to serve and yet they were forced to be there.

And it seems that we have evolved to where the level of professionalism at all levels of our military is much higher than it used to be. And the notion that we can bring people in overnight and train them in short order to meet the needs of our national security objectives, I think is unrealistic.

Yet in the Carter Administration, I think in 1979 or so, with the Soviet invasion of Afghanistan reinstituted the selective service system that we have now at least in place. And I have to ask you, is that necessary to have the selective service system today up and running. Is that realistic?

Dr. PERRY. In my judgment, no.

Mr. COFFMAN. Yes.

Dr. PERRY. What is necessary though is a restructuring and a rethinking of the contract with the Reserve and the Guard forces. We need a serious approach on how to make the best use of the Reserve and Guard force, but I do not believe a selective service system would meet any need which I can anticipate.

Mr. COFFMAN. Okay.

Mr. HADLEY. I would just add one thing, clearly balance between the active Guard and Reserve exactly right. The question we asked ourselves is are there some capabilities that are in the civilian sector that in a time of crisis the United States would want to be able to call on?

For example, in terms of cyber, we thought about a model that you have had some capability in the active force, some capability

in Guard and Reserve, and maybe in a place like Silicon Valley, you would try to have some kind of contract, if you will, that could bring people to the fore in the event of a national crisis.

On the civilian side, clearly policemen and other people in law enforcement could and were called upon to have a role in places like Afghanistan.

So we have talked about a civilian response corps, people who would be contracted with in the private sector that in a time of national emergency where we needed skills could come forward, have some training and deploy overseas in support of our military.

So it is not the traditional conscription service. It is not the traditional Selected Reserve. But there may be a role for a mobilization of element beyond the Guard and Reserve. And that is one of the things that we think the national commission on military personnel needs to address.

Mr. COFFMAN. Thank you, gentlemen, but let me be clear that right now we have a requirement in statute when the Carter Administration reauthorized or reinstituted the Selective Service System at least to have all the apparatus up and running.

And we are expending dollars to do that today. And we require young men in this country that are age 18 to register. In your view, is that necessary at this point in time?

Dr. PERRY. My personal view is no. The question is complicated enough that I think that it is a issue which the commission, which you talked about, a specific issue that should be put forward on the plate of this commission on military personnel.

Mr. COFFMAN. Well, thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Mr. Critz.

Mr. CRITZ. Thank you, Mr. Chairman, and thank you, gentlemen, for appearing here today. In the report it talks about personnel costs and the rise of personnel entitlements. And I am just curious as to your view or the panel's view.

Is this a snapshot in time that because of the accelerated or the conflicts in Iraq and Afghanistan have really driven a higher than expected amount of health care and needs of our military personnel coming back that this snapshot really is an aberration?

Dr. PERRY. I think that has certainly been a contributing factor. But I think more generally health care costs are rising and have been rising every year, and not just in the military of course but in the civilian area as well.

So I think that is a real problem. But I think the problem is more general than that.

Steve.

Mr. HADLEY. I agree with that.

Mr. CRITZ. And then in the report the panel writes that in evaluating the QDR force structure that you were hampered by the lack of a clearly articulated force planning construct. Can you explain your assessment of the construct and why you concluded that the construct didn't allow you to measure the adequacy of the force structure?

Mr. HADLEY. We thought the QDR was useful in that they did a lot of scenario work about contingencies that would arise in which our military would have to be engaged. And that is useful

because it is a different world and there are broad theories of threats.

But it did not then try to make some judgments and give clear guidance in a construct that would both drive the sizing of the force and permit the Department to explain it to the Congress in an effective way.

And that is why our report says that it was a missed opportunity. They did the good spade work, if you will, but didn't really draw the consequence into sort of a clear sizing force requirement that could give clear guidance to the services and explanation to Congress. That is what we think they failed to do.

Mr. CRITZ. Well, I appreciate that. And of course as the newest member of the panel, I saw your recommendation for reconvening and looking at the structure of Congress and committees.

And I am just curious what your thoughts are on—obviously you think there needs to be a reclassification of who has jurisdiction over what. And I would just be curious as a quick snapshot on why you came to that conclusion?

Mr. HADLEY. Again, we think the problem in this new world is stovepiping. And the need is for all the various agencies of the government to work together to help solve national security problems that are now bigger than just the military. And that the real problem in the government is integration and common effort.

Well, if you are going to have that integration in the executive, it raises the question of whether there is enough integration in the appropriations and authorization process in the Congress.

And we have suggested the Joint Committee on the Organization of Congress. We make it with some trepidation because Congress obviously is going to have to address these itself. But we suggested that commission look at two things. One, establishing a single national security appropriations subcommittee for Defense, State, USAID [United States Agency for International Development], and the intelligence community. And then in parallel just considering whether there is a way to get enhanced coordination among and across the Congressional authorization committees so as to give more integrated guidance to the national security departments and agencies.

Those are two specific things we thought ought to be looked at by this commission.

Mr. CRITZ. Thank you. I have no further questions. I yield back.

The CHAIRMAN. Gentleman from California, Mr. Hunter.

Mr. HUNTER. Thank you, Mr. Chairman. Gentlemen, thanks for being here. Just a quick question that is pretty specific. I am going to read really quick from your panel's report, "During the dramatic post-Cold War defense cuts, most dual-sources were dropped in favor of sole source contracting, but as defense funding has returned and it exceeded levels of supported dual sourcing, the contracting strategy has remained sole source."

"Recommendation, OSD should return to a strategy requiring dual-source competition for production programs in circumstances where this will produce real competition." Probably that last little phrase is the most important out of that whole thing.

But specifically then, leaving aside the implications for fighter force readiness, dependent on a sole source for 95 percent of U.S.

fighter engines for our next fleet of fighters, do you think that the F–35 engine is a candidate for that dual-source procurement requirement that you mention here in your recommendations?

Dr. PERRY. Do we think—what is the——

Mr. HUNTER. The F–35 engine, having two competitive engines for the F–35. Do we make them? Because this committee for the most part supported that. The whole House supported that. And I am curious if that goes in line with your recommendations.

Dr. PERRY. I would defer what Steve was saying—from in my assessment is that our committee did not specifically look at any particular system and try to make that judgment. We made a more general judgment.

The general judgment we were quite unanimous on the importance of competition and keeping costs down and in particular dual-source is a way of competition. We did not come to a specific judgment about any particular system.

Mr. HUNTER. What do you think?

Mr. HADLEY. I think what the committee—we did not address that specific issue. I think the issue is is this real competition that is going to get prices down? Or is this simply a situation of directed procurement?

Mr. HUNTER. Right. I understand. What I am asking for—I understand you didn't come to conclusions.

Mr. HADLEY [continuing]. For political and other reasons.

Mr. HUNTER. What are——

Mr. HADLEY. And our view is dual-sourcing ought to be to enhance competition and to drive prices down, and the experts need to have those criteria and then look at the case by case. That would be our answer.

Mr. HUNTER. What do you think about the F–35 dual engine?

Dr. PERRY. When I were the secretary of defense and was faced with an issue like that, I would put considerable study on it and have a lot of people advising me on it. I have not had either that study or people advising me on that issue, so I would not—I would hesitate to make a judgment.

Mr. HUNTER. Okay. That kind of follows though. Let me ask then because in order for us to make good decisions, in order for you to make good decisions, you have to have people telling you the truth in an objective way.

And if the people testifying before us, military leaders who live and breathe in the Pentagon, live and breathe in the OSD, whose future is dependent on basically whatever Administration they are in, do you think that it is it even possible for us to get objective recommendations?

I can cite a specific experience in this committee when a gentleman answered a question from the chairman, gave his personal opinion about the F–35 engine, and it wasn't about acquisition even. It was operational availability.

I remember when I was in the Marine Corps we had to ground every F–18 in the world because one cracked a wing or something in 2007. So they all got grounded, every one of them because the wings were all made by the same guys. So his answer was—and he basically got fired. I am not going to mention this gentleman's name, but he got fired because that wasn't the right answer.

So if the people we are asking questions of here or testifying to us live and breathe in this world and their QDR comes out of that world and every other recommendation comes out of that world, how can we make sure that we are getting the right kind of information that is basically the truth and not something that their future career depends on them answering the correct way?

Dr. PERRY. I think you have to have a certain amount of confidence in the competence and the integrity of the people who are working in the issue. I and my staff have a lot of confidence, a lot of respect for the secretary and the undersecretary who are making those decisions, so I would be hesitant to second guess them without looking at the issue very, very carefully.

Mr. HUNTER. Do you think that there is any—it is hard for someone to be objective to us in testifying when they come out of that world?

Dr. PERRY. Having been in that position, I can assure you it is a very hard decision to make, and it involves——

Mr. HUNTER. And the reason I am asking is because——

Dr. PERRY [continuing]. Personnel issues.

Mr. HUNTER [continuing]. Your QDR differs greatly with the one that——

Dr. PERRY. Yes.

Mr. HUNTER [continuing]. We were given, right?

Dr. PERRY. Right.

Mr. HUNTER. And there are obviously some reasons for that. I am just trying to get to those reasons. Thank you, Mr. Chairman.

Dr. PERRY. Yes.

The CHAIRMAN. Thank the gentleman.

Mr. Nye, gentleman from Virginia.

Mr. NYE. Thank you, Mr. Chairman. I wanted to note a couple of things in your report with which I agree strongly. I just want to read quickly one sentence from your introduction that says, "Instead of unconstrained long-term analysis by planners who were encouraged to challenge pre-existing thinking, the QDRs became explanations and justifications often with marginal changes of established decisions and plans. This QDR continues that trend."

I want to talk about a particular decision in the QDR, but ask your general thoughts on a larger topic about risk assessment. In agreeing with that sentence in the introduction, I quite honestly found that the QDR included a very oddly-placed, one-off sentence that suggested that the Navy ought to move a carrier from Norfolk to Mayport, Florida.

I want to read a couple things that you said about risk assessments in your report with which I agree including, "With such large demands, the department needs guidance to prioritize risk. A more specific measurable strategic guidance is also required to make the force structure and budgetary decisions required of the QDR."

I continue with your quote, "Both Congress and the Department of Defense must base their respective prioritization investment decisions on appropriate risk guidance."

And you go further to say in the report, "Because a national security strategy with both proactive and risk acceptance guidance

does not exist, one cannot clearly assess the balance of the Department's programs."

We have a difficult job here in trying to assess the importance of various projects that we would like to invest defense dollars in. And what it comes down to at the end of the day is making some trade-offs.

In fact, just last week when I questioned Under Secretary of the Navy, Mr. Work, about the proposal to move a carrier to Mayport, Florida, he agreed with me that such a decision which carries a price tag in the region of a billion dollars requires some serious trade-offs.

In a time when we are trying to get to 313 ships or perhaps more appropriately 346 to meet that risk that is out there, 150 strike fighters shortfall in investments and shipyards, we have got to make some tough decisions about where we invest our defense dollars. And the QDR ought to be a guide to help us make those types of decisions.

Given what you said about risk assessment, though, and the fact that a GAO [Government Accountability Office] study that I asked for and this committee ordered last year which reported that the Navy is home porting decision-making approach was flawed essentially because it was not based sufficiently enough on a specific risk analysis that would help us make a decision about whether that billion dollars is better spent on that project versus something else.

Secretary Perry, can you comment on whether you agree that a decision of that magnitude in the billion dollar range ought to be subject to some kind of specific risk assessment that would help us make a decision about how we balance that in the trade-off against those other things I mentioned?

Dr. PERRY. Yes.

Mr. NYE. Okay.

Mr. Hadley, do you want to add to that?

Mr. HADLEY. Yes, but this panel is really not a good vehicle for offering guidance on the kinds of specific issues you are talking about in terms of moving the carrier decision or the F–35.

Mr. NYE. Sure.

Mr. HADLEY. So it is just we are at 10,000 feet, and you are on a very particular issue. And we just didn't have the capacity to get into those detailed issues, as important as that issue is.

Mr. NYE. I understand that. I appreciate you saying that. And my question is not designed to ask you to make a judgment about that particular project. We have a process for those kinds of judgments.

But my question—what I was trying to get at the heart of, and I think Secretary Perry, thank you for your very forthright answer on that, is the process with which we make these decisions, how difficult it is.

And how much more helpful it would be to us to have specific risk assessments done on projects, especially ones that carry that kind of dollar price tag to help us decide whether the billion dollars ought to be spent there or perhaps on something else.

And that I think is the nature of the challenge of the QDR is trying to establish whether or not this QDR tool is the appropriate tool or has been constructed appropriately to provide us the advice

that we need and guidance we need to make those tough decisions about those trade-offs. And so I appreciate your answer.

I just want to note again for the record, we understand it is a tough process. These decisions are difficult. This committee has actually ordered for the coming year additional studies on that particular decision to shed more light on the risk assessment that we ought to be looking into to help us make a decision about whether that billion dollars is better spent on this than something else.

I have made a strong case that I think we have other priorities that are higher. But I think a risk assessment is something that is absolutely essential before that type of decision can be made.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank the gentleman from Virginia. There being no further questions, we certainly thank those co-chairmen today, Dr. Perry and Dr. Hadley, and their fantastic panel, some of whom are seated behind them, as well as the staff director that has been very, very helpful.

And as we move from this day toward the conference with the Senate, it will also be very helpful, and of course next year as we consider anew the challenges of national security. This is serious business, and you have done serious work. And we are very grateful for what you have done. Thank you again.

[Whereupon, at 12:07 p.m., the committee was adjourned.]

A P P E N D I X

JULY 29, 2010

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JULY 29, 2010

Opening Statement of Chairman Ike Skelton
Final Report of the Independent Panel's Assessment of the Quadrennial Defense Review
July 29, 2010

Welcome, ladies and gentlemen, to the House Armed Services Committee. Today we meet to receive testimony from the co-chairmen of the Independent Panel reviewing the 2010 Quadrennial Defense Review. Joining us today are the Honorable William J. Perry and the Honorable Stephen J. Hadley. Welcome, gentlemen.

Today we receive the Panel's final report, as required by last year's National Defense Authorization Act. This is the fourth QDR oversight-related event this committee has held and I think that reflects just how important we consider the QDR to be.

I would like to tell you right at the outset how impressed I am with this report. It will take several close readings to fully digest all of the Panel's findings and recommendations, but I have to say you have clearly met Congress' intent here. Furthermore, that this bipartisan panel of experts has unanimously endorsed the entire report is a testament to the co-chairs' wisdom and leadership. Thank you very much.

As I mentioned at our last hearing, the report of the QDR is an important input into how Congress conducts its oversight on the Department of Defense. Conducting that review is an enormous task and I'll take a

moment to once again commend Secretary Gates on his leadership there. He, rightly in my opinion, focused his effort on winning the wars we are in today.

But we cannot do that at the expense of preparing for the future, and there I am concerned that the QDR came up a bit short. I see that the Independent Panel has come to about the same conclusion. I hope we use our time today to explore those findings and hear your recommendations, so that Congress can get on with our critical task of providing appropriate resources for our national security.

I see, for example, that you recommend an increase in our force structure in the Asia-Pacific area, and specifically highlight the need for a larger navy. Of course, I have been making the very same point for years now, and so I'd like to hear your thoughts on how we should improve our posture in that regard.

On the other hand, I was very surprised to see the report indicate that you thought the current end-strength of our active duty ground forces—the Army and Marines—is sufficient. I respect your opinion, but I find that difficult to believe.

Watching the toll these wars have placed on our forces, I have been an advocate for increasing force strength for quite a while now. I would caution against being too optimistic about the demand for these forces in the future, and would like to hear the reasoning behind the Panel's position.

I know we will get into the specifics of that recommendation and many others, but first I'd like to say that as a longtime supporter of the professional military education system and the Goldwater-Nichols personnel reforms in the DOD, I was encouraged to see how thoroughly the Review Panel treated those topics.

You make a lot of very interesting recommendations: establishing an interagency assignment exchange program; incentives to encourage civilian national security

professionals to participate in such a program; and the creation of a consortium of schools and universities to develop and teach a common national security education curriculum. I believe such steps are the only way to create effective, long-lasting cultural change in our stovepiped national security system—we must focus on the people.

The Review Panel has charged Congress to act on these important recommendations. I encourage my colleagues to strongly consider their recommendations. As the Panel's report says, our national security system was designed for a world that has long since disappeared. We must find a new approach to meet the dynamic and complex threats of today. These interagency national security personnel reforms recommended by the Panel are a good place to start.

Opening Statement of Ranking Member Howard P. "Buck" McKeon
Final Report of the Independent Panel's Assessment of the
Quadrennial Defense Review
July 29, 2010

Welcome back to our witnesses, co-chairs Perry and Hadley, and thank you for being here this morning. We commend you for agreeing to serve as Panel co-chairs and congratulations on delivering a non-partisan, consensus report. We look forward to your testimony today.

Let me also take a moment to thank the other Panel members who worked so hard on this product. In particular, I'd like to thank my appointees to the Panel, Ambassador Edelman and Senator Talent, for their hard work and dedication to the Panel.

Let me start by praising this report. This is a substantive, provocative and responsible product. I anticipate the Panel's findings and recommendations will be studied on both sides of the river and will impact the work of this committee. Most importantly, this report provides the Congress what the 2010 QDR failed to do: it took a look at the challenges our military will face beyond the next five years and made recommendations—free of budgetary constraints—about the type of force and capabilities our military will need for tomorrow.

The report rightly states that our nation "cannot afford business as usual," and warns of a "potential train wreck coming in the areas of personnel, acquisition and force structure." Significantly, the report offers a realistic view of the global security environment: that maintaining and growing our alliances will place an increased demand on American hard power and require an increase in our military's force structure.

The release of your final report could not come at a better time. Despite the many challenges our military faces, Washington is abuzz with talk of cutting the defense

budget to solve the enormous federal debt. Just last week the *New York Times* ran a front page story saying that the "Pentagon is facing intensifying political and economic pressures to restrain its budget, setting up the first serious debate since the terrorist attacks of 2001 about the size and cost of the armed services." Well, if there is to be a serious debate on defense spending, as the *New York Times* suggests, then I think this Panel's views need to be front and center. As we consider and discuss the Panel's findings and recommendations we must keep in mind that this report reflects the consensus views of a bipartisan group of 20 national security experts—this Panel truly transcends partisan divide. In my opinion, the Panel's report repudiates those seeking a peace dividend and reaffirms the need to prioritize investment in our national defense.

While the report covers lots of ground on issues ranging from acquisition and contracting to whole of government reform, I want to focus on the core issues of global threats, force structure and modernization.

This Panel has a number of strong statements on the military's role in securing America's interests in the world. While it has become *en vogue* to bemoan the militarization of foreign policy, I think the report gets the balance correct. You rightly state that "the last 20 years have shown, America does not have the option of abandoning a leadership role in support of its national interests." Military decline is not an option.

With respect to force structure, the Panel echoes many of the views expressed by members of this committee. We share the Panel's concern that "there is a growing gap between our interests and our military capability to protect those interests in the face of a complex and challenging security environment." And while the Secretary of Defense may think that total tonnage of the U.S Navy compared to the tonnage of other navies is the metric for assessing our ship requirement, many on this committee will agree with the Panel's finding that "military power is a function of quantity as well as quality." If we are going to abandon the current declinist malaise and reassert

America's global leadership role, the United States must have sufficient naval forces to patrol all the world's oceans—"numbers do matter." Thus, I welcome and am interested in learning more about the Panel's recommendation to increase the size of the Navy and Air Force.

Moreover, I hope our witnesses will discuss why the Panel concluded that the "QDR force structure may not be sufficient to assure others that the U.S. can meet its treaty commitments in the face of China's military capabilities."

I also welcome the Panel's recognition that part and parcel of force structure is addressing modernization. Our committee's many hearings seem to validate the report's finding that "modernization has suffered for a long time because of the need to sustain readiness and the cost of current operations." I share your view that "modernization is now coming due."

Finally, this report makes significant contributions to challenges the Department faces in acquisition and contracting; however, I think the report rightly puts these challenges in perspective. I agree with the finding that "[w]e cannot reverse the decline of shipbuilding, buy enough naval aircraft, recapitalize Army equipment, buy the F-35 requirement, purchase a new aerial tanker, increase deep strike capability, and recapitalize the bomber fleet just by saving $10-15 billion dollars that the Department of Defense hopes to save through acquisition reform."

This report highlights many challenges this committee must address. I look forward to beginning that work today. Once again, thank you for being here this morning. I look forward to your testimony.

Joint Statement of William J. Perry and Stephen J. Hadley
Before the
House Armed Services Committee
Hearing on "Quadrennial Defense Review Independent Panel"
Washington, DC, July 29, 2010
9:30 AM – 2118 Rayburn House Office Building

Chairman Skelton and Ranking Member McKeon, we thank you for the opportunity to appear before you and other members of this distinguished Committee to discuss the Final Report of the Quadrennial Defense Review (QDR) Independent Panel.

As you know, the QDR Independent Panel includes 12 appointees of the Secretary of Defense, Robert Gates, and 8 appointees of Congress, and is mandated by the National Defense Authorization Act (NDAA) for fiscal year 2010 (FY10) to:

- Review the Secretary of Defense's terms of reference for the 2009 QDR;
- Conduct an assessment of the assumptions, strategy, findings, and risks in the 2009 QDR;
- Conduct an independent assessment of possible alternative force structures; and
- Review the resource requirements identified in the 2009 QDR and compare those resource requirements with the resources required for the alternative force structures.[i]

That is what our Panel has tried to do in its review. We have deliberated for over five months, in the process reviewing a mass of documents (both classified and unclassified), interviewing dozens of witnesses from the Department, and consulting a number of outside experts. The Congress and Secretary Gates gave us a remarkable set of Panel members who devoted an enormous amount of time and effort to this project. It was a model of decorum and of bipartisan, legislative/executive branch cooperation. Paul Hughes, as Executive Director of the Panel, ably led a talented expert staff. The result is the unanimous report you have before you entitled *The QDR in Perspective: Meeting America's National Security Needs in the 21st Century.*

Mr. Chairman, the security challenges facing the United States today are much different than the ones we faced over a decade ago. In addition to ongoing military operations in Iraq and Afghanistan, the United States faces a geopolitical landscape that is increasingly dynamic and significantly more complex. Secretary Gates and the Department of Defense deserve considerable credit for attempting to address all these challenges in the 2009 QDR.

The modern QDR originated in 1990 at the end of the Cold War when Secretary of Defense Dick Cheney and Chairman of the Joint Chiefs of Staff General Colin Powell

undertook in the "Base Force" study to reconsider the strategy underpinning the military establishment. Then in 1993, building on his own work as the chairman of the House Armed Services Committee, Secretary of Defense Les Aspin decided to conduct what he called a Bottom-up Review – an examination of the long term risks which America was likely to face, the capabilities necessary to meet them, and the various options for developing those capabilities.

The Bottom-up Review was considered generally a success. Congress thought the process worthwhile and mandated that it be repeated every four years. Unfortunately, once the idea became statutory, it became routine. Instead of unconstrained, long-term analysis by planners who were encouraged to challenge preexisting thinking, the QDRs became explanations and justifications, often with marginal changes, of established decisions and plans.

This latest QDR is a wartime QDR, prepared by a Department that is focused – understandably and appropriately – on responding to the threats America now faces and winning the wars in which America is now engaged. Undoubtedly the QDR is of value in helping Congress review and advance the current vital missions of the Department. But it is not the kind of long term planning document that Congress envisioned when it enacted the QDR requirement.

Our Report is divided into five parts.

It first conducts a brief survey of foreign policy, with special emphasis on the missions that America's military has been called upon to perform since the fall of the Berlin Wall. From the strategic habits and actual decisions of American presidents since 1945 – habits and decisions that have shown a remarkable degree of bipartisan consistency – we deduce four enduring national interests which will continue to transcend political differences and animate American policy in the future. Those enduring national interests include:

- The defense of the American homeland
- Assured access to the sea, air, space, and cyberspace;
- The preservation of a favorable balance of power across Eurasia that prevents authoritarian domination of that region; and
- Providing for the global "common good" through such actions as humanitarian aid, development assistance, and disaster relief.

We also discuss the five gravest potential threats to those interests that are likely to arise over the next generation. Those threats include, but are not limited to:

- Radical Islamist extremism and the threat of terrorism;
- The rise of new global great powers in Asia;
- Continued struggle for power in the Persian Gulf and the greater Middle East;
- An accelerating global competition for resources; and
- Persistent problems from failed and failing states.

These five key global trends have framed a range of choices for the United States:

- Current trends are likely to place an increased demand on American "hard power" to preserve regional balances; while diplomacy and development have important roles to play, the world's first-order concerns will continue to be security concerns.

- The various tools of "smart power" – diplomacy, engagement, trade, targeted communications about American ideals and intentions, development of grassroots political and economic institutions – will increasingly be necessary to protect America's national interests.

- Today's world offers unique opportunities for international cooperation, but the United States needs to guide continued adaptation of existing international institutions and alliances and to support development of new institutions appropriate to the demands of the 21st century. This will not happen without global confidence in American leadership, its political, economic, and military strength, and steadfast national purpose.

- Finally, America cannot abandon a leadership role in support of its national interests. To do so will simply lead to an increasingly unstable and unfriendly global climate and eventually to conflicts that America cannot ignore, and which we will then have to prosecute with limited choices under unfavorable circumstances – and with stakes that are higher than anyone would like.

In the next two chapters, we turn to the capabilities that our government must develop and sustain in order to protect our enduring interests. We first discuss the civilian elements of national power – what Secretary Gates has called the "tools of soft power." We make a number of recommendations for the structural and cultural changes in both the Executive and Legislative branches which will be necessary if these elements of national power are to play their role in protecting America's enduring interests. **The Panel notes with extreme concern that our current federal government structures – both executive and legislative, and in particular those related to security – were fashioned in the 1940s and they work at best imperfectly today.** The U.S. defense framework adopted after World War II was structured to address the Soviet Union in a bipolar world. The threats of today are much different. A new approach is needed.

We then turn to the condition of America's military. **We note that there is a significant and growing gap between the "force structure" of the military – its size and its inventory of equipment – and the missions it will be called on to perform in the future. As required by Congress, we propose an alternative force structure with emphasis on increasing the size of the Navy.** We also review the urgent necessity of recapitalizing and modernizing the weapons and equipment inventory of all the services; we assess the adequacy of the budget with that need in view; and we make recommendations for increasing the Department's ability to contribute to homeland defense and to deal with asymmetric threats such as cyber attack.

In this third chapter, we also review the military's personnel policies. We conclude that while the all-volunteer military has been an unqualified success, there are trends that threaten its sustainability. **Major changes must be made in personnel management policies and in professional military education. A failure to address the increasing costs of the All Volunteer Force will likely result in: 1) a reduction in force structure; 2) a reduction in benefits; and/or 3) a compromised All Volunteer Force.** To avoid these undesirable outcomes, we recommend a number of changes in retention, promotion, compensation, and professional military education that we believe will serve the interests of America's service members and strengthen the All Volunteer Force.

The fourth chapter of our Report takes on the issue of acquisition reform. We commend Secretary Gates for his emphasis on reducing both the cost of new programs and the time it takes to develop them. **But we are concerned that the typical direction of past reforms – increasing the process involved in making procurement decisions – may detract from the clear authority and accountability that alone can reduce cost and increase efficiency.** We offer several recommendations in this area.

Finally, our Report's last chapter deals with the QDR process itself. While we very much approve of the impulse behind the QDR – the desire to step back from the flow of daily events and think creatively about the future – the QDR process as presently constituted is not well suited to the holistic planning process needed by our nation at this time. **The United States needs a truly comprehensive National Security Strategic Planning Process that begins at the top and provides the requisite guidance not only to the Department of Defense but to the other departments and agencies of the U.S. government that must work together to address the range of global threats confronting our nation.**

The issues raised in our Report are sufficiently serious that we believe an explicit warning is appropriate. **The aging of the inventories and equipment used by the services, the decline in the size of the Navy, escalating personnel entitlements, increased overhead and procurement costs, and the growing stress on the force means that a train wreck is coming in the areas of personnel, acquisition, and force structure.** In addition, **our nation needs to build greater civil operational capacity** to deploy civilians alongside our military and to partner with international bodies, the private sector, and non-governmental organizations in dealing with failed and failing states.

The potential consequences for the United States of a "business as usual" attitude towards the concerns expressed in this Report are not acceptable. We are confident that the trend lines can be reversed, but it will require an ongoing, bipartisan concentration of political will in support of decisive action.

In conclusion, we wish to again acknowledge the cooperation of the Department of Defense in the preparation of this Report – and to express our unanimous and undying

gratitude to the men and women of America's military, and their families, whose sacrifice and dedication continue to inspire and humble us.

Mr. Chairman, thank you for the opportunity to testify before you today. We welcome your questions regarding the Final Report of the Quadrennial Defense Review Independent Panel.

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[i] National Defense Authorization Act for Fiscal Year 2010, P.L. No: 111-84, Section 1061.

William J. Perry

William J. Perry, a senior fellow at the Hoover Institution, is the Michael and Barbara Berberian Professor at Stanford University, with a joint appointment in the School of Engineering and the Institute for International Studies, where he is codirector of the Preventive Defense Project, a research collaboration of Stanford and Harvard Universities. His previous academic experience includes professor (halftime) at Stanford from 1988 to 1993, when he was the codirector of the Center for International Security and Arms Control. He also served as a part-time lecturer in the Department of Mathematics at Santa Clara University from 1971 to 1977.

Perry was the nineteenth United States secretary of defense, serving from February 1994 to January 1997. His previous government experience was as deputy secretary of defense (1993–94) and undersecretary of defense for research and engineering (1977–81).

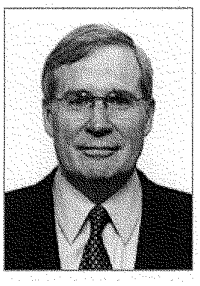
Perry's business experience includes serving as a laboratory director for General Telephone and Electronics (1954–64); founding and serving as the president of ESL (1964–77); executive vice-president of Hambrecht & Quist (1981–85); and founding and serving as the chairman of Technology Strategies and Alliances (1985–93). He serves on the board of directors of Anteon International Corporation and several emerging high-tech companies and is chairman of Global Technology Partners.

Perry was born October 11, 1927, in Vandergrift, Pennsylvania. He attended grade school and high school in Butler, Pennsylvania. He received his B.S. and M.S. degrees from Stanford University and his Ph.D. from Pennsylvania State, all in mathematics. He is a member of the National Academy of Engineering and a fellow of the American Academy of Arts and Sciences. From 1946 to 1947, Perry was an enlisted man in the Army Corps of Engineers and served in the Army of Occupation in Japan. He joined the Reserve Officer Training Corps in 1948 and was a second lieutenant in the army reserves from 1950 to 1955.

Perry has received numerous awards, including the Presidential Medal of Freedom (1997), the Department of Defense Distinguished Service Medal (1980 and again in 1981), and Outstanding Civilian Service Medals from the army (1962 and 1997), the air force (1997), the navy (1997), the Defense Intelligence Agency (1977 and 1997), the National Aeronautics and Space Administration (1981), and the coast guard (1997). He received the American Electronic Association's Medal of Achievement (1980), the Eisenhower Award (1996), the Marshall Award (1997), the Forrestal Medal (1994), and the Henry Stimson Medal (1994). The National Academy of Engineering selected him for the Arthur Bueche Medal (1996). He has been honored with awards from the enlisted personnel of the army, navy, and air force. Perry has received decorations from the governments of Germany, England, France, Korea, Albania, Poland, Ukraine, Bahrain, Slovenia, Hungary, and Japan.

Stephen J. Hadley

Senior Adviser for International Affairs



Stephen Hadley completed four years as the assistant to the president for National Security Affairs on January 20, 2009. In that capacity he was the principal White House foreign policy adviser to then President George W. Bush, directed the National Security Council staff, and ran the interagency national security policy development and execution process.

From January 20, 2001, to January 20, 2005, Steve was the assistant to the president and deputy national security adviser, serving under then National Security Adviser Condoleezza Rice. In addition to covering the full range of national security issues, Steve had special responsibilities in several specific areas including U.S. relations with Russia, the Israeli disengagement from Gaza, developing a strategic relationship with India and ballistic missile defense.

From 1993 to 2001, Steve was both a partner in the Washington D.C. law firm of Shea and Gardner (now part of Goodwin Proctor) and a principal in The Scowcroft Group (a strategic consulting firm headed by former National Security Adviser Brent Scowcroft). In his law practice, Steve was administrative partner of the firm. He represented a range of corporate clients in transactional matters and in certain of the international aspects of their business – including export controls, foreign investment in U.S. national security companies, and the national security responsibilities of U.S. information technology companies. In his consulting practice, Steve represented U.S. corporate clients seeking to invest and do business overseas.

From 1989 to 1993, Steve served as the assistant secretary of defense for international security policy under then Secretary of Defense Dick Cheney. Steve represented the Defense Department on arms control matters, including negotiations with the Soviet Union and then Russia, on matters involving NATO and Western Europe, on ballistic missile defense, and on export and technology control matters.

Prior to this position, Steve alternated between government service and law practice with Shea & Gardner. He was counsel to the Tower Commission in 1987, as it investigated U.S. arms sales to Iran, and served on the National Security Council under President Ford from 1974 to 1977. During his professional career, Steve has served on a number of corporate and advisory boards, including: the National Security Advisory Panel to the Director of Central Intelligence, the Department of Defense Policy Board, the Board of Directors of the U.S. Institute of Peace, as a trustee of the Carnegie Endowment for International Peace, and as a trustee of ANSER (Analytical Services, Inc.), a public service research corporation.

Steve graduated magna cum laude and Phi Beta Kappa from Cornell University in Ithaca, New York, in 1969. In 1972, he received his J.D. degree from Yale Law School in New Haven, Connecticut, where he was Note and Comment Editor of the Yale Law Journal.

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