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HEARING OF THE HOUSE ARMED SERVICES COMMITTEE; SUBJECT: THE FISCAL YEAR 2012 DEPARTMENT OF DEFENSE BUDGET REQUEST; CHAIRED BY: REPRESENTATIVE HOWARD MCKEON (R-CA); WITNESSES: SECRETARY OF DEFENSE ROBERT GATES; AND ADMIRAL MICHAEL MULLEN (USN), CHAIRMAN, JOINT CHIEFS OF STAFF; LOCATION: ROOM 2118 RAYBURN HOUSE OFFICE BUILDING, WASHINGTON, D.C.

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REP. MCKEON: Good morning, ladies and gentlemen. Thank you for joining us today as we consider the president's fiscal year 2012 budget request for the Department of Defense.

On Monday, I had the opportunity to sit down with Secretary Gates to discuss this request. Based on the information I received, I'm pleased to see that the budget continues to support our military men and women fighting in Iraq, Afghanistan and elsewhere. The budget provides much-needed increases in several key areas, such as military personnel and missile defense.

I'm also pleased that the department is taking our nation's financial position into account and has identified savings from lower- priority programs and efficiencies that can be reinvested into force structure and modernization. As chairman, I, too, am concerned that every dollar be invested in core missions of the department. Now it will be up to us, the members of the Armed Services Committee, to take up this proposal and scrutinize it with a fine-tooth comb. We must ensure that every dollar is spent on the right equipment, training and support needed by our troops, their families, and the nation's defense. Understandably, there will be winners and losers in this process. Tough choices must be made. But I will not support initiatives that will leave our military less capable and less ready to fight.

In the request before us, most concerning is the reduction of an additional $78

billion from the department's funding top line, including a $13-billion cut in 2012, ultimately leading to 0 percent real growth in the out years. Much of this savings appears to be generated with the reductions to Army and Marine Corps end strength in the 2015-to-2016 time frame.

The decision to reduce end strength seems premature, given the uncertainty in predicting the full range of force and manpower requirements in Afghanistan after 2014. Furthermore, while some claim the reductions are not budget driven, I note that the savings from these reductions were included in the future years' defense plan even before the Marine Corps completed its force structure review and before the Army had even begun one. Both services have borne the brunt of two wars for the past decade, and neither has reached its objectives for active-component dwell time of one-to-three. I cannot in good conscience ask them to do more with less.

There are additional proposals that immediately warrant special scrutiny, like the Expeditionary Fighting Vehicle, for which an unfulfilled requirement remains. We must understand in greater detail how the department proposes to address this capability gap before we can support abandoning a $4 billion investment we've already made.

On a slightly different note, I'd be remiss if I did not acknowledge that the new Congress must finish work on defense appropriations legislation that was left unfinished in the 111th Congress. I have concerns about the implications to our troops of funding the Department of Defense at fiscal year 2010 funding levels in a year-long continuing resolution. Therefore, I am pleased that the House has taken up a defense appropriation for fiscal year 2011 this week. While I'm disappointed there were not higher funding levels for defense in this legislation, I support all efforts by this Congress to avoid crippling the department with a continuing resolution.

I'd like to conclude by welcoming our witnesses: the Honorable Robert M. Gates, secretary of Defense, and Admiral Michael G. Mullen, chairman of the Joint Chiefs of Staff.

I look forward to opening -- continuing an open dialogue with you on these issues.

Now if -- I'll turn to my colleague and good friend -- (audio break).

REPRESENTATIVE ADAM SMITH (D-WA): (Following audio break) -- I want to begin by echoing the chairman's last comment there about the need to pass a 2011 defense appropriations bill. You-all have done an excellent job of explaining to us just how hamstrung you are by having to live with the CR for the last, I guess it's been, almost five months now, the impact that has. And I would urge all members here to talk with folks at the Department of Defense to get a full understanding of just how that undermines our ability to carry out our national security requirements and how it even reaches over and potentially impacts what our troops are doing in Afghanistan and Iraq, critical issue to get an appropriations bill done so we're not operating with a CR.

And on this budget, I want to congratulate the secretary and the Department of Defense for again, you know, making sure that they provide our troops with the equipment and the support they need to do the missions that we all have asked them to do. And compliments to this committee as well. Through the years they have also stepped up to that task, you know, particularly as the wars in Iraq

and Afghanistan required much greater speed in meeting those needs. This budget, I think, again, reflects that top priority, make sure our troops get the equipment and support that they need.

I also feel that this budget does a good job of trying to confront the budget realities that we're all aware of. It took a very hard and close loo at the Department of Defense across the board to try to find savings and efficiencies -- (audio break) -- money. We absolutely can do that. And I think that's the most critical point that I want to make. Simply spending money doesn't make us safer. We have to make sure that that money is spent well and efficiently.

And I don't think there is anyone who would disagree, looking back at the last 15 years and some of the decisions that have been made, with the notion that we can do better, that we can get more for the money that we are spending, particularly when you look at the acquisition and the procurement process. And again, I want to compliment the secretary of Defense and his team for really taking a hard look at some of the lessons that we've learned through systems like Future Combat System, the F-35, other programs that have been more expensive than we would have liked. I think we've learned a lot and I think we're moving forward in a very positive direction.

And we also have to remember, as we look at this budget, two other important factors. The defense budget has grown enormously. Now 2001, in current dollars it was $316 billion, went all the way up to 708. So we have had enormous growth and we now need to figure out how to manage that. and we also need to be mindful of the fact that a strong national economy is critical also to our national security. And an out-of-control deficit jeopardizes that economy. So we have to try to make sure that we can live within our means and do the job that we all have been asked to do.

And I appreciate the hard work that has been done on that. I want to just add one specific comment before I -- (audio break) -- stability operations and understanding sort of our broad national security interests. I think we've learned in Iraq and Afghanistan that development programs can be every little bit as important as military programs in creating a stable and secure environment that protects our interests. And I know the secretary has spoken out strongly about the need not just to have a strong military but also to have a strong State Department and a strong whole-of-government approach as we go forward and try to figure out some of these stability operations. So I appreciate your leadership on that and believe that those two will be important issues.

And with that, I look forward to your testimony.

Thank you, Mr. Chairman.

REP. MCKEON: Thank you.

Before we begin, let me comment that we do have a full crowd here today, and I notice there are people out in the hallway that would like to be in here. So I would request that anyone who disrupts this hearing be removed by the Capitol Police. This includes outbursts and holding signs. This is a very important hearing, and the decorum should be maintained. And I would appreciate that that be held that way. We'll have no -- I have a very low tolerance level.

Let me, Mr. Secretary and Admiral, Chairman -- let me thank you, to begin with,

for your many years of service, both of you, to the country. And we all appreciate greatly the efforts and the things that you're doing. I know that you're in a very, very tough job, and I just want to at the outset let you know how much every member of this committee appreciates your service to the nation.

Mr. Secretary.

SEC. GATES: Mr. Chairman -- (audio break). He doesn't get to talk very much anyway. (Laughter.)

(Laughter.)

Mr. Chairman, Mr. Smith, members of the committee, I'd like to start with a few words about Congresswoman Giffords who, of course, should be with us today were it not for the tragic and senseless attack in Tucson last month. I've enjoyed working with Congresswoman Giffords in her capacity as a member of this committee. She is a strong supporter of the national defense and cares deeply about our troops and their families. And she has pursued her oversight responsibilities with dedication.

Our thoughts and condolences continue to be with the families of the victims of that attack. We send our best to the congresswoman's husband, Navy Captain Mark Kelly, for his upcoming space shuttle mission, as he helps Mrs. Giffords through her recovery. We will miss Representative Giffords' contributions today and in the weeks and months ahead. And we in the Department of Defense wish her a speedy and full rehabilitation.

I appreciate the opportunity to appear before you to discuss the president's budget request for the Department of Defense for fiscal year 2012, my fifth and final budget testimony for the Department of Defense before this committee. I want to thank the members of this committee for your support of men and women in uniform serving in a time of war. I know you join me in doing everything to ensure they have all they need to accomplish their mission and come home safely.

The budget request for the Department of Defense today includes a base budget request of $553 billion and an overseas contingency operations request of 117.8 billion (dollars). These budget decisions took place in the context of a nearly two-year effort by this department to reduce overhead, cull troubled and excess programs, and rein in personnel and contractor costs, all for the purpose of preserving the global reach and fighting strength of America's military at a time of fiscal stress for our country.

In all, these budget requests, if enacted by the Congress, will continue our efforts to reform the way the department does business, fund modernization programs needed to prepare for future conflicts, reaffirm and strengthen the nation's commitment to care for the all- volunteer force and ensure that our troops and commanders on the front lines have the resources and support they need to accomplish their mission. My submitted statement includes more details of this request, but I want to take this opportunity to address several issues that I know have been a subject of debate and concern since I announced the outlines of our budget proposal last month:

First, the serious damage our military will suffer by operating under a continuing resolution or receiving a significant funding cut during fiscal year 2011; second, the recommended termination of the extra engine for the Joint Strike Fighter; third, the projected slowing and eventual flattening of the

growth of the defense budget over the next five years; fourth, the planned future reductions in the size of the ground forces; and fifth, the proposed reforms and savings to the TRICARE program for working-age retirees.

I want to start by making it quite clear that the Department of Defense will face a crisis if we end up with a long-term -- a year- long continuing resolution or a significant funding cut for 2011. The president's defense budget request for 2011 was $549 billion. A full- year continuing resolution would fund the department at about 526 billion (dollars), a cut of $23 billion.

The damage done across the force from such reductions would be further magnified as they would come halfway through the fiscal year.

Let me be clear. Operating under a year-long continuing resolution or significantly reduced funding -- with the severe shortfalls that entails -- would damage procurement and research programs, causing delays, rising costs, no new program starts and serious disruptions in the production of some our most high-demand assets, including UAVS. Cuts in maintenance could force parts of our aircraft fleet to be grounded and delay needed facilities improvements. Cuts in operations would mean fewer flying hours, fewer steaming days, and cutbacks in training for home-stationed forces, all of which directly impact readiness.

Similarly, some of the appropriations proposals under debate in Congress contemplate reductions of up to $15 billion from the president's original FY '11 request. I recognize that given the current fiscal and political environment, it is unlikely that the Defense Department will receive the full FY '11 request. Based on a number of factors, including policy changes that led to lower personnel costs and reduced activity forced by the continuing resolution, I believe the department can get by with a lower number.

However, it is my judgment that the Department of Defense needs an appropriation of at least $540 billion for fiscal year 2011 for the U.S. military to properly carry out its mission, maintain readiness and prepare for the future.

At this point, I'd like to address the ongoing debate over the JSF extra engine. As most of you know, the president and I and the previous president and his secretary of Defense, as well as the department's senior military leadership, have consistently and firmly expressed our opposition to continuing this costly program. We consider it an unnecessary and extravagant expense, particularly during a period of fiscal contraction. The Congress has not spoken with one voice on this matter, and the department has been operating this fiscal year under ambiguous guidance at best.

Under those circumstances, I decided to continue funding the JSF extra engine effort on a month-to-month basis. I did this not because we had to but because we chose to give Congress the opportunity to resolve this matter as a part of its ongoing debate of the budget.

However, this also means the American taxpayers are spending $28 million a month for an excess and unjustified program that is slated for termination. The president, the military services and I continue to oppose this extra engine. And when the current CR expires, I will look at all available legal options to close down this program. It would be a waste of nearly $3 billion in a time of economic distress, and the money is needed for higher-priority defense efforts.

Which brings me to the proposed $78 billion reduction in the defense budget top line over the next five years. To begin with, this so-called cut is in fact to the rate of predicted growth. The size of the base defense budget is still projected to increase in real inflation-adjusted dollars before eventually flattening out over the next five years.

More significantly as a result of the efficiencies and reforms undertaken over the past year, we have protected programs that support military people, readiness and modernization. These efforts have made it possible for the department to absorb lower projected growth in the defense budget without, as Chairman McKeon warned last month, leaving our military less capable and less able to fight.

In fact, the savings identified by the services have allowed our military to add some $70 billion toward priority needs and new capabilities. And of the $78 billion in proposed reductions to the five-year defense budget plan, about 68 billion (dollars) comes from a combination of shedding excess overhead, improving business practices, reducing personnel costs and from changes to economic assumptions.

So in reality, only $10 billion of that five-year total is directly related to military combat capability. Four billion (dollars) of that 10 (billion dollars) comes from restructuring the Joint Strike Fighter program, a step driven by this program's development and testing schedule that would have taken place irrespective of the budget top line.

And so the rest -- about $6 billion out of 78 (billion dollars) -- results from the proposed decrease in the end strength of the Army and the Marine Corps starting in FY 2015.

Just over four years ago, one of my first acts as Defense secretary was to increase the permanent end-strength of our ground forces: the Army by 65,000 for a total of 547,000; and the Marine Corps by 27,000 to 202,000. At the time, the increase was needed to relieve the severe stress on the force from the Iraq War as the surge was getting under way.

To support the later plus-up (sp) of troops in Afghanistan, I subsequently authorized a temporary further increase in the Army of some 22,000, an increase always planned to end in FY '13. The objective was to reduce stress on the force, limit and eventually end the practice of stop loss, and to increase troop home dwell time.

As we end the U.S. presence in Iraq this year according to our agreement with the Iraqi government, the overall deployment demands on our force are decreasing significantly. Just three years ago, we had 190,000 troops combined in Iraq and Afghanistan. And by the end of this calendar year, we expect there to be less than 100,000 troops deployed in both of the major post-9/11 combat theaters, virtually all of those forces in Afghanistan.

That is why we believe that beginning in FY 2015, the U.S. can with minimal risk begin reducing Army active-duty end strength by 27,000 and the Marine Corps by somewhere between 15 (thousand) and 20,000.

These projections assume that the number of troops in Afghanistan will be significantly reduced by the end of 2014 in accordance with the president's and NATO's strategy. If our assumptions prove incorrect or world conditions change

for the worse, there's plenty of time to adjust the size and schedule of this change.

It is important to remember that even after the planned reductions, the active Army end strength would continue to be larger by nearly 40,000 soldiers than it was when I became Defense secretary four years ago. I should also note that these reductions are supported by both the Army and Marine Corps leadership.

Finally, as you know, sharply rising health care costs are consuming an ever-larger share of this department's budget, growing from $19 billion in 2001 to $52.5 billion in this request. Among other reforms, this FY '12 budget includes modest increases to TRICARE enrollment fees, later indexed Medicare premium increases for working- age retirees, most of whom are employed while receiving full pensions. All six members of the Joint Chiefs of Staff have strongly endorsed these and other cost-saving TRICARE reforms in a letter to Congress.

I understand that any change to these kinds of benefits prompts vigorous political opposition. But let us be clear. The current TRICARE arrangement, one in which fees have not increased for 15 years, is simply unsustainable, and if allowed to continue, the Defense Department risks the fate of other corporate and government bureaucracies that were ultimately crippled by personnel costs, in particular their retiree benefit packages.

All told, the cumulative effect of the department's savings and reforms, combined with a host of new investments, will make it possible to protect the military's combat power despite the declining rate of growth and eventual flattening of the defense budget over the next five years. As a result of the savings identified and reinvested by the services, our military will be able to meet unforeseen expenses, refurbish war-worn equipment, buy new ships and fighters, begin development of a new long-range bomber, boost our cyberwarfare capability, strengthen missile defense, and buy more of the most advanced UAVs. But I should note this will only be possible if the efficiencies, reforms and savings are followed through to completion.

In closing, I want to address the calls from some quarters for deeper cuts in defense spending to address this country's fiscal challenges. I would remind them that over the last two defense budgets submitted by President Obama, we have curtailed or canceled troubled or excess programs that would have cost more than $330 billion, if seen through to completion. Additionally, total defense spending, including war costs, will decline further as the U.S. military withdraws from Iraq.

We still live in a very dangerous and very unstable world. Our military must remain strong and agile enough to face a diverse range of threats from nonstate actors attempting to acquire and use weapons of mass destruction and sophisticated missiles, to the more traditional threats of other states both building up their conventional forces and developing new capabilities that target our traditional strengths.

We shrink from our global security responsibilities at our peril. Retrenchment brought about by shortsighted cuts could well lead to costlier and more tragic consequences later, indeed, as they always have in the past. Surely we should learn from our national experience since World War I that drastic reductions in the size and strength of the U.S. military make armed conflict all the more likely, with an unacceptably high cost in American blood and treasure.

Mr. Chairman, I look forward to working through this next phase of the president's defense reform effort with you in the weeks and months ahead to do what's right for our armed forces and to do what's right for our country. Thank you.

REP. MCKEON: Thank you.

Mr. Chairman.

ADM. MULLEN: Thank you, Mr. Chairman, Mr. Smith and distinguished members of this committee. I'm honored to appear before you today to discuss the president's fiscal year 2012 defense budget. Before I do, however, let me echo Secretary Gates's comments about the very real dangers inherent in failing to pass this year's budget.

The fiscal year 2011 continuing resolution, if carried forward, would not only reduce our account by $23 billion, it would deprive us of the flexibility we need to support our troops and their families. The services have already taken disruptive and, in some cases, irreversible steps to live within the confines of the CR, steps that ultimately make us less effective at what we're supposed to do for the nation.

The Navy did not procure, as planned, a second Virginia-class submarine by the end of last month, nor was it able to buy government- furnished equipment for another Arleigh Burke-class destroyer.

The Army and the Marine Corps have curtailed or altogether frozen civilian hiring, and all the services are now prevented from issuing contracts for new major military construction projects. Some programs may take years to recover if the CR is extended through the end of September. So I urge you to pass the fiscal year '11 defense bill immediately. Even at a reduced top line, it will provide us the tools we need to accomplish the bulk of the missions we have been assigned.

Accomplishing those missions into the future demands as well support of the president's fiscal year '12 proposal. As the secretary laid out, this budget, combined with the efficiencies effort he led, provides for the well-being of our troops and families, fully funds current operations in Afghanistan and Iraq and helps balance global risk through streamlined organization, smarter acquisition and prudent modernization.

The Army, for instance, will cancel procurement of a surface-to- air missile and the non-line-of-sight launch system. But it will continue production of the joint light tactical vehicle and spearhead the development of a whole new family of armored vehicles.

The Navy will give up its 2nd Fleet headquarters, reduce its manpower ashore, and increase its use of multi-year procurement for ships and aircraft, allowing it to continue to development -- continue development of the next-generation ballistic missile submarine, purchase 40 new F-18s, four littoral combat ships and another LPD-17.

The Marines will cancel the expeditionary fighting vehicle and, like the Army, reduce their end strength starting in 2015. But they will reinvest these savings to sustain and modernize the amphibious assault vehicle and the light armored vehicle even as they advance a new concept of operations and restore

much of their naval expeditionary skills. And the Air Force will be able to continue development of the next tanker, a new bomber, and modernize its aging fleet of F-15 fighters, all the while finding savings of more than $33 billion through reorganization, consolidation and reduced facilities requirements.

None of this balancing will come on the backs of our deployed troops. We are asking for more than 84 billion (dollars) for readiness and training, nearly 5 billion (dollars) for increased ISR capabilities and more than 10 billion (dollars) to recapitalize our rotary aircraft fleet. These funds, plus those we are requesting to help build partner capacity in places like Afghanistan, Pakistan, Iraq and Yemen, all speak to the emphasis we are placing on giving our troops and their partners in the field everything they need to do the difficult jobs we have asked of them.

We must also give them and their families everything they need to cope with the stress and strain of 10 years at war. That's why I'm so pleased with the funds devoted to this -- in this proposal, almost three-quarters as much as the 200 billion (dollars) budgeted for operations and maintenance to personnel, housing and health care issues.

As you may know, the chiefs and I penned a rare, 24-star letter to the Senate Armed Services Committee this week, expressing our unqualified support for the military health care program changes included in this budget. We sought equity across all health care programs, with beneficiaries and health care delivery providers having the same benefits as equivalent payment systems, regardless of where they live or work.

That in turn led us to propose increases in TRICARE enrollment fees for working-age retirees. These increases are modest and manageable and leave fees well below the inflation-adjusted, out-of- pocket costs set in 1995 when the current fees were established. We sincerely hope you will see fit to pass them.

Please know that we will continue to invest wisely in critical- care areas, to include research, diagnosis and treatment of mental health issues and traumatic brain injury, enhanced access to health services and new battlefield technologies.

We understand that changes to health care benefits cause concern among the people we serve and the communities from which we receive care. But we also understand and hold sacred our obligation to care completely for those who have borne the brunt of these wars, as well as those for whom the war never ends.

I'm convinced that we haven't even begun to understand the toll in dollars and in dreams that war extracts from people. As the grandsons and granddaughters of the World War II vets still struggle to comprehend the full scope of the horror those men yet conceal, so too will our grandchildren have to come to grips with the wounds unseen and the grief unspoken -- unless, of course, we get it right.

And I believe the investments we are making in wounded care and family readiness will pay off in that regard. But it will take time and patience and money -- three things we seem so rarely to possess in this town. That brings me back to this particular budget request. With limited resources and two wars in progress, we should be prudent in defining our priorities, in slaking our thirst for more and better systems, and in controlling costs. We should also be clear about what the Joint Force can and cannot do, just as we should be clear about what we expect from our interagency and our international partners.

Our global commitments have not shrunk; if anything, they have grown. And the world is a lot less predictable now than we could have ever imagined. You need look no further than Tahrir Square to see the truth in that. Foolhardy would it be for us to make hasty judgments about the benefits, tangible and intangible, that are about to be derived from forging strong military relationships overseas, such as the one we enjoy with Egypt. Changes to those relationships in either aid or assistance ought to be considered only with an abundance of caution and a thorough appreciation for the long view, rather than in the flush of public passion and the urgency to save a buck. The $1.3 billion we provide the Egyptian military each year has helped them become the capable, professional force they are; and in that regard, has been of incalculable value.

Of equal or greater value is increased appropriations for the State Department and our request in this budget for something called the Global Security Contingency Fund, a three-year pooled fund between the Pentagon and State that will be used to build partner capacity, prevent conflicts and prepare for emerging threats. The request is modest: an initial $50 million appropriation, along with a request for authority to reprogram an additional $450 million if needed. But it -- but what it will buy us is an agile and cost-effective way to better respond to unforeseen needs and take advantage of emerging opportunities for partners to secure their own territories and regions. We must get more efficient, yes; but we must also get more -- we also must get more pragmatic about the world we live in. We can no longer afford bloated programs or unnecessary organizations, without sacrificing fighting power. And we can no longer afford to put off investments in future capabilities or relationships that preserve that power across the spectrum of conflicts.

I've long said we must not be exempt in the Defense Department from belt-tightening, but in truth, there is little discretionary about the security we provide our fellow citizens. Cuts can reasonably only go so far without hollowing the force. In my view, then, this proposed budget builds on the balance we started to achieve last year, and represents the best of both fiscal responsibility and sound national security.

Now, I don't know what sorts of questions Representative Giffords would ask me if she were sitting here today, but I do know she wouldn't let me leave until I lauded the incredible effort of our troops overseas as they finish one war in Iraq and begin to turn corners in Afghanistan. I know you share my pride in them and their families, and I know you will keep them foremost in mind as you consider the elements of this proposal.

I thank you for your continued support of our men and women in uniform and their families, and I look forward to your questions.

REP. MCKEON: Thank you very much. Mr. Secretary, Mr. Chairman, as I stated earlier, I think everyone on this committee strongly supports your request for a(n) appropriation bill that will take care of the work that should have been done last year. But if it had been done last year by the Congress and the administration, we wouldn't even be having this argument and this fight, the thing that we're trying to resolve right now on the floor. So I -- I'm hopeful that we can wrap this up just as quickly as possible, and I know that all of the defense industry, all of the men and women who wear the uniform, and all of your colleagues in the -- in the department are strongly behind that, as are all of the members on the committee. So hope we can get that done quickly.

The 78 billion (dollars) that we're -- you know, we're talking about as a cut, I understand that it's not a cut as we would have proposed -- something being cut this year from last year's budget. But last year when we were holding these hearings and you projected out the budget for the five years, the 78 billion (dollars) was included in it.

Now, I commend you for what you've asked the services to do to find efficiencies and save that hundred billion (dollars) that they'll be able to mostly reinvest into more important items going forward.

And I guess we'll continue to talk about the outgoing years in outgoing years, but we all understand we're in a -- we're in a tough financial situation in the country. And I think we all need to work together to make sure that whatever reductions in future spending, we all work together to make sure that it doesn't cut into our men and women in -- serving in harms's way and their families.

One of the concerns I've had as we've gone through the QDR and hearings last year and this year, it seems to me that the budgets are not driven by so much defense needs -- or procurement and the things that we're talking about spending aren't driven by threat needs; they're drive more by budgetary concerns.

And as I indicated in my opening statement, reductions to the Army and Marine Corps end strength -- I remember when you came, Mr. Secretary, and how hard it was to increase the size of the force. And I understand that even with these reductions, there still will be a larger force than when you became secretary four years ago. But as I look around the world and see what's happening -- the recent events in Egypt and Yemen and Asia and other threats around the world -- I have great concern about cutting the end strength.

And so my question's revolving around that. Is the reduction in end strength conditions-based? If so, what metrics will the department use to reevaluate this decision going forward? At what point will we decide, and what measurement will we use to decide if this is the correct number to decrease our strength, and when will that decision be made? What was the 2016 end strength presumed by the QDR and during development of the National Military Strategy? And finally, how will this reduction in end strength affect the objective of one-to-three dwell time for the active force?

SEC. GATES: Let me start and then ask the chairman to add in. I would say that the -- first of all, I would say that it is conditions- based. And as I said in my opening statement, if our assumptions about, for example, the drawdown in Iraq, prove incorrect, then I think we'll be in a position to change this decision and add to end strength further well before 2015 or at least find other ways to deal with the -- with the dollars so that there isn't a reduction in end strength.

I would say the key metric is -- and the most predictable variable -- is in fact the drawdown in Afghanistan. The big assumption in this is that we have a very much smaller presence in Afghanistan at the end of 2014 than we do now. And I think -- I think you will know as early as the end of 2012, beginning of 2013, whether that's going to happen, which allows plenty of time to alter these decisions.

The good thing about -- the good thing about this approach is that because you don't start to cut anything until 2015, all you have to -- you don't have to go out and recruit anybody; all you have to do is find other sources of the money.

And, you know, as was described to me a long time ago about the out years, the out years are where all -- everybody's dreams come true.

And so just as an example, when I took this job, the forecast, the projected budget for FY '12 in the '07 Bush budget was $519 billion. Our submission is for 553 (billion dollars). So these things do change over time. And there's a lot of flexibility.

But I will say this about the Marine Corps. The Marine Corps actually came forward with their proposal, and it was really unrelated to the budget. Both the previous commandant and the current commandant believe that when the Marines are out of Afghanistan, that the Marine Corps is both too large and too heavy to fulfill its traditional missions going forward. And so they were talking about reductions in Marine Corps end strength a year or two ago, and so that -- they tie that very much to their mission. And as I say, we can revisit the Army's -- you can revisit the Army's end strength, depending on the conditions in 2013 or '14.

Admiral.

ADM. MULLEN: Mr. Chairman, all of us in the leadership -- in leadership positions in the military believe that we live in a time of what we call persistent conflict. It's very difficult to know, obviously, what's going to happen in 2015, 2016 time frame. But to your point, and to the secretary's answer, I think this really is conditions based per se. And in addition to the metric of certainly Afghanistan and Iraq -- and, you know, we will be in a position there in 2015, 2016, where our force is substantially reduced, and to include in that the 25,000 Marines or so who are there now.

I would just echo what the secretary said with Jim Conway, who was the previous commandant, Jim Amos, the current commandant. They had been planning to get smaller and lighter. They're too heavy. They're the nation's second land force, which is not what they want to be. And they've got to get back to some degree, as we move ahead, to their roots, which is lighter and smaller.

With respect to the Army in particular, we've looked out through the QDR at how many brigades would we have out there, and the answer is, we're not sure. We planned around six to 10 or some number like that, we don't know where, to look prudently at the future, as actually the Army has become much more expeditionary. And that's where we're headed, and I'm very comfortable with that.

Each of the service chiefs, all of us, but each of the service chiefs, depending on which service you're talking about, some 60 to 70 percent -- when you add civilians, direct support contractors -- 60 to 70 percent of our budget goes to people. And as the secretary said in his statement, you know, we are on a way -- on our way of becoming almost immobilized by just what it costs in terms of our people. The health care piece is just -- it's not an insignificant part of it, but it is an example. So we've tried to achieve balance.

Probably the metric I would use is the one that you suggested, which is dwell time. We're now in this budget, as we look out a few years -- we'll get to, about in the '15 time frame, where we are one and two. I think the commandant would sit here and say that's probably about where he wants to be in terms of rotating his force. I think the chief of the Army would say one and three. And obviously, that will then depend on what the obligations will be.

But you can see now in various examples where we are -- we have our troops home a lot longer than we used to, starting to be significantly longer than they were deployed. We're just in the beginning of that. We've got to get out to one to two, and in the case look at really decisions around getting to one to three with respect to the Army.

So I'm comfortable that we have time, we can look at it, and certainly the service chiefs would come in and change their recommendation, if you will, based on what I know about them, if the conditions warranted it.

REP. MCKEON: Thank you very much.

Ranking Member Smith.

REP. SMITH: Thank you, Mr. Chairman.

I actually have two sets of questions. Congresswoman Giffords' staff has submitted to me some questions that she has. And I thank both of you for your kind words on her behalf.

And they focus on Department of Defense energy issues, something that Congresswoman Giffords has worked a great deal on in basically using efficiencies and alternatives to deal with our energy needs and reduce our energy consumption. She had introduced a bill, the Department of Defense Energy Security Act, in 2010. Many of those provision were contained in our FY 2011 NDAA. I wanted to follow up on that.

And specifically, there was a program that the Marine Corps was using at a forward operating base in Afghanistan to use solar as a way to reduce their fuel consumption. And I think the biggest point here to make is, this isn't just about saving money or dealing with the energy challenges; this also does save lives. And the specific example there is that because they used solar, they were able to significantly reduce their fuel consumption, as I understand it, from like 20 gallons a day down to two and a half.

And that reduction means that fewer convoys have to come and go and bring fuel in, which means fewer people are exposed to the IED threat. So there are very specific implications of this policy.

And going forward, want to know, first of all, how the Department of Defense is doing implementing these programs, finding efficiencies, reducing their energy consumption through the use of efficiencies and alternatives, and then second of all, what more we in Congress legislatively need to do or can do to help you. And if you could on those two questions, I'd like to hear some brief comments from you, but submit the answers for the record to both Congresswoman Giffords' office and to mine. But if you could take a stab at that now, that'd be great.

ADM. MULLEN: I think the example that you actually give of the Marines in Afghanistan is a terrific example, and it does exactly what you just described. And actually, the Marines in Anbar province several years ago started that, looking at the length of their convoys, the number of people that were actually put in harm's way because of the logistics and transportation requirements. That has kicked in over to the Army and actually across all the services. I mean, so the -- I think the efforts with respect to improving and reducing energy dependency are significant. We -- the secretary stood up a very, very strong office to oversee this, to both integrate the efforts. The investments

are there.

The Air Force has, from my perspective, led the way with respect to synthetic fuel -- use of synthetic fuels in aircraft. The Navy has picked up on that. So there is a significant effort across the board.

There are -- there are green investments taking place in the Marine Corps out in 29 Palms, for instance, in just straight solar energy. The reductions that that base commander has seen are significant as well. That is also starting to be put in place in other bases around the country.

So we're sharing the ideas. We know that we've got to reduce our dependence significantly, and the leaders are focused on that. We've seen -- we've seen some of the results, but we have expectations they'll be significantly greater in the future.

REP. SMITH: And I think -- Mr. Secretary, go head. Sorry.

SEC. GATES: I was just going to make two quick comments. First, I -- I think credit needs to be given particularly to the secretary of the Navy, Ray Mabus, because I think the Navy has a really aggressive program in terms of reducing energy use. Second, I would just note that I read just a few days ago that the C-17 was just certified for use of synthetic fuels.

REP. SMITH: And that's why -- two points just closing on this issue before asking another question is, number one, how much difference this can make. I think there's generally, in the energy field, you feel like, well, yeah, they're talking about this and that and the other thing but when's it ever going to happen? It's happening.

And I think the military is out front. Every base that I visit -- and there are many -- always talk about they're doing this, that or the other thing on energy, and how much they've reduced their energy consumption, how much more efficient it is. And then I think the challenge really is to get it to scale. As all these experiments are happening, sort of quickly find out, okay, here are the three things that just work the best. Let's get them service-wide and get them implemented. So I think you're making enormous progress.

We thank you. And like I said, if you could submit a more detailed answer to Congresswoman Giffords' office and mine, that would be great. I appreciate it.

Just two quick areas I want to ask about. One, as I mentioned in my opening remarks, you know, development assistance is becoming a greater part of our national security. Stability is the goal here. You know, our enemies now play on ungoverned or ungovernable spaces. They find openings, places -- and it's certainly happened in Afghanistan; it's happening in Pakistan and Somalia and Yemen to some extent. So figuring out how to do stability is going to be critical.

And I know of necessity, the Department of Defense has taken on a lot of responsibility in this area, through CERP funds, through 1206, 1208. And part of the problem there is, these are responsibilities better done by, in some cases, the State Department or Department of Agriculture or other areas that know more about those. But you guys have the money, and you've got -- you know, you were the forward- leading folk(s). You were out there in the field having to figure this out. And, you know, frankly, there was not sufficient support

elsewhere, so you had to do it.

The question is, how do we begin to transition that responsibility? Because it's not a core responsibility of the military in many instances. It is a core responsibility of folks in other agencies.

How do you make that work? How do we make sure those other agencies have the support they need? How do we transfer the funds? How do you envision that playing out?

SEC. GATES: Well, we have been advocating for much greater civilian involvement in these kinds of activities not only in Iraq and Afghanistan but in global stability operations at least since I gave the Landon Lecture at Kansas State in 2007.

The biggest part of the problem, quite frankly, is jurisdictions here on the Hill. And it is the difficulty the State Department has in getting their appropriations and getting the money they need to do their job. If you took every Foreign Service officer in the State Department, you would not have a large enough number to crew a single aircraft carrier. So finding the resources for the State Department -- because many of these areas, what we have done is work with you, and you have been very helpful to us in developing some work-arounds. So on 1206, for example, we have dual-key arrangements. We basically leave the initiative up to the State Department in terms of what we should do on some of those, and then we fund it and we partner with them. By rights, that money should probably be in the State Department to start with.

And so I think this is an area where legislation, but especially appropriations, are really important, because these stability operations -- and there is a military component to it because it is developing partner security capability so that they can take care of the security in their own countries, so we don't have to send American troops to do it. And it -- you can just tell from the costs in Iraq and Afghanistan the differential in cost between our training somebody else to do it and the State Department then providing the civilian support in terms of governance and various other kinds of assistance, compared with having to use U.S. troops.

So it's a -- it's a challenge. I think we have developed over the last several years very close working relationships between State and Defense in these work-arounds and these jerry-rigged operations. But a long-term solution is the kind of global fund that Admiral Mullen was talking about, and so on.

REP. SMITH: Right. Thank you. And you're absolutely right. I mean, security has to be a key component of any sort of development going forward. If you don't have security, you can't do that. And I think, you know, the Philippines is an excellent example of where a very small number of our forces trained the local security forces. And, you know, you don't hear much about what's going on in the Philippines, and that's a good thing. And then you look at Iraq and Afghanistan, and you can see that the alternative is just so much more costly it's beyond imagination.

Just one final comment. When we're trying to figure out going forward, dealing with the difficult budget environment that we have and trying to anticipate threats, you know, trying to make sure that we're ready for whatever comes next, I just want to make sure that people are aware of the fact that you cannot be ready for everything. You know, one -- from my earliest days on this committee,

one of the things that struck me was, you know, every day we come and we talk about some threat and then we talk about how we're not doing enough to be ready for it. And I get that. But if you were to look out at the world and imagine every possible threat and say that the job of this committee, or your job, is to make sure that we spend enough money to be ready for any and all contingencies, the defense budget -- well, it may not be infinite, but it would be darn close. So we have to prioritize those threats going forward with the budget, and we can't walk too far down the road that if we can imagine a threat we have to spend whatever we possibly can to make sure that we're protected against it, because that sinks us in a different way.

We really have to prioritize. And towards that end, I think that the key going forward to get the right budget is to really look at the requirements. I mean, it starts with the QDR. (It says further that ?) once we decide that there is a requirement, we then have to fund it. If we don't fund it, we are not giving our troops the support that they need to do the job that we by definition have asked them to do. But I'd like to think that we can also go back to the start of that process -- not just the end, not just the end and say, gosh, we have to fund this -- but go back to the start and say: Well, is that really a requirement, or was that something we developed 10 or 15 years ago that's no longer appropriate? So getting there I think we need to move in that direction.

SEC. GATES: Let me make just two quick comments about that. First of all, if you look back to every time we have engaged in a military operation since the Vietnam War, we have a perfect record: six months to a year before we engaged in that operation, nobody had any idea we were going to do it. And so the mantra for the department that I've tried to inculcate is in the current -- in the budget environment, we have to be exceptionally careful about buying niche capabilities: very expensive weapons systems that have application in only one scenario. There may be some of those that we need, but we need to be extremely judicious about those investments.

But our overall approach ought to be the broadest -- the most flexible range of capabilities, to cover the broadest range of conflict. So that, you know, a C-17 is going to be applicable whether we're dealing with a near peer or whether we're taking aid into Pakistan.

So having capabilities that can perform many missions is where we need to focus most of our procurement dollars for the very reason you cited.

ADM. MULLEN: Sir, can I just make one comment? I think one of the ways you do protect against the unknowns is to make sure that your S&T and what I would call pure R&D budgets are both comprehensive and broad and not -- and sometimes those become very easy targets. You need the innovation; you need the kind of investment for the capabilities of the future that really starts there. And that -- those -- and the secretary has led this. There has been a -- you know, a very focused effort to make sure that that is sustained.

And in the totality of the budget -- it's not a huge amount of money, but its long-term leverage is just, you know, off the charts.

REP. SMITH: Thank you, Mr. Chairman. Thanks, both witnesses. You're doing an outstanding job for our country. We appreciate it.

REP. MCKEON: Thank you. Mr. Bartlett.

REPRESENTATIVE ROSCOE BARTLETT (R-MD): Thank you. Mr. Secretary, I want to put my comments in context. To the best of my knowledge, the only interest in the engine for the F-35 in the district I have the honor to represent is an interest in the 135. As far as I know, there is no interest in the 136.

The Weapons Systems Acquisition Reform Act of 2009 requires that you ensure that the acquisition strategy for each major defense acquisition program includes measures to ensure competition or the option of competition at both the prime contract level and the subcontract level of such program throughout the life cycle of such program as a means to improve contractor performance.

The current F-35 acquisition strategy states, and I quote, "to preclude excessive reliance on a single engine supplier, an alternative engine program was established," unquote. The F-35 could represent up to 95 percent of the entire U.S. fighter fleet in the future. Use of a single engine could result in grounding of essentially all of the fighters in all of the services.

The 2010 Hadley-Perry Quadrennial Defense Review Panel endorsed dual procurement competition, and I quote, "as the only way to control program costs." The senior Pentagon procurement official cited competition as the cornerstone of defense acquisition. The Pentagon's last update of the F-35 alternative engine business case indicated the competitive engine is at the break-even point in that present value.

After having opposed dual-source procurement for the Littoral Combat Ship as not being, quote, "real competition," unquote, the Pentagon signed a dual-source procurement contract at the end of last year with the two bidders for the LCS.

Sir, for the past two days, two papers have been circulated to the Congress here, one of them on Monday, one of them on Tuesday. They are unsigned and undated. It simply says, "prepared by the Department of Defense." The Office of the Secretary of Defense for Legislative Affairs has refused to respond over the past three days to why these papers are not dated or why they were not provided to the Armed Services Committee.

Sir, when I was a little boy, my mother impressed on me that an attempt to deceive was the same thing as a lie. In each of these papers, there is a statement, the F-136 alternate engine is currently three to four years behind in development compared to the current engine program. And yesterday's paper said -- and the F-136 engine -- it's already three to four years behind in its development phase.

Sir, the second engine, as you know, was started four years after the first engine. As you know, the first engine is now about 24 months behind in its development. I understand that the second engine is just two to three months behind in its development cycle. So in reality, had they both been started at the same time, the second engine would now be well ahead of the first engine.

Sir, are you comfortable that these two (missiles ?) that have been -- going through the Congress for the last couple of days do not constitute a violation of the statute that prohibits the Pentagon from lobbying the Congress?

SEC. GATES: I'm not in the slightest aware of either one of those documents. The only document that I'm aware of is the letter I sent to Representative Rooney, I think, yesterday or the day before. And I can assure you, it was both signed and dated.

I will just tell you -- well, that was your question.

REP. BARTLETT: Sir, these two papers (I've/are ?) circulated. I will have them bring copies down to you. They are unsigned and undated. And the Office of the Secretary of Defense for Legislative Affairs refused to respond over the last three days as to why these papers are not signed or why they were not provided. And they weren't -- they were provided to everybody else in the Congress except the Armed Services Committee, is my understanding.

Are you comfortable, sir, that this does not constitute a violation of the statute that says that the Pentagon cannot lobby Congress?

SEC. GATES: Let me see the papers and find out the background before I make a judgment on them.

(Pause.)

REP. MCKEON: Thank you. And we will -- we would, after you have a chance to peruse those, if you would please respond to the gentleman in writing, we'd appreciate that.

Mr. Reyes.

REPRESENTATIVE SILVESTRE REYES (D-TX): Thank you, Mr. Chairman.

Gentlemen, welcome. And thank you for your service.

Let me add my concern to the issue of the reductions in end strength for both the Army and the Marines, given some of the challenges that we know we're going to have in the next few years in the Horn of Africa and other areas.

So I do hope we're careful with those reductions, because in the final analysis, the ones that pay the price are the servicemen and - women and their families in -- most recently we've learned over the last eight years that in activating and using the reserve forces, a lot of unintended negative consequences impacted those families. So I also want to urge caution there.

The other concern that I have is, yesterday it became a national story about a lawsuit filed by former veteran women that are alleging what I think is a hostile work environment and sexual harassment and other things.

I know you're probably not in a position to comment on that, Mr. Secretary, but I would like to work with your office to better understand exactly the circumstances that led to this lawsuit.

SEC. GATES: If I may, let me just say -- and obviously, what I can say is limited by the fact of the lawsuit, but let me just say a couple of things, because this is a matter of grave concern, I suspect, to everybody in the room.

First of all, I have zero tolerance for sexual assault. And I've worked with Chairman Mullen and the Joint Chiefs and the service secretaries to see if we're doing all we can to prevent and respond to sexual assaults. I've had multiple meetings with the senior leadership of the department on this issue over the past four years, established four critical areas of departmental focus: reducing stigma associated with reporting, ensuring sufficient commander training, ensuring investigator training and resources, and ensuring trial

counsel training and resourcing.

We've hired dozens more investigators, field instructors, prosecutors and lab examiners. We've spent close to $2 million over the last two years to train our prosecutors so that they're better able to be successful. We have expanded the sexual assault response coordinator and victim advocates tenfold, from 300 to 3,000, and we now have those advocates at every base and installation in the world, including in Iraq and Afghanistan.

The court martial percentages have increased from about 30 percent to 52 percent. So we are making headway. The fact is, we aren't where we should be. It is a matter of grave concern. And we will keep working at it.

REP. REYES: Yes, sir.

ADM. MULLEN: Sir, I would certainly more than just echo what the secretary said in terms of zero tolerance. This has been an issue actually over the course of the last six or seven years. It has been an issue of great focus.

And it is unacceptable that, you know, we haven't gotten where we need to be on this. We know this is an extraordinarily difficult issue. And I know, both as a former service chief as well as knowing the current service chiefs, it's an area of focus.

It wasn't that long ago it was a significant area both in the combat zone in Iraq. There still is enough anecdotal information coming out of both Iraq and particularly in Afghanistan to certainly be of concern.

What the secretary said in terms of the investments in terms of improvements in education, focus on leadership, is exactly right. But we also have, I think -- you know, we have -- still have significant work to do. And the leadership is focused on that.

REP. REYES: Thank you. Let me just mention quickly two other things. First of all, I represent Fort Bliss, who in the area of green energy is hoping to be off the grid by the 2015, 2016 time frame. That's a huge compliment to the work that you're both supporting in terms of alternative energy.

And then the last thing is, I would urge you, Mr. Secretary, to work closely with the secretary of Veterans Affairs to find a way to computerize, as servicemen and women come out of active duty into the Veterans Administration jurisdiction, that there be a way of doing a better job through automation.

So thank you very much. Thank you, Mr. Chairman.

REP. MCKEON: Thank you. Mr. Thornberry.

REPRESENTATIVE MAC THORNBERRY (R-TX): Thank you, Mr. Chairman.

Mr. Secretary, I thought that the sentence you have at -- towards the close of your statement was that retrenchment brought about by shortsighted cuts could well lead to costlier and more tragic consequences later, indeed as they always have in the past -- is a very powerful statement to me. I think it's a warning to all of us, somewhat related to the conversation you were having with Mr. Smith about six months out we never know what we're about to get into.

And I guess it's that feeling that really you express better than I could that leads me to be concerned about not just end strength but force structure in the future. I noticed that the independent panel of the QDR, chaired by Steve Hadley and former Secretary Perry with all these people you know well on it, expressed their concern about a growing gap between our interests and our military capability to protect those interests in a complex, challenging security environment. That's along the very same lines you were talking about with our diverse, complicated, difficult threats.

And their conclusion was that they believe the current size and current end strengths of the Army and Marine Corps should be retained. And I heard what both of you said, that this is conditions-based and we'll see how it goes and we can change our mind, but I'm under the impression that the end strength and force structure is not something that you can just flip a switch and say on-off, that it's the kind of thing that you've got to plan ahead for, both in budgets and equipment, in the personnel pipeline for training. It's something that has to be planned for.

And so I guess I would appreciate a little more of -- especially since this is, you say, your last appearance before us -- a little more of your thoughts about not just end strength but the force structure moving ahead with the kinds of threats that at least we understand are on the horizon: failed states, trouble in the Middle East, the kinds of stability operations that y'all were talking about from a financial standpoint. But all of that is very manpower- intensive. And so I would appreciate your thoughts about how we on this committee can best prepare us to deal with those kinds of challenges ahead, even if we don't know exactly what they are.

SEC. GATES: Well, first of all, as I look ahead, I think, as I say, the -- and as both the chairman and I have said -- the end strength that I approved in 2007 for both services will remain in place at least until 2015 and could be -- those plans could be altered, depending on circumstances.

As I look around the world -- and we were talking about stability operations -- one of the areas that -- where we have had a significant expansion of capabilities over the past few years has been in our Special Operations forces. And they often play the training role that Mr. Smith was talking about in these stability operations.

And one of the big moves we've made that's not been noticed very much is that this increase in soft capabilities over the last two or three years has been moved out of the supplementals and into the base budget, so that those soft capabilities that we will use in a lot of these unstable conditions that we look around the world and see will be sustained even once we stop getting overseas contingency appropriations and so on.

I will tell you, the areas -- the areas of force structure that worry me a lot, and they are -- they are areas that this committee in the years to come is going to have to address. For example, the number of our surface ships. The number -- a number of the Navy ships that were built during the Reagan years will basically reach the end of their planned life in the 2020s. And where the money comes from to replace those surface ships, or to get to 313, which is the Navy's goal, from the 287 we have now, I think is going to be a challenge, and especially if you put it alongside, for the Navy, acquiring a new ballistic-missile submarine.

For the Air Force, is the Air Force, in fact, in 2020 or 2025 going to be able to afford a new tanker, an F-35 and a new penetrating bomber?

So there are some tough choices in terms of big capabilities that are coming down the road that are not facing us right now. And we -- and what we have been able to do is to give future Congresses and future presidents choices because we are making investments in things like the SSBNX, like the new bomber and so on. But down the road, when procurement starts, there are going to be some very tough decisions that are going to have to be made.

REP. MCKEON: Thank you.

Ms. Sanchez.

REP. LORETTA SANCHEZ (D-CA): Thank you, Mr. Chairman. And thank you, Admiral and Secretary, for being before us again today.

And Secretary Gates, I just would like to thank you for your service, because you've -- obviously, serving under two presidents, just have been really wonderful to work with. And I think so many of us here who have been on this committee for a long time really appreciate your candor and your desire and your -- and to work with us to make things better at the Pentagon. So thank you for that.

You know, we find ourselves in two wars, and it's been -- I don't know, I'm losing track -- maybe about eight years. And when you're in a time of war there's always the, you know, fog of war. And you want to fund, you want to make sure you win, you want to make sure your soldiers and airmen and seamen and Marines and Coast Guard and all are taken care of and have what they need when they're on the front lines.

And so I think what we've seen is really an increase in monies at least over the 14 years, now 15 years that I've been on this committee. But, you know, just in January the Department of Defense came out with a report stating that in the past three years the Pentagon had awarded $285 billion to companies that were defrauding the Pentagon. Two hundred and eighty-five billion (dollars) in three years.

And I know, when I look through your budgets and I've talked to you and we've worked through, that you are taking extensive initiatives to bring efficiency and savings to the department. And I know we set up the task force with Mr. Andrews on this committee to do acquisition in a different manner, and we believe that we will find some of this fraud and we will contract in a different way and we will begin to see some savings from that.

But when something like 285 billion (dollars) over three years occurs, it really is working against all the hard work that you and others and some on this Congress have done in terms of getting rid of the waste in the department. And what really concerns me is that Senator Sanders requested that investigation. If he had not, we'd have never seen that 285-billion (dollars) report.

So my question is, what's in place for the Department of Defense to catch those types of things? Were they not in place? Do we have new guidelines now that we've seen that came forward? And what can you do and what can we do together to ensure that these types of companies never get a contract again from the federal government?

SEC. GATES: Well, I'm not familiar with the -- with the study that you cite. But I will tell you that there have been a number of changes made over the last year or so in terms of our approach to acquisition, beginning with the legislation that the Congress passed on acquisition reform.

The one exception that I have made to the freeze on civilian hiring for the next five years in the department is, in fact, in the acquisition area and in hiring professional -- building our -- building up our own professional cadre of acquisition experts. Part of the reason for that is we've had too many instances where we have contractors letting contracts to contractors instead of people who have the interests of the Department of Defense and the U.S. taxpayer at heart. So professionalizing our acquisition workforce is a very high priority.

We have really changed a lot in the last year or so in terms of our procedures and our processes -- first of all, just in negotiating smarter contracts. And we have seen some real benefits from that. And the example was used in another context of the littoral combat ship. Being able to get these two into a real competition got the price down far enough that we were able to actually buy more ships because of that.

So I think we have a lot of efforts under way. We have thousands of auditors. I have about 10,000 lawyers. And so the key is, I think, having the acquisition professionals who can -- who can discern these bad behaviors and, first of all, prevent them from happening in the first place, but then be quicker and more effective in catching them.

REP. SANCHEZ: Thank you. My time is over. We'll make sure we get that Department of Defense report to you so you can take a look at that. And I have some other questions, but I'll submit them for the record and -- because of the time. Thank you, Mr. Secretary.

REP. MCKEON: Thank you.

Mr. Akin.

REPRESENTATIVE TODD AKIN (R-MO): Thank you.

Mr. Secretary, I want to start by saying I really respect your decisiveness. Nobody could say that you're afraid to wade in and make the tough decisions, and certainly we need that kind of leadership.

I don't always appreciate the communication strategy of letting us know. You say that sometimes you don't know for six months before whether you're going to be into a conflict. Sometimes we don't know whether a program's going or not, and it's a matter of about a day or so that we find out. So sometimes, in this committee, it would be helpful if you work on the communications and give some of us a heads- up as to what you're thinking and where we're going, because we're trying to play as a team with you.

Particularly in that regard, I've shifted over. I'm now on the Budget Committee and trying to help people to understand the difference in growth of entitlements and what's happened to the defense budget as a percent of GDP. As you know, the defense budget's gone very much down since 1965, and entitlements are, whatever it is, 6(00 percent) or 700 percent increase. But we need to make the case to make sure that you're not so pinched on money that you can't get the job done.

So I hope that you look at us as partners and helpers and things.

So if you're going -- all of a sudden, for instance, going to whack the Expeditionary Fighting Vehicle, which happens to be in our committee, it'd be helpful to have some idea that you're thinking about that as we move from full-speed ahead to all-stop. You know, it's a little helpful to have a heads-up on it.

I was interested to hear you reflect on where you were concerned about where we are overall. I also am concerned about the number of ships. I had a chance to spend three hours in one of those situation rooms that was designed to give us a picture from hail Britannia, you know, ruler of the seas and all through our history. And one of the big lessons from that was, you fight the war with the ships that you have or at least the ones that you on the ways. You can't design a new ship and build it until the war will be over by the time you get there.

My concern was, we were talking about a 313-ship Navy. We're down to 287. And as you point out, when you put the ballistic missile submarine or something in there, boy, that budget just blows up. So I certainly hope we can work on whatever we can do to try to continue on the building.

And the other thing, the Expeditionary Fighting Vehicle, I don't really give a rip what particular platforms we have. But it seems to me non-negotiable that Marines have to get from the ocean to the land, and they've got to get there quick enough and not seasick enough and not full of diesel fumes enough that they can actually fight when they get to shore. And I'm not convinced that we have an adequate strategy without having that vehicle or something to fill that gap.

So it's something we're going to take a look at. But I hope that you'd at least allow us to go through that, and be flexible with us in saying if we don't have a good strategy -- let's make sure we have a good one, because I think the Brits decided they weren't going to do that capability, and then they got in the Falkland Island(s) War and just about lost it because they hadn't planned to be able to get their Marines on the shore.

So I just wanted to allow you to respond to my rambling here a little bit. But we want to work with the team -- that's my main point -- with you, but we need a little bit of heads-up before you make your decisive moves. Thank you, sir.

SEC. GATES: Well, first of all, on the -- on the -- let me just say publicly and for the record, the Department of Defense totally supports the Marine Corps in the -- in a firm requirement for an amphibious assault capability for the Marines. We just don't want to spend $15 billion -- which is virtually all of the Marine Corps' ground vehicle procurement budget -- for enough vehicles to take four out -- 4,000 out of 202,000 Marines from ship to shore.

Now, I think the commandant -- and it should be clear, this was a recommendation from the commandant to the secretary of the Navy, and from them to me. And I think it should -- we should also understand the commandant does have an alternative plan, in terms of first accelerating the Marine Personnel Carrier; second upgrading part of the existing Amphibious Assault Vehicle fleet; and then third, designing a new assault -- Amphibious Assault Vehicle, but one without the expensive, exquisite capabilities of the EFV. So there is a commitment to this, and there is money in the FY '12 budget to begin pursuing this.

And with respect to your first observation, I would just say that, first of all, I think -- I think that most of the members of this committee believe that I have been pretty honest, pretty forthcoming and candid and transparent every since taking this job. And I fully recognize the constitutional role of the Congress with respect to our military forces, and in fact in my first commencement address, at the Naval Academy, spoke to the midshipmen about that very fact and the importance of Congress, and for them to stay apolitical among other things.

But at the same time, I have to have a disciplined decision process inside the Department of Defense. And to tell you the truth, until a few years ago, the place leaked like a sieve, and I couldn't make an internal decision without it being in the newspapers, or that process being in the newspapers. And so I have tried to instill some discipline in the -- in the department. And the truth is that by going out on January 6th with what we have in mind for the FY '12 budget, this committee and its counterpart in the -- in the Senate got a six-weeks head start in evaluating the FY '12 budget over every other committee in the Congress, and every other part of the president's budget. And I got the president's approval to go ahead and do that.

Same thing happened in the spring of -- in the spring of 2009, when I came up. I made a lot of decisions in the spring of 2009 on programs. Thirty-three of them came up here -- all the major ones. And in every single one of those, the Congress had an opportunity to evaluate it and decide whether to go forward or not. Right now, 32 of the 33 are in law. So I think that I absolutely agree with you: We need to do this as a team. But I also have to have a disciplined decision process inside the Department of Defense, so that I can get everybody's point of view, people can speak up in meetings, can disagree, and we can work things out before making a decision.

REP. AKIN: Thank you.

REP. MCKEON: Mr. Andrews.

REPRESENTATIVE ROB ANDREWS (D-NJ): Thank you, Mr. Chairman.

Thank you, gentlemen, for your service. And the highest compliment I can pay you is that you reflect the same level of excellence of the men and women that you lead. And we appreciate all three of your service to our country.

I apologize for not being personally present during your testimony, but I have read it. And Mr. Secretary, I wanted to direct your attention to page 4 of your written testimony, which goes into a list of the savings that you are proposing.

First of all, let me thank you for proposing them.

I think too often the debate here has been trivialized by people who, I think incorrectly, say our military budget's just too large, because it looks too large, without being able to talk about the needs the country has; and then others who would look at any reduction as somehow a threat to national security without real and fair analysis. I can't think of a person better suited to lead us to a mature discussion of this than you, and I thank you for taking that leadership role.

I want to ask you a couple of questions. You talk about $11 billion over the, I guess, five-year window for resetting missions, priorities, functions for

defense agencies and OSD. What does that mean, more specifically?

SEC. GATES: Let me answer and then -- quickly and then ask Mr. Hale to elaborate. What we have asked every part -- every defense agency and every part of the Office of the Secretary of Defense to do is to what we call rebaseline their activities; to start with a clean sheet of paper, what are you doing, what should you be doing, and how many people does it take to do that.

And so this is one of the areas in which we are able to shed staff contractors, in which we are able to reduce the number of people that are working in these areas. We're consolidating some activities. We are eliminating other activities. And so it really has to do on the civilian side of the department how do we make the defense agencies and OSD itself more efficient and find savings. And so that's the basic umbrella.

REP. ANDREWS: If I may,this goes to your premise of your earlier arguments, which I understand as being finding ways to make more efficient what we do in our logistical operations so that we can become more effective in our actual defense activities. Is that a fair summary of what you're trying to do?

SEC. GATES: Yes, sir. And the defense agencies have a lot of people and a lot of money and they've grown a lot over the last decade. and frankly, we've thought that it was time to take a fresh look at all of this, and I think it's been a long time since anybody's really gone into this in the way we have.

REP. ANDREWS: Because I am one who would be eager to try to work with you to find more savings in these and other areas. And I think you'll find that there are members of both parties willing to do that. So --

SEC. GATES: I think there are two areas where we have not realized the opportunities that we have. After all, we came up with $178 billion worth of structural changes, overhead changes, economic changes in the space of about six or eight months. And I think -- there are two areas, for example, where I think we have the opportunity to save a great deal more money. One is in acquisitions, which we've just been talking about --

REP. ANDREWS: Yes, sir.

SEC. GATES: -- but in negotiating smarter, better contracts. And we've seen this already on the SSBN(X), on the LCS, on several different programs, on space satellites.

The other, though, is in information technology. And we got a start on that in this effort, but it's just complex enough that we haven't -- we haven't gotten as far as we would like. But I think those are just two areas where we can do a lot more.

REP. ANDREWS: Well, many of us, Mr. Secretary, are eager to be your partner in that effort.

I want to thank Secretary Hale, in particular, for being very accessible and very precise whenever we need to speak to him.

Let me say one thing that I would leave you with; that I would take some personal responsibility for and hope that some of our colleagues would. You have a billion dollars for eliminating unnecessary studies and internal reports.

A lot of them emanate from us. And there is a tendency, when we want to try to change the law, to settle for, well, we'll just put a provision and ask the Pentagon to do a report. And, you know, as someone who's violated that rule myself, I'd be willing to try to not do that in the future, and try to urge our colleagues to do the same thing.

SEC. GATES: We'll give you some ammunition. From now on, all reports, whether they're internally commissioned or externally commissioned, will on the front page have what it cost to prepare the report.

REP. ANDREWS: You should also put the name of the person who asked for it. (Laughter.)

Thank you, Mr. Secretary.

REP. MCKEON: Thank you.

Mr. Forbes.

REPRESENTATIVE J. RANDY FORBES (R-VA): Thank you, Mr. Chairman.

And Mr. Secretary, thank you for being here today. and I want to just say how much we respect your office. And I hope that you won't conclude that it's disrespectful if we try to get your answers concise enough to fit into the five minutes we have, but it's just oftentimes so difficult for many of us, at least on this side, to get information from the Department of Defense.

One of the things that we saw on January the 26th, when your deputy secretary, Mr. Lynn, was here, he testified that the department had failed to comply with the law requiring audited financial statements be filed annually in the years 2007, 2008, 2009, 2010, all years, of course, that you were secretary of defense.

And my first question is, for any of those years -- 2007, '8, '9, or '10 -- were you unaware that the law required that DOD file audited financial statements?

SEC. GATES: I certainly did not -- was not aware that we were in violation of the law.

REP. FORBES: So you did not know that you were in violation of the law.

The second question: Mr. Lynn further testified that no such statement would be filed this year, but he said that it was a priority of the Department of Defense that you get in compliance, and that you had a plan to do it. Has that always been a priority of yours since you've been secretary of defense?

SEC. GATES: Yes, it has. And in fact, I think if you go back to testimony four years ago, the person who had the job before Mr. Hale had begun the planning and execution of getting us to a position where we could comply with the CFO law.

REP. FORBES: Secretary, if I could, I don't know if we have an opportunity to put it up on the screen, but hopefully we will, and on the monitors. But if not, there's a chart right over here -- and there it is going -- but it might be hard to see -- but you can see this screen over here. And I'm wondering if you recognize that website -- (audio break) -- at all.

And the reason I say -- just to refresh your memory, there's a copy over here.

And I know it's hard to see, but this is your website, and this is live. This is not something on the screen that we made a copy of. This is what you would have seen at that testimony you're talking about in 2007 or if we'd have done it in 2008, 2009, 2010, or if anybody were to go to it today.

And it says, this website's designed to provide all the information you need to understand the budget and financial management policy of the Department of Defense. Mr. Secretary, what it clearly states on there, if we'd had that testimony then, is that the Department of Defense would have been in a hundred percent compliance and given a hundred percent audited financial statements by the year 2010. But in point of fact, according to what Mr. Lynn testified, the department was off a hundred percent. Is that not accurate, in that we've filed no audited financial statements?

SEC. GATES: Well, we certainly have not filed clean audits, that's for sure.

REP. FORBES: And Mr. Secretary, a question I'd have for you is, would you authorize -- you've been given by the taxpayers of this country $2.5 trillion, essentially, since you've been secretary of defense. Would you authorize the expenditures of these sums if you were not convinced there were adequate accounting systems in place to know where they were being spent?

SEC. GATES: Mr. Forbes, I am confident that we have the financial processes, all of which were, by the way, designed for budgetary planning, and which the Congress has relied on for a long time, that give me confidence that we know where the money is going.

Can we do the kind of audits that are required by the CFO? No. But we do -- we are spending between $200 and 300 million a year to get in compliance. We have a short-term and a long-term plan to get there, which I would be happy to share with the committee.

So we understand our obligation to get to this. But the reality is, we do have systems in place to deal with fraud, to deal with other issues, and that provide us with the tools to do financial management and budgeting.

REP. FORBES: Mr. Secretary, I don't want to cut you off, but I only have about 40 seconds left. And the reality is this: We were a hundred percent off. And I want to be kind and I want to be respectful. But the reality is that taxpayers have entrusted your department with $2.5 trillion. And here's the way we basically repay them with the accounting. You call it discipline and decision-making, but we've issued gag orders to stop people from the Pentagon in talking to members about -- Congress about where those dollars are. Didn't get a shipbuilding plan in the year it was required by law. Didn't get the aviation plan in the year it was required by law. Haven't had the audited financial statements required by law.

And the cuts that you give us, Mr. Secretary, we only get backfilled information.

And Mr. Chairman, I know my time is up, and so I'll yield back.

REP. MCKEON: Thank you very much.

Mrs. (sic) Davis.

REP. DAVIS: Thank you, Mr. Chairman.

And Secretary Gates and Chairman Mullen, I think we all applaud you for your extraordinary service. And I certainly want to add my voice as well. Since you said, Secretary Gates, that this was your last budget, I believe also -- Chairman Mullen? Is it your last budget as well?

ADM. MULLEN: As far as I know.

REP. DAVIS: (Laughs.) Given that, several of my colleagues have asked some questions I think that have asked you to kind of take out of -- from the -- your notes. And, you know, what is it that concerns you the most, whether it's in the budget or outside the budget?

And I wonder if you could speak just a bit to any disconnect that you see between what the needs are and what the budget actually reflects? It's a little of the "What keeps you up at night?" question, but I would hope that, as this is your final, if there's anything in particular that you'd like to focus our attention on that may not have been met -- (state it ?).

ADM. MULLEN: I mean, I'll take a crack at it. You know, as I look at the future, there's been a discussion today about our force structure. And I worry in the longer run -- I think we're okay right now, but I worry in the longer run that we align our force structure with the national security requirements we have as a country. And at some point in time, with the force structure we have, we're going to have to start saying there's going to be some stuff we're going to need to stop doing.

I worry about resetting from these wars. And it's going to take us -- we'll get two years of dwell time here in the next few years. But we're not really reset for two years, as opposed to instantaneously when that starts. And so I worry about properly resetting during a time where the challenges in the world continue to grow, and no better example than just the last couple of weeks. And I think that will continue. If you track crises back over the last -- over the course of the time the secretary's been here and I've been in this job, they continue to grow.

I am comfortable that we have the best military we've ever had, our young men and women. And we just need to make sure that we sustain that over the long term. We can -- we'll talk a lot about equipment in these hearings. If we get it right for our people and their families, we'll be fine. And if we don't, it will be a real struggle.

And then in two specific areas -- not that we don't have challenges, as have been mentioned, but two specific areas are of great concern to me. One is space and the other is cyber. And those are areas that are -- what I would call too often niche areas. They're not anymore. They're domains without boundaries, without rules. We have international players as well as -- as well as individuals, particularly on the cyber side, extremely dangerous in both realms, particularly in cyber. We've invested in that heavily. We've stood up a command. Those are initial steps. We've -- we've got a long way to go.

REP. DAVIS: Mr. Secretary, did you want to respond to that?

SEC. GATES: I would -- since this is my last hearing, I'll be bold and tell you two things that worry me. And they both have to do with the Congress. One is

the disconnect between the roles and missions that have been given to the military by the Congress and the president and the discussion of the defense budget now and in the future here on the Hill, where it is treated more often that not as a math problem.

You have 18.9 percent of federal outlays, which, I might add, is the lowest percentage of federal outlays for defense other than the late '90s, early '2000s since before World War II. And yet because we have half a trillion dollars, then we must be part of the problems in terms of the -- of the nation's debt and the deficit. I would tell you on a $1.6 trillion deficit, if you cut the Defense Department by 10 percent, which operationally would be catastrophic, that's $50 billion. You haven't gotten very far toward dealing with the deficit.

The second thing that I worry about is that what we have found in the executive branch is that the elements of the -- the different parts of the executive branch are increasingly integrated in the way they deal with problems, the State Department and the Defense Department and AID.

And yet the jurisdictional lines here on the Hill are such that you don't get to see the overall national-security picture that we see in the Situation Room, or that the president sees, that brings intelligence and the State Department and Defense and these different elements together and integrate those.

And I think it's a challenge, because this is becoming more and more the case in the problems that the -- that the nation is dealing with in national security; and yet the Congress continues to have -- (audio break) -- things that concern me.

REP. DAVIS: Thank you.

Thank you, Mr. Chairman, and I'll submit other questions for the record. Thank you.

REP. MCKEON: Thank you.

We're going to turn to Mr. Wilson, and then we're going to take a five-minute, short break. Mr. Wilson.

REPRESENTATIVE JOE WILSON (R-SC): Thank you, Mr. Chairman.

And Admiral, Mr. Secretary -- Mr. Secretary, thank you for being here today. And in particular, Admiral and Secretary Gates, I want to thank you for your service, as you highlight the conclusion of your careers in the military serving our service members.

I do have the same concern of our chairman. It's a bipartisan concern; I was listening to Congressman Reyes. And that is with the drawdown, with the force reduction in the Army and Marine Corps. I'm very concerned -- the effect on dwell time. I'm very concerned about the effect on morale, morale of the service members, on their families, the consequence of them not feeling secure as to their military futures, people who have been so dedicated to our country.

With that in mind -- and it's been stated that it's going to be conditions-based -- Mr. Secretary, what flexibility will there be for the service chiefs in terms of the conditions? And I would -- it's my view that the conditions have even

changed in the last month, with the instability in the Middle East, the potential of facing an asymmetric enemy on a broader scale that would require more boots on the ground.

SEC. GATES: Well, I think that your concern about an asymmetric threat is correct. And I would tell you that I think that those who will face this asymmetric threat to the greatest extent are in fact the Air Force and the Navy, particularly as we look at capabilities that China and others are developing, the kinds of activities that the Iranians are engaged in and the North Koreans and so on. That's why we put a freeze on both the Air Force and the Navy in 2007; were drawing down their personnel, and we stopped that. And so there are no drawdowns planned for the Air Force and the Navy.

As I said earlier, the Marine Corps -- this is their idea, and I think you need to talk to General Amos and get his thinking and his logic in terms of why the Marine Corps ought to be smaller and lighter, assuming we come out of Afghanistan. And I would tell you, the kinds of instability that we're seeing in the Middle East now, it is -- it is difficult for me to imagine circumstances in which we would send U.S. ground forces in in any of those situations. Those are -- those are problems that are emanating from within those countries, and it's primarily a diplomatic challenge for us. Although I would say if you ever wanted proof of the value -- as the chairman said in his opening statement, of the value of our military assistance to Egypt over the past 30 years, it has been in the behavior of the Egyptian Army over the past three weeks, and their professionalism in dealing with the kinds of situations they had.

But I -- you know, look, 2015 is a long way away, and I think that the department -- and we're talking about $6 billion. So I think that the service chiefs have a lot of flexibility in terms of, if they determine in 2013, '14, thereabouts, that drawing down from 547,000, or from 187,000 in the case of the Marine Corps is -- or of 202,000, rather -- then they can obviously make that pitch.

I would tell you, though, a lot's going to depend on who's the secretary of Defense and who's the president, because there had been opposition within the Department of Defense to increasing end strength when I arrived, and that's why it hadn't happened.

The chairman of this -- previous chairman of this committee had been a strong advocate of increasing end strength, and many of you had been as well. But it didn't happen until we had a different secretary of defense. So that will matter too, as well as the service chiefs.

REP. MCKEON: And I do want to commend the surge, I think successful, in Afghanistan. I'm very grateful that so many of the Army personnel are -- were trained at Fort Jackson and are represented on Parris Island, Marines making such a difference.

Also, in regard, Secretary, to the National Guard, what is the status of our equipping of the National Guard for their domestic and foreign capabilities?

SEC. GATES: I'm -- this is a real success story. This is something that I'm pretty proud of. When I came to this job, the equipment on hand across the nation on average for the National Guard was about 40 percent. It's now in the mid-70s. The historical equipment on hand for the Guard is about 70 percent, so we're well above that, but more importantly than that is that they're getting

first-line equipment. They're not getting hand-me-downs from the active force; they're getting the same high-quality, high-tech equipment that the active force is.

REP. MCKEON: Thank you very much.

Committee will take a five-minute recess and convene at 10 minutes to 12. (Gavels.)

(Recess.)

(In progress from feed) -- your decision.

SEC. GATES: No, but I would say within the next two to three weeks, something like then.

REP. RICK LARSEN (D-WA): Okay. Thanks.

Admiral Mullen, your testimony -- written testimony discussed the pooled-resources idea. Your oral testimony actually gave it a title. And that's about as much right now as we have. We got total -- (inaudible) -- and you both have testified even today about the need to combine state and defense activities. Can you talk a little bit more about how you envision this collaborative pooled-resource idea and when we can expect to see actual language?

ADM. MULLEN: From the -- from the -- from my perspective, I think what has worked with State -- between State and DOD is what I would call this dual-key capability that assigns responsibility to the secretary of defense, secretary of state to both agree that we're going to spend the money a certain way. And I think that's reflective of the requirements we just see -- which continue to emerge. I mean, it gets focused on Iraq and to some degree on Afghanistan, but it's really the preventive aspect of this, the investment ahead of time, so we're not in conflict, in great part -- the special forces for us, for example, is one area. But we can't do it all, and that's really what this speaks to.

I think in terms of, you know, the level of detail in the proposal, I mean, I think we can get that to you, you know, relatively quickly. I mean, it's -- the language is there right now. As I said, it's $50 million initially with the -- with the language we'd like, language which would allow us to reprogram an additional 450, you know, out of our own money as needs emerge.

Oftentimes this is a speed issue. I mean, it -- you know, as opposed to we need to do it now as these emerge, as opposed to take months or maybe even a year.

REP. LARSEN: Well, then do you envision that you need additional authorities or you just need reprogramming authority?

ADM. MULLEN: I think we need both.

REP. LARSEN: Okay.

ADM. MULLEN: We'll need authorities for the 50 million (dollars) --

REP. LARSEN: Right.

ADM. MULLEN: -- and then reprogramming money on top of that.

REP. LARSEN: And then --

ADM. MULLEN: Authority, sorry.

REP. LARSEN: And then authorities for a structure -- decision structure as well?

ADM. MULLEN: Right.

REP. LARSEN: Yeah, and we'll --

ADM. MULLEN: Support for a decision structure, right.

SEC. GATES: So you can -- so you can influence your colleagues in the other committee, the 50 million (dollars) is the State Department contribution. The larger number is ours.

REP. LARSEN: That was the next question. I think it's important that both agencies have skin in the game, if you will, to make this work. And I think probably for it to work around here, it's going to have to look that way as well. So I'll look forward to some actual language and help from you all on that.

The continuing resolution on the floor today and the next day includes a hit to the Department of Energy's budget on nonproliferation of about 600 million (dollars), if I'm not mistaken, below the '11 requests. This is for nuclear nonproliferation. And this is the loose nuclear materials piece in addition to some other things, which is something that is in our jurisdiction as well.

Can -- have -- can you talk about or have you looked at what the impact of that hit will be on our abilities --

ADM. MULLEN: No, I haven't.

REP. LARSEN: You have not, okay. Can you -- well, we've only got a couple days. I won't ask you to get back to me in the next two days on that one, because we're voting presumably tomorrow on that.

Can you speak, though, to the '12 requests for the Department of Energy's nuclear -- the nonproliferation budget request as it applies to our jurisdiction.

SEC. GATES: To be honest, Mr. Larsen, the only part of the Energy budget that I have any familiarity with is for the NNSA stuff --

REP. LARSEN: Yeah.

SEC. GATES: -- on the nuclear weapons.

REP. LARSEN: Yeah.

SEC. GATES: I'm just not familiar.

REP. LARSEN: Well, pieces of that is NNSA. So -- okay, that's fine.

I think that -- can you then finally discuss the budget request, perhaps Secretary Gates, here in the last couple seconds, about the budget request with

regards to the phased adaptive approach for missile defense, supporting not only phase one, which started implementation this year, but what the budget request looks like for PAA on phases two through four -- what kind of dollars are in there to continue moving this along?

SEC. GATES: I can't parse the specific elements of it. I do know that the overall budget for missile defense is going from 10.2 (billion dollars) to $10.7 billion. So we're putting another half a billion dollars into it.

And there is money for more Aegis ships, more of the transportable radars like we have in Egypt -- like we have in Israel and Japan right now. And then there are also continuing investments in the ground-based interceptor systems. So there's money as well as some of the high-level technologies like high-energy lasers and precision tracking from space. So there's a significant increase in missile defense, including to be able to go forward with the phased- adaptive array in defense in Europe.

REP. MCKEON: Mr. Turner.

REPRESENTATIVE MICHAEL TURNER (R-OH): Thank you, Mr. Chairman.

Mr. Secretary, thank you. Thank you for your letter yesterday in which you announced for your support for a federal uniform standard of custody protection for our men and women in uniform. I get to thank you on behalf of myself, this committee, the staff of this committee and Eva Slusher from Kentucky, who had lost her daughter in a custody battle as a result of a family law court judge using her time of service against her in a custody battle that she ultimately won and got her daughter back.

I know that you know that unfortunately throughout our country, there are family law courts that -- where the judge will use the time away that someone has been deployed or even the threat of deployment as a sole factor for determining custody, resulting in our men and women who should be being honored for their service actually being disadvantaged for their service.

I know you know that this House has passed this in legislation form five times: four as part of the national defense authorization act and once as part of a stand-alone bill. Your letter indicates that you will be assigning your staff with the responsibility to negotiate language that can ultimately be enacted in legislation to provide that protection. This is a battle that's been going on for five years now in legislation.

And I know that you know this doesn't just affect our servicemembers who are currently in custody battles. And we're not asking for them to be advantaged; we just don't want them to be disadvantaged.

But it also affects our service members who have the stress of the concern that they may be subject to a custody battle and don't have a national standard in which they can have confidence. Many of these custody battles involve three states -- the state in which the original custody order was issued, the state where the service member is currently assigned, and the state in which the child currently lives. So the national standard is going to be so important to provide them that confidence.

So my first question to you, and I have two other topics I want to get to, is I believe that this should not wait for the National Defense Authorization Act

this year. This House has passed it as as a stand-alone bill. It has passed it on suspension on the House floor. We passed it four other times as part of the National Defense Authorization Act.

If we roll up our sleeves, we can get this done and pass this very quickly through the House. And I'd like to have your support for us to get to work on this right away.

SEC. GATES: We certainly will do that. Whether you can get it through the House in a hurry, I guess, is up to you-all.

REP. TURNER: That would be excellent.

The second thing I want to talk to you about is the issue of sexual assault. In my district, we had a woman, Maria Lauterbach, who was tragically murdered after making allegations of sexual assault. I've worked with Jane Harman and Representative Tsongas on provisions that we've gotten enacted over the past several years that address the issue of sexual assault. The New York Times article, in reporting the lawsuit that has been filed, identifies that the legislative accomplishments so far are modest.

We actually had in this last National Defense Authorization Act provisions that went to the issue of sexual assault, one of which would have provided a mechanism for expedited consideration and priority for base transfers for those who have been subject to sexual assault, another providing privileged communication between a victim and an assigned victim advocate.

All of those did not make it into the final bill. I just want to bring them to your attention and hope that we would have DOD's support as we move to try to place those provisions in the National Defense Authorization Act this year.

And then my third topic is NNSA. I'm the chairman of the Strategic Forces Subcommittee. One of the things that I've been concerned about with this continuing resolution process and then the upcoming fiscal year 2012 budget is that NNSA, being part of DOE, has not been recognized as really being part of the defense infrastructure, so when people talk about cutting everything that is non-security related, so many times they're missed and actually subject to a cut.

As we look to the importance of NNSA and the additional funding that they need to respond to supporting our nuclear infrastructure, I'd appreciate your comments on certainly both their importance, the importance of this funding, and also the characterization that should be made that NNSA is certainly part of our national security infrastructure and certainly does very important defense work.

SEC. GATES: Well, I would -- I simply can endorse the last two statements. I mean, it is incredibly important. And it clearly is intimately tied to our national security and should be regarded as part of the security component.

ADM. MULLEN (?): Let me just add one point from a budgetary standing. In '13 to '16, we actually have some money in the defense budget, which on an annual basis will be transferred (in ?) NNSA. The desire was to emphasize the partnership between our two organizations. As the secretary said, they are very important to meeting our nuclear needs.

REP. TURNER: Excellent. Thank you both.

Mr. Chairman. Thank you.

REP. MCKEON: Ms. Bordallo.

DELEGATE MADELEINE BORDALLO (D-GU): Thank you very much, Mr. Chairman. Mr. Secretary and Admiral Mullen, thank you for appearing today and providing us with your testimony as well as your service.

First, I just have one simple question. I guess it would be an up-and-down answer. I want to thank you for your support of H.R. 44, the Guam War Claims bill that was introduced last Congress. This proposed legislation is very important to the Chamorros on Guam who survived the brutal enemy occupation during World War II.

Although we were unsuccessful last Congress in the Senate, I have reintroduced the compromise version of H.R. 44, which eliminates the payment of claims to descendants of those that suffered personal injury during the occupation.

Now, can we expect the same level of support from the Department of Defense as we did in the 111th Congress? The people of Guam, Mr. Secretary, are being asked to provide additional land for firing ranges and the main base area for the current buildup. And resolution of Guam war claims is going to be critical to overcoming historical injustices.

SEC. GATES: Well, as Deputy Secretary Lynn testified, we continue to support the Department of Justice position on this.

DEL. BORDALLO: So I guess the answer would be yes.

SEC. GATES: Yes.

DEL. BORDALLO: My second question, I'm encouraged to see the administration continuing to support the so-called Guam International Agreement with military construction funding for the realignment of the Marines from Okinawa to Guam. I'm also encouraged by the funding of civilian infrastructure needs on Guam.

My question is for Secretary Gates. Given the strategic importance of Guam and our nation's ongoing efforts to reshape our military presence in the Pacific theater, can you tell me what the status is of the Department of Defense's roadmap for realigning U.S. forces in Japan? Specifically, how is the reconfiguration of Camp Schwab facilities and the adjacent water surface areas to accommodate the Futenma replacement facility project proceeding? And when can we expect to see tangible progress on Okinawa for a Futenma replacement facility?

SEC. GATES: My hope is that -- well, first of all, I discussed this when I was in Japan just a few weeks ago. I feel like the Japanese government is making a serious effort to resolve the Futenma issue. My hope is that we will get resolution, particularly on the configuration of the airfield or the runways, perhaps later this spring. And that would then allow us to go forward with our planning.

Until we get the Futenma replacement facility issue settled, we really are not in a position to go forward. Without resolution of that issue, troops don't leave Okinawa; lands don't get returned to the Japanese, to the Okinawans. So these were points that I made both publicly and privately when I was in -- when

I was in Tokyo. And so my hope is that we will get resolution of this to a sufficient point by sometime later this spring that we then can go forward and work with this committee in terms of that planning and just to clarify a statement that I made to Mr. Thornberry. And I expect to be around for some months to be able to work with you on that.

DEL. BORDALLO: Well, good. That's good. All right.

My third question is for either Secretary Gates or Chairman Mullen. I was pleased to see about 200 million (dollars) in research and development for a next generation bomber. And I think this is a key platform in maintaining a robust long-range strike capability. Can you explain the rationale behind your decision to build a long- range manned bomber with the ability to penetrate defended airspace? And why is standoff insufficient to meet future combatant command requirements? What are the inherent limitations within our existing legacy bomber fleet?

ADM. MULLEN: Actually, you almost, ma'am, said it in your question. We actually went through a very, very rigorous debate and review and analysis to get to the conclusion that this should be -- that we should invest in a new penetrating stealth bomber. And we think that capability is vital for the future. We certainly -- certainly there is great focus obviously on this with respect to the Pacific.

But in a lot of these capabilities that we've developed over the years, oftentimes even the area of focus that we might use it in changes. So we think it's actually broader than that. And it was reviewed for both its ability to be developed from evolving technology. So it goes to -- I think there's a very smart acquisition strategy associated with this. This isn't going to be exquisite in every way. It's bounded in cost. And we think terrific capabilities that when combined in the platform will actually result in a revolutionary capability, not just overall in terms of our requirements. And this is --

DEL. BORDALLO: Thank you very much, Mr. Chairman. I have a couple of other questions, but I'll enter them into the record.

REP. MCKEON: Thank you very much.

Mr. Conaway?

REPRESENTATIVE MIKE CONAWAY (R-TX): Thank you, Mr. Chairman.

Gentlemen, thank you for being here and your service, et cetera, et cetera, adding on. At the risk of a 15-yard penalty for piling on, I'm going go back to the audit issue that Mr. Forbes brought up. It's not going to happen. I mean, neither one of you gentlemen -- well, actually, none of the three of you will be in place when this gets done. That is inherent with the -- with the system that we have in place, where -- (know ?) was there. And that helps explain somewhat why we're not there, is because unless it's a key component of what you want to get done, it's not going to get done.

I wish we had the same kind of commitment to auditing this Department of Defense's financial statements and/or -- or just a statement of receipts and disbursements that we have to greening the military. I don't think greening the military is a core competency of the fight, but yeah, we're -- I hear testimony

this morning about all the wonderful things that were done with respect to that. And you can't tell us what the differential in cost between doing it that way versus what the standard way of doing it and what the cost is. Do we get a cost-benefit for, as Mr. Reyes said, taking Fort Bliss off the grid? We don't know what that costs and those differentials.

The story in the Washington Post, as -- (inaudible) -- mentioned, where folks who have defrauded the government have been awarded additional contracts for some $285 billion. That's an internal control issue. Internal controls are an integral part of a good financial system that allows you to know where your money's going and know where your money's not going.

So every time we have these kinds of stories, it adds to the confusion of the area. I go home to folks in West Texas and when they find out that the Department of Defense can't be audited, they are stunned. It's been on the books for a long, long time, and you know, Mr. Gates, your revelation that you've got thousands of auditors and 10,000 lawyers was kind of eye-opening for those of us on the side of the deal.

I want to brag on the Marine Corps. They got very close this year -- let me step back -- Secretary Hale and I and his team and others, I've had extensive conversations with them, briefings. You've been over to the Pentagon and talked to them. They get it. They're working really hard, but as Petraeus said last year, hard is not impossible. And as Keith Alexander says, nothing's impossible for those who don't have to do it. And I'm one of those who don't have to do it, but you do.

So I want to brag on the guys who have been working; the Marine Corps is getting close. But the question is, how do you leave a legacy, which everybody wants to leave good legacies. How do you leave a legacy in place that keeps this process moving, that you hand off and you get it so systemically ingrained into the team that this is important -- we need to know where the money is going. We need to be able to have the, quote-unquote, "Good Housekeeping seal of approval," so that the general public gains additional confidence. And the one entity in government that the general public generally has great confidence in that, and that is -- and that's in the Department of Defense.

So how do you leave that legacy in place to make sure we don't lose ground because you're not going to be responsible when 2017 rolls around and it's not done?

SEC. GATES: Well, first of all, I think that -- Mr. Hale and I have talked about this. He has asked for my support in terms of communicating to the rest of the department that this is a high priority and I have provided that support. But to answer your question of how do I know that this will continue after I'm gone, that's because Mr. Hale will not be gone. And he will continue in this and he is committed to this, and I think he has the plan in place as I mentioned earlier, both short-term and longer-term in terms of getting us to a point where we are in compliance by 2017.

REP. CONAWAY: And we're going to keep track of it. I hope to be able to get the matrix in place so that you can measure progress against that timeline and we can see it as well. But it also begs the question, you've got $100 billion of reprogramming money, in effect, dollars you say -- your team has come together and say we don't need to do $100 billion worth of this. We would rather do $100 billion worth of that over that time frame. How you going to

track that, how you going to make sure that 100 billion (dollars) of reprogramming doesn't morph into the 78 billion (dollars), the commitment to save the 78 billion (dollars) over these next time frames? Because I see very easily where you would wind up with a -- you fulfill the 78 (billion dollars) number by siphoning off monies that would have otherwise been reprogrammed within the Department of Defense.

MR. HALE: Mr. Conaway, I'd like to offer a defense of the defense financial management system, maybe unpopular. First, I'm fully committed to audits. I understand we need them for public confidence. But the fact that we can't pass commercial audit standards does not mean we have no idea where we're spending the money that you send us. We've got 55,000 people in the defense community, financial community. They're well trained and that is one of their prime jobs as is the job of many others.

We have several thousand auditors watching us and I note -- if we had no idea what we were doing with the money, we would have -- we'd have rampant Anti-Deficiency act violations. But over the last five year, about two-tenths of our budget has been associated with ADAs.

That's more than I'd like, but it's pretty small and it's smaller, I might add, than the percentages of the non-defense agencies that who -- all of whom have clean audit opinions.

So I think we do know what we're doing with the money you give us and we can account for it. We can't pass commercial audit standards and we need to do that to reassure the public we're good stewards of their money. And I'm committed to doing it and I'm working hard.

REP. CONAWAY: Thank you, Mr. Chairman.

REP. MCKEON: Mr. Courtney.

REPRESENTATIVE JOE COURTNEY (D-CT): Thank you, Mr. Chairman. And I want to thank the witnesses for their testimony today.

I was at the first hearing after you were appointed secretary; I was a brand new member of Congress and remember well the fact that you walked in and announced we were going to increase end-strength, which has been referred to here this morning.

I also just would note that that was also the hearing where you announced that we were going to make a commitment to MRAP deployment in Iraq and Afghanistan, which only a handful, relatively speaking, were in theater. You know, I just want to share with you that last Easter, there was a Connecticut National Guard unit that was riding in an MRAP in Laghman Province that, unfortunately, 200-pound IED was detonated. It lifted the MRAP many feet in the air, came crashing down. Everyone survived. There was some pretty bad injuries, but everyone is alive.

There is no question that if a flat-bottom Humvee had been part of that type of an event it wouldn't have been the case. I'm friends with one of the mothers of one of those soldiers who, you know, is a lawyer in practice in the New Haven area, and, you know, she said to me she didn't know what an MRAP was, M&Ms, but she said whoever was responsible for making sure that those types of units were in the theater, just thank them for her. And I'm doing that publicly, and to

you, too, Admiral Mullen because you were part of that extraordinary effort to finally get those things over there to protect our troops.

So thank you.

I want to just touch on two quick things that people talk a little bit about in Connecticut, the alternate engine that was part of the debate last night. And one of the comments that was made by Admiral Roughead last year when this issue came up was that aside from, you know, the claims that the up-front production costs of a second engine would pay off over time, I mean, he pointed out the fact that on aircraft carriers, there is just no space capacity to deal with repairing and maintaining two separate engine systems. Obviously, we have admiral here who knows the ships quite well. And I just wonder if you could sort of comment on, you know, I think, the overstated claims of savings when you think about the operational headaches that a second engine would create.

ADM. MULLEN: One of the things that we do in this town is we focus on getting stuff out the door as opposed to what it costs for life cycle. And this -- and it certainly applies on aircraft carriers, but it applies actually in all three services. This is two separate lines, two separate training, two separate maintenance manuals, two separate supply sources, all those kinds of things. And they lag each other significantly. I mean, I've been doing money a long time. I cannot make sense out of this second engine. It is two to three years behind. It's not going to compete, quite frankly.

We cannot afford to buy the second engine, I mean, from my perspective. And there have been multiple airplanes that are single- engine airplanes that are single source.

So I don't accept it; 95 percent of the fleet is going to go down at once. It just doesn't happen. We're better than that. If -- you know, the first engine will be, I think, more than adequate to meet the needs that we have for that airplane. And if I thought any different, I would, you know, be encouraging this engine, the second engine. I just categorically can't see that it's going to make any difference. It's going to cost us a lot of money, not just to get it out at the door, but over the life of its -- over the life cycle.

REP. COURTNEY: And for the proponents who keep bringing up F-16, I mean, the fact is we're in a different world than 25 years ago as far as testing these engines, right? I mean the risk level --

ADM. MULLEN: Yes.

REP. COURTNEY: It's just not what it was.

ADM. MULLEN: Absolutely.

REP. COURTNEY: Okay. And I just want to at least get your statement on the record on that.

SEC. GATES: Well, it's worth noting that not only the F-16 has single-source, but also the F-18, rather, has a single source, but also the F-22. And the F-135 engine is a derivative of the F-22 engine. So the likelihood of any kind of a serious design failure is very small.

REP. COURTNEY: Okay. Real quick. I've only got a minute left, I just want to

at least note for the record, again, a year ago we were talking about a $7 billion SSBM submarine. Obviously, milestone A, we've now brought that figure down to 4.9 billion (dollars); congratulations. It's still, as you point out, going to be a long- term challenge for the shipbuilding budget. Admiral Roughead makes the argument that it should be treated a national strategic asset, which I see him smiling because I think he smiled last time I asked you about this.

But the fact is, I mean, you know, there is precedent with missile defense for treating it outside of a normal defense budget, and I just -- that is a solution, isn't it, if we can figure out a way to make it happen?

ADM. MULLEN: It's a third of the ship-building budget. I mean, if the ship-building budget has to absorb that, that's this year, it would break the shipbuilding budget. And to the secretary's point earlier about building other capabilities, that solution that you described has been talked about for years, but what it boils down to is, obviously, resourcing this, resourcing a shipbuilding plan which is going to get us at 313 and beyond, and with the SSBN arrival, that's not going to happen.

So how you resource it is the question. One way to do it is literally at the national level as opposed to inside the service budget, but it's a huge challenge just because of the money that we're going to have to devote to it.

REP. MCKEON: Mr. Wittman.

REPRESENTATIVE RANDY WITTMAN (R-VA): Thank you, Mr. Chairman, Secretary Gates, Chairman Mullen, thank you so much for joining us. Thank you for your service.

I want to begin with Chairman Mullen and follow up on my colleagues' questions concerning shipbuilding. As you know, if you go back to 2006, the shipbuilding plan there said 313 ships and we've heard that number year after year after year.

We find ourselves today with 286 ships. We find ourselves with an aging class of Perry frigates that are going to be phasing out and we find ourselves with six Los Angeles class submarines that are 30 years or older. We find ourselves in an environment with a very, very high ops tempo, putting ships to seas, pushing maintenance schedules, pushing life cycle capability management elements.

My question is this: Is it anywhere in the spectrum of reality that we will have a 313-ship Navy? And if so, how are we going to integrate these older ships that are coming to the end of their service lives and making sure that we're building at a pace where we are building more ships that what we're retiring? And as you know, now, we're at a pace where we're retiring more ships than we're bringing it to the fleet.

And I jut wanted to get your perspective on that?

ADM. MULLEN: Well, actually this budget, which is, I think, 10 ships and $15 billion is not insignificant compared to where we were a few years ago.

Secondly, I've been someone that I believe we have to get ships to their service life. That's an easy thing to say. It's hard to do because you have to make that investment over the course of ship service life, and oftentimes, the Navy

hasn't done that specifically.

What gets lost in this discussion about the number of ships that we have, and I actually as a CNO did the analysis that created the mininum level for the Navy of 313 ships, but it was my belief back then we were on a glide slope to get to 220 or 230 or 240, because it was just out of control going down because of the costs and lots of other things; the numbers of ships that we were going to have to be decommissioned.

So it's not at 313, but it actually has grown, and I think we have to just keep heading that direction. That is key -- a number of ways to do that.

So -- and as the secretary has spoken and he and I have talked about this many times, you know, as these wars wind down, we're going to, I think, have to depend more and more on our Air Force and our Navy in the world that we're living in.

And so how do we make those investments? Because what gets lost in the discussion here is their op tempo's been pretty high. I mean, we're talking about the op tempo for the Army and the Marine Corps and the Special Forces. That's at the top. I understand that. That's the toughest op tempo. But if you look at the op tempo of the Air Force and the Navy since 9/11, it's up as well and it wasn't -- you know, they weren't -- yeah, they weren't sitting back at that point in time.

So we are wearing them out and we have to focus on that, those modernization programs, they provide an enormous strategic capability for us. Given the world that we're living in, we have to invest in as well.

REP. WITTMAN: All right. Are you a position to make the commitment to make sure that on life cycle management, that you were doing everything including the inspection programs to make sure they're robust, and the financial commitment to make sure these ships get to the yard on time? Because as you know, any little glitch in the schedule than really effects A-sub-0 (ph).

Is the commitment there to make sure that we're going to get to the end of the service life of these ships to make sure that we're keeping that -- or getting -- have some chance of getting to the 313?

SEC. GATES: Before the chairman answers that question, may I say that if we end up with a year-long continuing resolution, those ships are not going to make it into maintenance.

ADM. MULLEN: Actually, just to the CR, I was struck that you lose a DDG and a submarine. We worked for years to get the two submarines a year, and literally within a few months, it falls out. You're not going to get that back, certainly, in this budget. This is really a discussion better held by Admiral Roughead specifically.

I know the Navy has invested more to -- in terms of its maintenance in order to sustain or get to extended life. That said, he's also made a decision to decommission some ships before that so that he can invest in some of the ships that he thinks he needs for the future.

REP. WITTMAN: Secretary, I want to follow up quickly with you. We talk about the QDR being issued, the national military strategy. In their current

projections, do they keep in mind where end strength may be with your projections about reducing end strength for both the Marine Corps and the Army in how those -- in how the QDR estimates that in the national military strategy?

SEC. GATES: Yes, they do.

REP. WITTMAN: They do? They do. Okay. All right. Thank you, Mr. Chairman, I yield back.

REP. MCKEON: Thank you.

Gentlemen, we have a very strong agreement on the CR. We have a very strong disagreement on the second engine.

In my district, it doesn't matter, so I don't have a parochial interest in this, but I do have a strong opinion. But I would like to ask you, you both said this is your last hearing. I could probably say with great certainty that none of us, none of the three of us will be here in 10 years. How long are we going to be buying the engine for the F-35?

ADM. MULLEN: Well, I would say over the course of two -- two to three decades.

REP. MCKEON: Okay. So, 20, 30 years?

ADM. MULLEN: Right.

REP. MCKEON: Ten years from now, if we have decided on the one engine, if for whatever reason the company comes to us and says I have to raise my costs substantially, what do you do?

ADM. MULLEN: Actually, I look at it -- I mean, you're getting at the competition piece and I understand.

REP. MCKEON: I am.

ADM. MULLEN: But as I look -- and let me shift to --

REP. MCKEON: Can I just --

ADM. MULLEN: F-18, you get rate and you get savings by production levels. How do you create it?

REP. MCKEON: Do we have a fixed cost on this? Or will they be a sole-source engine, be able to raise their prices 10 years out?

ADM. MULLEN: I actually think -- I think with the kind of production line we're talking about, they'll come down.

REP. MCKEON: We hope.

ADM. MULLEN: Sir.

REP. MCKEON: Ms. Tsongas.

REPRESENTATIVE NIKI TSONGAS (D-MA): Thank you, Mr. Chairman. And thank you both for your testimony and your very thorough responses to our many diverse questions.

I'd like to come back again to the issue of sexual assault in the military. It's obviously one that's much in the news today, but really has been a long-standing issue and I think as Representative Turner mentioned something that this committee has worked hard to deal with and find a way forward. But despite that, despite -- and we've heard testimony from the various services as to all their efforts. But despite that in 2010, there were 3,230 reported sexual assaults in the military. But by the Pentagon's own estimate, as few as 10 percent of sexual assaults were reported. And the VA estimates that one in three women veterans report experiencing some form of **military sexual** trauma.

I can remember several years ago meeting with some people active in the VA in the state of Massachusetts and having a gentleman comment and say that that was one of their dominant issues that they had to deal with.

The fiscal year 2011 Defense Authorization Act required that the department look into the feasibility of providing a military lawyer to all victims of sexual assault. While this is a good first step, I was disappointed that provisions which guarantee all victims the right to legal counsel and protect the confidentiality of conversations between victims and victim advocates were not included in the final version of the 2011 NDAA, though they were in the House version.

We would be shocked if conversations between their client or advocate were not privileged in the civilian world. And similar rights must be afforded to servicemembers who may be the victim of a crime. Why would the department resist such a common sense measure? And I ask this of Secretary Gates.

SEC. GATES: Well, I hadn't realized the department had resisted it. And I must say, along with Mr. Turner's comments, these things sound to me like reasonable actions. And so I will take out of this hearing the charge to look into whether -- why -- if we opposed it, why we opposed them, and why we should not go forward on our own even without legislation.

REP. TSONGAS: And I would appreciate once you do that of getting back to me in some form -- that I and others who felt this was very important. I mean, one of the things we have found is that, despite all the good efforts on the part of the services, that the follow-up procedures after -- legally do not support -- undermine all the efforts you have made around sort of preventing this in the first place, providing access to medical care. But if the follow-up legal processes do not sufficiently protect the victim, make them feel comfortable in coming forward, that it undermines all the good work that you've done. They become suspect of the entire process, feel very much at risk. And this was one very common-sense way going forward in the legal process alone that we felt we could better protect victims as they try to assert their rights.

SEC. GATES: This is one of the reasons why we've invested, as I mentioned earlier, over the last couple of years almost $2 million in training our prosecutors. We found that -- when I started looking into this several years ago, that the defendants hire lawyers who are specialized in this area and our prosecutors tended to be -- not have that specialty. And it is complex law, and it is difficult to prosecute successfully, particularly if you don't have the right training.

And so that's one of the reasons we've undertaken that. And as I say, we've expanded the victim advocate program dramatically, from about 300 to 3,000 around the world and over the last few years, in every base and installation.

And I will -- I will press on the question of why we cannot assure confidentiality.

REP. TSONGAS: And the other issue we've learned, too, is as all the services have dealt with this, you've done this in your -- each has done it in its own way, reflective of its culture and different processes. That becomes very difficult to oversee as a member of Congress. So in the defense authorization bill, we asked for a comprehensive approach across all the services, and I know that the Defense Department is working on that, and we look forward to what you come up with.

So thank you both.

REP. MCKEON: Thank you.

Mr. Coffman.

REPRESENTATIVE MIKE COFFMAN (R-CO): Thank you, Mr. Chairman.

And first of all, thank you so much for the great job that both of you have done on behalf of our country.

Let me -- let me first thank you for standing firm on the issue about the second engine for the F-35. I just think that we've got make some tough decision with limited resources, and that's certainly one of them that I -- that I think is wasteful that I certainly support you on.

Also, in your position on the combined forces command -- Joint Forces Command. I think that its time has gone and I certainly support you in that effort.

But in terms of looking at the -- I'm concerned about still the top-heavy nature of the Department of Defense. And I noted that, right now, I think we have 268 ships, if that's the proper number. I believe it is. We have 253 admirals right now. That's almost one admiral per ship, and I think that the Navy's authorized to go 283 admirals. And so can you tell me, get me some more visibility as to what can be done to try and streamline the military?

SEC. GATES: Well, one of the things that we've done as part of the efficiencies effort is we have eliminated -- out of 900 flag-rank officers in the military, we will eliminate a hundred general officer positions over the next couple of years. We're also -- and that includes admirals. (Laughter.) And we also will be eliminating somewhere over 200 senior civilian executive positions.

So I was asked earlier about the $11 billion for re-baselining OSD and the defense agencies and so on. That's where are a lot of those positions are coming from. But we're also downgrading position -- we're not only eliminating positions, we're downgrading a number. For example, the component commanders in Europe will be downgraded from four stars to three stars, except for the Navy because there is a NATO connection on that side, and so that'll take longer. But we're trying to come at it both from the standpoint of, is the level of flag rank officer for the job right; and -- given passage of history -- and can we get rid of these positions? And we have done so on both civilian and uniformed side.

And we have done so on both civilian and uniform side.

ADM. MULLEN: Thank you. (Inaudible) --

REP. COFFMAN: Admiral Mullen.

ADM. MULLEN: And this is -- this is inside baseball, but I think it's -- one of the things I told the secretary when we started to review this is, you know, when budgets get tight, people start taking shots at how many admirals and generals there are. That's historic. What the secretary led was a very thorough review -- and actually, the services did this -- a very through review of need, you know, what level for what job. And that will continue -- that will continue to go on.

There's also, at least over the course of the last 15 years for me, all of which I've been an admiral -- there -- and far beyond anything I expected, believe me -- there's also just a growing complexity that requires some level of senior and civilian and uniformed leadership in the world that we're living in. So I'm all for the reductions that make sense, but too often it is also a very easy target. And I just would like, as we have tried to be, to be careful about it.

REP. COFFMAN: Well, thank you. It's an easy target, and I certainly think (willing -- one we're willing ?) to take.

Let me -- let me talk about what is the Department of Defense doing in terms of reexamining our foreign basing commitments or our forward presence in terms of whether or not it's necessary. And let me (refer ?): We -- right now we have 28,500 U.S. personnel, I believe, in the -- on the Korean Peninsula, in South Korea. It seems that when the North Koreans get upset, it's when we do the major joint military exercises. And when we look at our allies across the globe, can't we better demonstrate our support for our commitments with them by doing periodic joint military exercises in -- for instance, four brigade combat teams in Europe. At this point in time, is that really necessary? So I'm wondering if there's been an ongoing analysis to determine the cost-effectiveness of redeploying those forces back to the United States.

SEC. GATES: We have spent a lot of time on this. We have -- we have just completed a global posture review examining our positioning in Europe, our position in the Pacific and also in the Middle East. It's now being discussed in the interagency because obviously there are political implications for any changes. But I would tell you that we examined this very closely, and we will -- we will probably make some adjustments. I think I mentioned in a speech that our force structure as well as our rank structure in Europe is still a legacy from the Cold War.

But that said, I am a firm believer that our forward posture in Europe, in Asia, is fundamental to our alliance relationships. It provides them with the assurance that, in fact, we will be there and we will support them. And I think dramatic changes in our overseas posture would be very destabilizing to a lot of these relationships. And I think that one of the reasons that, for example, South Korea and Japan have not tried to develop nuclear weapons of their own is because of their confidence that our presence in their country provides a trip wire and a guarantee that if they are attacked, the United States will support them.

REP. MCKEON: Thank you.

Ms. Pingree.

REPRESENTATIVE CHELLIE PINGREE (D-ME): Thank you, Mr. Chair.

Thank you for your testimony today and for your service. I appreciate it.

And a couple of things I also want to tell you. I appreciate your stand on the second engine, and also was glad to hear your explanation and your thoughtful remarks about the continuing resolution. Coming from the state of Maine, where people pay a lot of attention to the construction of DDGs, we're very interested in what's going to happen there. So I appreciate your bringing all of our attention to the importance of the challenges of a continuing resolution.

And I also want to thank you for your remarks to Representative Tsongas. I too am very concerned about some of the issues around sexual harassment, and am concerned that we haven't moved far enough. So I'm glad you've taken her charge. And I think particularly now that we have increased dependence on women in the military, we have to be very respectful of the issues that they're raising and the fact that it hasn't changed sufficiently to make women comfortable at serving their country.

But my question is somewhat different. You brought this up earlier, and I want to talk about TRICARE. As you know and you stated, U.S. family health care plan designed by Congress in '96, provides the full TRICARE Prime benefit for military beneficiaries in 16 states and D.C. for over 115,000 beneficiaries.

Beneficiaries are highly satisfied with this option. I come from Maine, as I said. In Maine, it's administered by Martin's Point Health Care. And they have a customer-satisfaction rating of 93 percent. I've visited their facility. They stress preventive care. It's exactly the model that we want for health care in this country.

As you've already mentioned, the president's budget request has a huge proposed change that would preclude enrollment in U.S. family health plan for beneficiaries who reach 65 years of age. And if we enact that, it would immediately force over 3,000 military beneficiaries to disenroll from the plan they're -- they've chosen.

First, I think this recommendation contradicts President Obama's position regarding health care perform -- health care reform: that you should be able to keep the plan you have if you're happy with it. But perhaps a greater concern -- you mentioned a cost savings. This proposal would have a cost savings for DOD, but it really just shifts the cost to the Department of Health and Human Services. So I don't see how, overall, we are anticipating a cost savings as a whole. And I think it's going to be very detrimental to the beneficiaries.

So can you address my concerns on this?

ROBERT HALE (undersecretary of defense, comptroller): Let me respond. First, there would be some net savings to the government, because we are paying these hospitals at significantly higher than Medicare rates. And part of the goal of this overall effort is that we treat all the hospitals similarly in terms of the -- of the rate- paying.

But I also want to clarify: Yes, we would -- as people reached age 65, they would need to join TRICARE for life. They could stay at the hospital where they're being treated. They wouldn't be required to leave; they could use that as their primary provider. But they would need to do what every other retired

-- (audio break) -- does in the Department of Defense when they reach age 65, and that is join the TRICARE for Life program.

So we're trying to treat everybody the same. Yes, there would be savings -- modest -- to the government. And you're right, there are some costs shifted to Medicare. But there's a net savings because we would now be paying Medicare rates, and we're paying much higher.

Also want to work with the hospitals involved. We're not looking to reduce the quality of care. While phasing this in very slowly -- it would be everybody in the program now is grandfathered, grandmothered. It's only as you come into the program. So there'd be a very gradual change. And our goal is to be sure these hospitals -- that their care is not harmed.

REP. PINGREE: So just to follow up, it's my understanding that Public Law 104-201, Section 726(b), which I'm sure you're well aware of, mandates that government cannot pay more for the care of a U.S. family health care plan enrollee than it would if a beneficiary were receiving care from other government programs.

So it seems to me that we should already be paying the equivalent of what Medicare costs are. And again, I would just stress, based on observing my own TRICARE program -- and I don't have any particular stake in it -- but having been very involved in the health-care debate, knowing how important preventive care is, knowing that there's very high customer satisfaction with that, but also it's a different model of care, I'm just greatly concerned with shifting people out of that model if it doesn't really result in cost shaving -- savings and if it's only a cost shift.

I mean, for us -- I know you have to look at your budget, but we have to look at our -- the overall costs here. And if it's just going over to Medicare and it's not a significant savings and it goes back to an old model of care, not a new preventive model of care, I don't think we've improved care for these families.

MR. HALE: Well, we need to get with you. I'm not familiar with the details of the provisions. I do know that there are some requirements we are not meeting in the sole community hospitals with regard to Medicare rates, and that may be the -- we're also proposing to move toward that -- toward a Medicare rate.

So we need to get back to you on the details. There would be some modest net savings to the government. We've worked carefully with OMB, and they fully support this proposal in terms of the -- of shifting the funds.

REP. PINGREE: Well, thank you. I'm -- I would be happy to follow up with you on that. So thanks.

REP. MCKEON: Thank you.

Mr. Hunter.

REP. DUNCAN HUNTER (R-CA): Thank you, Mr. Chairman.

Admiral, Mr. Secretary, sorry that I missed the last hour of testimony. I had to vote in markup.

First question is this, Mr. Secretary. Ms. Davis, my colleague from San Diego,

you were answering her questions. You talked about the defense budget, you talked about the total layouts and how this is the lowest point since the '90s -- since before World War II where we're at the low part where we're at now, where there is so little being spent on defense -- and I would argue and ask your opinion of this. If you don't give us a top line, if you don't ask for what it would cost to erase all risk, literally -- or as much risk as possible -- then we have no baseline to cut defense from, or to add to, really, because the numbers that we're using are limbo numbers, really, because if you were to fully fund defense -- this is my question.

If you were to fully fund defense and take away a hundred percent as best as you could, a hundred percent of risk using your own threat assessment tools and analysis, what would that funding be? What would you ask for?

SEC. GATES: I have only half-jokingly said in meetings in the department that if we had a trillion-dollar budget, I would still have unfunded requirements.

REP. HUNTER: Yeah, that's right.

SEC. GATES: The services would still be able to come up with a list of things that they really need.

I think that the budget that we've provided at $553 billion for FY '12 mitigates risk to the extent that I think is reasonably possible. And I think that we have -- we are investing in new capabilities -- the $70 billion that the services are going to be able to invest from their savings in new capabilities or in added numbers I think helped mitigate that risk.

You can never reach a point -- just as there is no such thing as perfect security, there is no such thing as eliminating risk.

REP. HUNTER: Mr. Secretary, if I may, and I'm going to run out of time and I have one more totally separate question. If you got to that highest point that you could where you started getting diminished rate of return, what would that number be, roughly?

SEC. GATES: I think that we are at a point with the 553 (billion dollars) where we can do that.

REP. HUNTER: Okay. So fully funding defense and every requirement is at 553 (billion dollars)?

SEC. GATES: We will never fund every request.

REP. HUNTER: But if you did, sir, what I'm asking is, what's that number, roughly?

SEC. GATES: I have no idea how much --

REP. HUNTER: You haven't thought about what it would cost to really satisfy the requirements of all the different services?

SEC. GATES: Nobody lives in that -- nobody lives in that world.

REP. HUNTER: No, but what you're supposed to do is tell us how do we -- how get to zero threat, and Congress then decides what to fund.

SEC. GATES: And I'm telling you you are never going to get to zero threat.

REP. HUNTER: We can try.

SEC. GATES: You could spend $2 trillion and you'll never get to zero threat.

REP. HUNTER: But that's what we would like to hear from you, Mr. Secretary, is that it would cost --

SEC. GATES: I'm just telling you.

REP. HUNTER: -- $2 trillion, and we could cut that by 75 percent, and here we are at the 550 (billion dollars), right?

On a totally separate note, let's talk about Iraq for a minute. If a -- if the Status of Forces Agreement is not changed and/or the Iraqis don't ask for our help and ask us to stay, what is our plan for 2012? At the end of this year, what's going to happen?

SEC. GATES: We will have all of our forces out of -- out of Iraq. We will have an Office of Security Cooperation for Iraq that will have probably on the order of 150 to 160 Department of Defense employees and several hundred contractors who are working FMS cases.

REP. HUNTER: Do you think that that represents the correct approach for this country after the blood and treasure that we've spent in Iraq, my own personal time of two tours in Iraq? There's going to be fewer people there than -- that 150 -- than there are in Egypt right now; somewhere around 6(00), 700 of those same type of folks in Egypt. How can we maintain all of these gains that we've made through so much effort if we only have 150 people there and we don't have any military there whatsoever -- we'd have more military in Western European countries at that point than we'd have in Iraq, one of the most central states, as everybody knows, in the Middle East?

SEC. GATES: Well, I think that there is -- there is certainly on our part an interest in having an additional presence. And the truth of the matter is, the Iraqis are going to have some problems that they're going to have to deal with if they're -- if we are not there in some numbers. They will not be able to do the kind of job in intelligence fusion. They won't be able to protect their own airspace. They will not -- they will have problems with logistics and maintenance.

But it's their country. It's a sovereign country. This is the agreement that was signed by President Bush and the Iraqi government, and we will abide by the agreement unless the Iraqis ask us to have additional people there.

REP. MCKEON: Thank you.

Mr. Garamendi.

REPRESENTATIVE JOHN GARAMENDI (D-CA): Thank you, Mr. Chairman.

Mr. Secretary and Admiral Mullen, thank you so very much for your forthright and very compelling arguments.

First, I want to complement you on going green. The Navy's doing extraordinary things, as are the other -- (audio break) -- forces, and it's very, very

important on your energy programs.

I hope you continue that. I encourage you to do so. And many of us around here will do everything we can to support that effort.

My question, however, goes to the Afghanistan war and Pakistan. And the question is this: Does our war in Afghanistan destabilize Pakistan? And if so, what should we be doing about that problem in Pakistan?

SEC. GATES: I don't believe that the war in Afghanistan is destabilizing to Pakistan. I think that what is destabilizing to Pakistan, among other things, is a group of terrorist -- several terrorist organizations in the western -- northwestern part of Pakistan that are intent on destabilizing Pakistan and overthrowing its government.

And I think our efforts combined with the Pakistani efforts on both sides of the border in fact help reduce that terrorist risk to the Pakistanis. I think that extreme economic problems are a huge factor in Pakistan.

So I don't think our presence in Afghanistan is destabilizing. In fact, I think it helps the Pakistanis long term.

REP. GARRAMENDI: I'll let it go at that. I would -- I'm certainly not going to place my knowledge and intelligence ahead of yours, but there seems to be considerable others who would question that conclusion.

Admiral?

ADM. MULLEN: Sir, I mean, obviously this is not a very stable region. I mean, that's part of the problem we have. Al-Qaida lives there, leadership lives there. They're still trying to kill as many Americans and Western citizens as they can. There are multiple terrorist organizations -- I call it the epicenter of terrorism in the world -- that are now working much more closely together than they have historically.

So it's -- from my perspective, I try to talk about this as a region as opposed to one country or another. They are -- they are very much integrated in ways that sometimes they don't even like, but clearly they are. And so it's -- I think we have to have and we seek, you know, a strategic partnership with both these countries, really the region, to look at long-term stability there.

That's from my perspective, whether we're at war at the level we're at right now or in the future, when we have far fewer troops in the area, can we support stability in a way that doesn't endanger us in the long run, in addition to the citizens of those two countries.

REP. GARRAMENDI: Thank you. I don't want to engage in a debate with you, so I'll let it go at that. And thank you for that information.

My final question has to do with missile defense, which is significantly augmented in the budget. Why?

SEC. GATES: Part of the half-billion-dollar increase is to implement the phased adaptive array missile defense that we have agreed to in Europe, but also, frankly, to increase our ability to defend our ships and our troops against theater-level threats, missile threats.

Hezbollah alone has 40,000 rockets and missiles at this point, including anti-ship cruise missiles that have a range of 65 miles. So we are putting more money into Aegis-capable ships. We will have 41 of these by the end of 2016, 28 by the end of 2012. They defend our ships. They defend -- they have the potential to defend our ground troops.

We're developing additional generations of the Standard Missile-3 that have enhanced capabilities to deal with Iranian, North Korean, other kinds of missiles. And we're making baseline -- continuing to make baseline investments in the ground-based interceptor program, which protects the continental United States. So I think all of these are contributing to our own security but also help protect our allies, as well.

REP. GARRAMENDI: Thank you.

REP. MCKEON: Thank you.

Mr. Rigell.

REPRESENTATIVE SCOTT RIGELL (D-VA): Thank you, Mr. Chairman.

And good afternoon, Secretary Gates, Secretary Hale and Admiral Mullen.

In your chain of command, many, many levels down is my son. And I just want you to know on behalf of the 2nd District of Virginia, as this is -- if it is in fact your last testimony before the House Armed Services Committee, that we're just really deeply, deeply grateful for your service. I know you sacrificed a lot, and your families have, to allow you to serve in the way that you -- that you have.

I know you're doing everything you can to accomplish the mission and to protect our young people. I thank you for that.

I come from a private-sector background, and I've learned in life that communication is extraordinarily difficult, and it's absolutely essential for an organization to succeed. And I don't speak for the committee, but just for myself. It sure seems to me that communication between the DOD and the House is lacking -- it's poor. I regret that I have to rate it that way. It's acute in our own district, in the 2nd District of Virginia, with respect to the disestablishment of JFCOM.

Even today, I've yet to receive the detailed analysis, the supporting documents that would help me, representing the 2nd district, to properly understand and respond to the disestablishment of JFCOM. And that's disappointing to me. And I trust that we'll move forward both on the House side and the Pentagon side to improve sharply communication.

One area that I'd like to shift to here is TRICARE. And it's widely understood when someone enlists in the military that health care is for life, it's free. I've asked many people -- I served in the Marine Corps Reserve myself -- and just -- it's widely understood.

And so as tempting as it is to look at that area as an area for cost savings, I truly believe -- and I don't use these words lightly -- that it is -- it is a breach of trust to change the deal because maybe we don't like the deal or the government doesn't like the deal.

Mr. Chairman, Admiral Mullen, what initiative if any is being undertaken to ensure a more full disclosure to those who are considering a military career with respect to benefits that may be offered at their retirement?

ADM. MULLEN: I don't think -- honestly, when young people come in the military, they're 20-something, 17, 18, 19 years old. And certainly while the material is available and recruiters may use this as something in terms of, you know, a health care plan -- and I've talked about it to our young people forever -- I think that the military health care plan is the gold standard in the country, quite frankly.

But it is not something, at least I have found, in those on active duty they focus heavily on -- more so recently than in the past, but it is not something they focus on when they're that young. I didn't, and many others haven't.

REP. RIGELL: Admiral, with all due respect, I just -- my time is so short --

SEC. GATES: Let me -- but there is a larger point, so let me respond to this. Congress actually settled this issue in 1995, that it wasn't free for life. They imposed fees, and they imposed a fee of $460 a year. So the issue of whether it was free or not was settled by the Congress in 1995.

Once you've acknowledged that there is going to be a fee, the notion that the fee would never change is certainly nowhere in the legislation.

REP. RIGELL: Well, Mr. Secretary, my question was, what initiative if any was undertaken to ensure a full disclosure of those who are entering the service -- I believe in full disclosure. I know we all do. And I'm submitting to you today that in countless conversations with our veterans that there is a disconnect between what is being told by the recruiter and what reality is. And I just respectfully, as one American to another, am asking that that be addressed within the commands. It's not -- it's not an expensive initiative. It would just be to ensure better disclosure.

You know, as we look -- and I'll close with this -- we look at the profound challenges that are facing our military that you've discussed today and the shortage of funds for ship repair, for ship building, the reduction in end-strength troop levels, it is just stunning to me that -- and I think a misplaced priority that we are still talking about sending a carrier to Mayport, which is a risk that is minimal and could be mitigated with just far less funds than it takes to move that carrier to Mayport.

And I'd ask you to reconsider that, respectfully. Thank you.

REP. MCKEON: Ms. Hanabusa.

REPRESENTATIVE COLLEEN HANABUSA (D-HI): Thank you, Mr. Chairman.

Thank you, Mr. Secretary, and thank you, Admiral, for being here. I have a basic question regarding the budget. I read -- and I thought I read it correctly in the budget documents from the president -- that the total amount of outlay was about 700 billion (dollars). And I do know the 553 (billion dollars) is the base budget, and Mr. Secretary has said that. And the overseas contingency operation budget of about 117 (billion dollars), plus or minus, I think is not included in the base, if I'm reading that correctly. But I'm still short about 30 billion (dollars). So do you know where that 30 billion (dollars) is?

MR. HALE: I'd need to get with you and see where the numbers are. There are various ways of adding up the budgets. The figures we're discussing here are 051. You could be including the National Nuclear Security Administration figures in there, which is something called Function 050. I don't know if we want to take a lot of time here, but I'd be glad to get with you and we'll sort out the numbers for you.

REP. HANABUSA: Please do. But the 553 and the 117 is correct, though?

MR. HALE: Yes. That is the --

REP. HANABUSA: So where -- they're not really talking about 553 --

MR. HALE: That's the DOD portion of the budget. But as I say, there are various ways of adding this up.

REP. HANABUSA: Thank you very much.

Mr. Secretary, I'm -- Congresswoman Bordallo has left, but I am also very curious about the position with Okinawa. And I've read your -- what was given to us, beginning on page 15 and continuing on to page 16. There seems to not be a firm statement about what Japan's position is. And I think one of the things that's pointed out is that the 472 million (dollars) for Guam was not included in the -- I guess, the Japanese budget. So how critical is their contribution to what happens? And I kind of would like to know as best as I can what's the bottom line? Are they going to move from Okinawa? Are they not going to move? Are we -- it looks like a reduction of about 10,000 troops from Okinawa. So what do we plan to do?

SEC. GATES: First of all, the Japanese actually have fulfilled all their commitments to date. They've given us, I think, a little over $700 million for infrastructure. When I was there, they told me they were putting together a program that will include something on the same order of further infrastructure investments.

In terms -- and as I -- as I mentioned earlier, we really can't go forward on Guam -- and in fact, the Congress has withheld money for going forward on Guam -- until we have greater clarity on what happens on Okinawa. My hope is, based on my conversations in Japan, that we will have some resolution of this by later this spring or early summer, and then we will be able to come to you with our plans. But absent resolution of the Futenma replacement facility issue, our troops aren't coming out of Okinawa, land is not being returned to the Okinawans, and we have to sort of start all over again. But we -- I do believe we will find some positive resolution to the Futenma issue.

REP. HANABUSA: So when you say the Futenma issue and the resolution of where the troops are going to go, are you talking about within Okinawa itself, or some variation of Okinawa and Guam?

SEC. GATES: On Okinawa itself.

REP. HANABUSA: On Okinawa itself? And finally, on the so-called concept of end strength, I want to know whether that's some kind of a magical number into the future to a time specific, or is that something that we're looking at given the information that we have today?

SEC. GATES: It's basically looking at the information that we have today. And as I -- as I've said, the end strength in 2015 and 2016 will at the end of the day be determined by the conditions in the world. And above all, have we come out of Afghanistan, by and large, by the end of 2014? That would enable us to have a lower end strength.

Now, as we -- as we've talked about in this hearing, the Marine Corps believes that it needs to come down about 15,000 and -- because they think they've gotten too big and too heavy in terms of their equipment. So this is a proposal that actually is divorced from the budget and is more based on the Marine Corps' own view of their force structure and what they need to complete their mission going forward.

REP. HANABUSA: And how about the other services? Do they share what the --

SEC. GATES: The only other service affected at this point is the Army.

And again, depending on the circumstances, the Army leadership supports this proposal, but the Army leadership is also fully aware that they'll have the opportunity to revisit this decision if conditions in the world change.

REP. HANABUSA: Thank you.

REP. MCKEON: We have one, two, three, four, five members that have been waiting patiently now for three hours, and we just got the first series of votes called. And I'm concerned that they will go for 44 minutes or an hour. And I know, Mr. Secretary, you said you had till 1:30. I appreciate that you have given us that time, but I think we only have time probably for one more.

Mr. Gibson.

REPRESENTATIVE CHRIS GIBSON (D-NY): Thank you, Chairman. And I thank the distinguished panelists for their leadership and for being here today. And I also want to express my admiration for all the men and women that you lead and for their families on what they do on behalf of our freedom.

I'd also like to express my appreciation for the budget submission. Not easy work and I have some experience in it. And I know it's been challenging for the team, especially in relation to the last decade with regard to prioritization. I look forward to being supportive going forward.

My concern has been touched on here today, but I'd like to address it more directly. And it has to do with generally requirements and resources, but more broadly with the prefacing discussion of what kind of country we are; what interests we are; what commitments we think are appropriate for a republic.

You know, I think on this committee there would be wide agreement and beyond that we need to protect our cherished way of life and that we need the world's best military to do that. But I think there's a wide variety of views and opinions as to precisely what that means. Some believe that we should embrace some kind of isolationism, others perhaps a near endless global commitment strategy.

I reject the extremes of both sides. I personally think that we're overcommitted and we ask too much of our military, but it's a debatable point, which gets to my point.

We have processes -- NDP, the QDR -- primarily for internal or D.C. consumption, when I think it really needs to be more of a national conversation. I know you both travel widely and you speak. I'm curious to know, does this topic come up when you're with the American people? And what ideas that you have, if you agree that this should be more of a national discussion going forward?

ADM. MULLEN: I've traveled fairly extensively over the course of the last year, and I have found and I worry about the sort of growing disconnect between the American people and the military. And I don't mean that -- I mean, they're enormously supportive of the men and women in our families. They know we're in two wars. They know we're sacrificing enormously, as well. But they are -- more and more we come from 40 percent fewer -- I mean, we're 40 percent smaller than we were in 1989. We have BRAC'ed out of many parts of the country. And so our day-to-day connections are significantly reduced from what they used to be.

And its the breadth and the depth of understanding of who we are and what we're doing, the number of deployments, sacrifices of the family, the changes that have occurred over the course of the last decade. So it is a -- it is a -- it's not going to happen overnight, but it is a long-term concern that I have, and particularly when you overlay that with the enormous fiscal challenges that the country has right now.

It's one of the reasons I've talked about, you know, I actually do think the debt's a hugely important issue for national security, because we're going to be affected by that. You can see it in this budget. It's going to continue to happen.

So that's probably the worry, and having a conversation with America about those challenges; and particularly individuals who serve, then go on to return to communities throughout the country, the veterans' issues. I mean, we see an increasingly homeless population in our veterans, increasing number of female homeless veterans, for example. How do they return to -- you pick the area? They're enormously capable people. They are wired to serve in the future. They'll make a big difference. They're 20-something. But how do we invest just a little bit in them so that, taking advantage of the GI Bill, they will then take off and make a huge difference in the future, and I think they will. That connection is something that I think is really important.

SEC. GATES: But at the end of the day, Mr. Gibson, from our perspective, the dialogue, the conversation that you're describing is a dialogue that needs to take place between the executive branch and the legislative branch. You represent the American people. You have your finger on the pulse of the people in your district better than any of us ever could.

And so, as was intended by the Founders, we basically rely on you as the surrogates for the American people, in terms of that dialogue.

REP. GIBSON: Well, I appreciate the comments. And I do believe that it is an area that we're going to need to address. And I look forward to working with the DOD and also the chairman and the committee, moving forward.

And I yield back.

REP. MCKEON: Thank you very much. And Mr. Secretary, Admiral, thank you again for being here, for your service, and this committee stands adjourned. (Sounds gavel.)

SEC. GATES: Thank you, Mr. Chairman.

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