

HEARING TO RECEIVE TESTIMONY ON STRATEGIC LIFT PROGRAMS IN REVIEW OF THE DEFENSE AUTHORIZATION REQUEST FOR FISCAL YEAR 2009 AND THE FUTURE YEARS DEFENSE PROGRAM

Wednesday, March 12, 2008

U.S. SENATE
SUBCOMMITTEE ON SEAPOWER
COMMITTEE ON ARMED SERVICES
Washington, DC.

The subcommittee met, pursuant to notice, at 2:18 p.m. in Room SR-222, Russell Senate Office Building, Hon. Edward M. Kennedy, chairman of the subcommittee, presiding.

Committee Members Present: Senators Kennedy [presiding], Martinez, and Sessions.

Committee staff members present: Leah C. Brewer, Nominations and Hearings Clerk.

Majority staff members present: Creighton Greene, Professional Staff Member.

Minority staff members present: Michael V. Kostiw, Republican Staff Director, Gregory T. Kiley, Professional Staff Member, and Sean G. Stackley, Professional Staff Member.

Staff assistants present: Fletcher L. Cork.

Committee members' assistants present: Jay Maroney, assistant to Senator Kennedy, Frederick M. Downey, assistant to Senator Lieberman, Gordon I. Peterson, assistant to Senator Webb, Sandra Luff, assistant to Senator Warner, Samuel Zega, assistant to Senator Warner, Mark J. Winter, assistant to Senator Collins, and Brian W. Walsh, assistant to Senator Martinez.

OPENING STATEMENT OF HON. EDWARD M. KENNEDY, U.S. SENATOR FROM MASSACHUSETTS

Senator KENNEDY. We will come to order. I apologize to all of our wonderful witnesses and to our members here. Necessarily tied up over on the floor for a few moments, but I am grateful for their patience.

We want to welcome Senator Martinez to the Committee, to our Subcommittee. This is a very important subcommittee of the Armed Services Committee dealing with sort of force projection with all of its implications, and that is a matter of extraordinary importance and consequence at any time for our National security and particularly at this time.

And we are very fortunate in this whole area of national security to have some of the most gifted, wonderful members of the armed forces who are involved in this undertaking and the responsibility. Perhaps not always on the front page in terms of the news, but are front page in terms of all of us who know the value of their service, extending to making sure that our men and women are going to get to the right place at the right time and making sure that those who have served so well and gallantly and courageously and have been wounded in the course of battle are going to be brought home with the kind of attention and respect that they deserve.

So this—and there is an extremely broad responsibility with the force projection committee and we take it very seriously, and we are very grateful for those that serve on it.

So, Senator Martinez, we want to thank you, and we welcome you to it. It is always a pleasure to be with my friend Jeff Sessions, who is tireless in terms of his interest in the Armed Services Committee generally and also in terms of the workings of this Committee, and we are glad to have him aboard.

I had a good brief, but informed and interesting minutes with General Schwartz earlier today. And I am going to file my statement in the record. [The prepared statement of Senator Kennedy follows:] [SUBCOMMITTEE INSERT]

Senator KENNEDY. I have some questions to get to. We talked about a number of these items earlier. He will have an opportunity to talk about all of them this afternoon, and we will have a chance to talk, respond to these questions. But my statement is both a word of welcome and a discussion about all of the importance of this Committee, and I will include it in its entirety. Save us some time.

Senator Martinez?

OPENING

STATEMENT OF HON. MEL MARTINEZ, U.S. SENATOR FROM FLORIDA

Senator MARTINEZ. Thank you, Senator Kennedy. I really appreciate your welcome.

I am delighted to have an opportunity to serve in this Committee, and I am really looking forward to the work. I have endeavored to get up to speed, and there is a lot to learn, and I have learned a lot. And I will likewise place my statement in the record. [The prepared statement of Senator Martinez follows:] [SUBCOMMITTEE INSERT]

Senator MARTINEZ. I want to thank General Schwartz and Secretary Payton for their appearance here today and, most of all, for their service to our country at these critical times.

And so, I appreciate very much your warm word of welcome. I look forward to working with you and the other members to ensure that we can do our part to assist a mission that is so critical at this time in our National history. So thank you very much.

Senator KENNEDY. Thank you very much.

Senator Sessions?

Senator SESSIONS. No statement. Thank you, Mr. Chairman.

Senator KENNEDY. Fine. Secretary Payton, very special welcome.

Ms. Payton: Thank you, sir.

Senator KENNEDY. Grateful for your presence, and we look forward to the presentation.

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

Ms. Payton: Okay, thank you. Mr. Chairman, Senator Martinez, and members of the Committee, it is my distinct honor to appear before you today to testify on the state of several Air Force mobility programs.

I am further honored to be joined by General Norton Schwartz, Commander of U.S. Transportation Command and the person I most consider to be our customer in acquisition for mobility. I look forward to discussing how the Air Force is committed to modernizing and recapitalizing our aging aircraft to protect our Nation and support our airmen, while providing the best value to the American taxpayers.

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

The KC-45A is our number-one procurement priority. The KC-45A tankers will provide greater overall capability than the current inventory of 500 plus KC-135E and KC-135R tankers, which will take several decades to replace. While the average age of the fleet is over 47 years, when the last KC-135R is retired, it will be more than 80 years old, and it is so absolutely critical for the Nation to move forward on this program now.

The Air Force spent an unprecedented amount of time and effort with the offerers, ensuring both communications—and we had open communications and completely transparent process. I am extremely proud of the KC-45A acquisition team, and I am certain that the Air Force selected the best overall value to the warfighter and the taxpayer based on the competition evaluation criteria.

With regards to our strategic air fleet, the modernization of the C-5 fleet remains an Air Force priority to meet combatant commanders' requirements. The last time I testified before the Subcommittee of the Senate with General Schwartz, Secretary Wynn had just announced the C-5 re-engining reliability program was in a critical Nunn-McCurdy breach.

I am very pleased to tell you that on February 14, 2008, the Under Secretary of Defense for Acquisition, Technology, and Logistics certified the restructure of the C-5 RERP program. The certified production program consists of modernizing the remaining 47 C-5Bs and 2 C-5Cs.

A key component of intra-theater airlift modernization effort is our C-130J. As of February 2008, we have fielded 63 of the 87 funded C-130J aircraft. The current C-130J multi-year procurement contract ends in fiscal year '08, and we will be using suboptimized additional procurements through annual contracts to procure future aircraft until a new multi-year program contract can be negotiated.

As a joint Army-Air Force program, the JCA is uniquely qualified to perform time-sensitive, mission-critical resupply. On February 29th, OSD sent the required six reports and certification required

by the fiscal year 2008 National Defense Authorization Act. We are now prepared to move forward with this joint program.

The men and women in Air Force acquisition take great pride in delivering on our promise to deliver warfighter capabilities on time and on cost. I am honored to represent them in front of this Committee, and I thank you again for the opportunity to be here. And I look forward very much to your questions and comments. [The prepared statement of Ms. Payton follows:]

Senator KENNEDY. Thank you very much, Madam Secretary. General Schwartz?

**STATEMENT OF GENERAL NORTON A. SCHWARTZ, USAF,
COMMANDER, UNITED STATES TRANSPORTATION COMMAND**

General Schwartz: Chairman Kennedy, Senator Martinez, Senator Sessions, it is my privilege to be with you today, representing the more than 155,000 men and women of the United States Transportation Command. We are a supporting command, and our number-one mission is to provide outstanding support to the warfighter and to the Nation by rapidly delivering combat power and sustainment to the joint force commander, providing the utmost care in moving our wounded from the battlefield to world-class medical treatment facilities, and redeploying our folks home to their families.

As the department's distribution process owner, USTRANSCOM also leads a collaborative effort within the defense logistics community to improve the DOD supply chain. We execute our global missions through our component commands—the Army Surface Deployment and Distribution Command, the Navy's Military Sealift Command, and the Air Force Air Mobility Command.

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

I could not be prouder of the TRANSCOM team or our National partners. Today, we are supporting the Global War on Terrorism and keeping our promises to the warfighters. The delivery of much-needed Mine-Resistant Ambush Protected vehicles to protect our troops continues to be a top priority.

To date, we have delivered more than 3,800 MRAPs to the USCENTCOM theater, delivered almost exclusively by air in the early stages. As production rates have climbed, we have reached a balance between air and surface modes of transportation to optimize distribution.

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

We have also focused on improving quality of life for our people. Through the Families First program, we are improving household goods shipments, as this recurring event affects the lives of our service members and certainly their families. We now protect household goods shipments with full replacement value. In addi-

tion, the Defense Personal Property Shipping System, the Web-based software, which will better facilitate household moves, will be fully integrated into all shipping offices later this year.

We are also transforming the military deployment and distribution enterprise by incorporating commercial best practices where it makes sense. Much like the Fortune 500 companies, which realize savings through transportation management services, our Defense Transportation Coordination Initiative, in partnership with the Defense Logistics Agency and the services, will use a commercial transportation coordinator to help manage a significant portion of DOD routine freight movements.

Over the next few weeks, we will implement DTCI at three CONUS locations, Continental United States locations, and we are encouraged by the potential savings and improved support we can provide as DTCI expands to additional sites throughout the coming year.

It is through a combination of military and commercial capabilities that USTRANSCOM fields a transportation and distribution system that is unmatched anywhere in the world. As we look to the future, rapid global mobility will continue to be a key enabler in ensuring the appropriate mix of lift assets is vitally important to this mission.

Mr. Chairman, my top airlift priority is recapitalization of the tanker fleet. I am encouraged that the KC-35 is now under contract, albeit under protest. The KC-35 with multi-point refueling, significant cargo and passenger carrying capability, and appropriate defensive systems will be a game-changing platform for the future of global mobility.

I am also encouraged by the department's decision to certify the C-5 modernization program. The Nation needs the outsized and oversized lift capability provided by a reliable C-5 to complement the C-17. We are optimistic that the newly certified program will deliver the needed reliability and performance to make the C-5 a more productive platform.

Despite our very substantial military force structure, USTRANSCOM will always depend on a mix of Government and commercial assets. We should guard against overbuilding the organic airlift and sealift fleets, which could place our long-standing commercial partnerships at risk. A critical national capability for projecting military power and sustaining forces is a viable civil Reserve air fleet. The continued success of the craft relies upon the strengths of our U.S.-flagged airlines.

We are beginning to look toward a post-Operation Iraqi Freedom timeframe, when lift requirements will subside. Given that eventual reality, we are looking at innovative ways to encourage continued participation, thus ensuring the long-term health of the craft program.

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

Thank you, sir. [The prepared statement of General Schwartz follows:]

Senator KENNEDY. Well, thank you. Thank you very much for your testimony and also for your dedication to the service of our country.

We will do 10-minute rounds, and I ask that the Chair will let me know when I have about a minute and a half left.

Secretary Payton, there has been a lot of interest in the Congress over the Air Force's February 29th decision to award the tanker to Northrop Grumman. I understand that Boeing filed a protest of the award yesterday. So, according to the bid protest rules, the GAO has 100 days to issue the decision. That means we might not have a GAO decision of the protest until sometime in June.

The tanker program should not fall within the jurisdiction of this Subcommittee, but I thought I would offer you an opportunity to say anything that you are able about the award, the process leading to the award, or about the protest. And then I would ask General Schwartz to do that.

As I say, it is not directly in this Committee, a lot of interest in it. Perhaps you want to? We had a briefing on this yesterday.

Ms. Payton: Yes. Yes.

Senator KENNEDY. But I think it is an issue that is topical.

Ms. Payton: Yes, sir. Thank you very much for the opportunity to explain the process that was followed for the tanker competition. The process that was followed was in an effort to make sure that all the offerers understood every single detail about the requirements and the capabilities desired by the Air Force and by our customer, Air Mobility Command, who defined the requirements.

The requirements were approved by the Joint Requirements Oversight Council in November of '06. We had several draft RFPs that we coordinated with the offerers so that we could get a thorough understanding that they knew what was being requested in the competition. We did put the final RFP out, after a lot of meetings, on the 30th of January.

We continuously encouraged questions and answered every question that came into us. We had well over 500 evaluation notices that are well documented because we wanted to make sure that people really knew what we wanted, and we didn't want a confusion at a debrief, where someone might stand up and say, "Well, I had no idea that this was a requirement" or—so, to put it very succinctly, we did an awful lot more in this particular source selection than in any other source selection to be open, transparent, and fair to the offerers.

We also had a DOD IG investigation in the middle of source selection, which is very rare. And the DOD came in to make sure that we had traced all those requirements from the Joint Requirements Oversight Council into the system requirements document that was part of the RFP to make sure we hadn't dropped any requirements or added any requirements. They did a very thorough review and found that everything was totally in accordance with good practices.

We had the Government Accountability Office come in in the middle of source selection to take a look at our acquisition strategy. As well, they determined that we were following all the regulations of the FAR and that we had a solid process.

We had OSD send in an independent review team that thoroughly looked at everything that was going on. Were the people in the source selection evaluation team, as they debriefed the people in the source selection advisory council, were all of those factors flowing into the advisory council? Were all of the factors that the advisory council were aware of flowing into the SSA?

They looked at were the offerers being treated fairly as well, and were we following all the rules and regulations and documenting all of the findings that we had? And they, too, said that this was one of the—probably the best, most unprecedented coordination that has ever been done, to their knowledge. The group included the director of all defense procurement—

Senator KENNEDY. This is enormously important, and I just limited myself to 10 minutes at the start of it. So maybe you could—I am glad to—I think we ought to—maybe you could wrap up a little bit here?

Ms. Payton: I was just about to conclude. Yes, sir.

Senator KENNEDY. And then I think I will come to the—because I have some technical questions on the subject matter which we are going to be into. But this is very interesting and very valuable. So I don't want to suggest that it isn't.

Ms. Payton: Yes, I was—no, and that was the last thing—yes, sir. That was the last thing that happened. We had the DOD team that included an Army expert, an acquisition and Navy expert, lawyers, and the person that is the director of the defense procurement group within OSD.

And so, we feel very confident that sound processes were followed, that our motives were pure throughout the entire process, and that we had no fear and no favor from anyone in this process. We did what was right for providing best value to our warfighter and the taxpayer. Thank you.

Senator KENNEDY. Good. Let me go on, General Schwartz, to some of the important matters that I think we hopefully will be able to address. One, last November, you responded to a letter from Chairman Levin asking your personal and professional opinion about how many C-17 aircraft to buy, if any, beyond the 190 aircraft that were planned.

If I can paraphrase your response, you said that given the uncertainty about C-5A modernization program, you couldn't recommend terminating the C-17 production at this time. You went on to say that you thought 205 C-17, 111 C-5s is the correct fleet mix for the future.

And without objection, the two letters will be made part of the record. [The information previously referred to follows:] [SUBCOMMITTEE INSERT]

Senator KENNEDY. So, General Schwartz, now the Under Secretary has certified the C-5 RERP program to continue, at least for the C-5B. Does the mix now of 205 C-17s, 111 C-5As still represent your personal and professional view of the fleet needed to meet your requirements?

General Schwartz: Mr. Chairman, it does.

Senator KENNEDY. The—General Schwartz, Secretary Young, Nunn-McCurdy certification of the C-5 Reliability Enhancement Re-engineering Program, the RERP upgrade indicated several ac-

tions that were planned, including providing the Avionics Modernization Programs, the AMP—AMP—upgrading all 111 C-5s and requiring the Air Force Institute performance-based logistics and lean Six Sigma process improvements to the maintenance activity for all 111 C-5 aircraft be improved capability and lower operating cost.

Is there funding in the budget and the Future Years Defense Programs to complete the AMP program and improve logistics for the C-5s?

General Schwartz: Mr. Chairman, I understand that is the case. Ms. Payton can confirm that. But of course, it is important to perform the avionics mod on the airplanes that do not receive the full-up reliability improvement in order to assure that the aircraft can access controlled airspace of the future. That is essential and is also required for safety of flight reasons.

But as I understand it, sir, both programs now are properly funded.

Senator KENNEDY. And how will the Air Mobility Command respond to these directions for improving logistic support for the C-5?

General Schwartz: Sir, there is an effort underway in the Air Mobility Command. It is consistent with a larger Air Force program called AFSO21, which is essentially lean in the Air Force. And it is clear that there is a place for improvement, probably in maintenance of all of our airplanes, but certainly true in the C-5 and in the spares situation—spare parts inventory and so on.

But I remain convinced, Mr. Chairman, that the C-5 reliability improvement program will make a very substantial difference, both in the reliability of the airplane—for example, we currently schedule two airplanes to make one. That is just the reality. That will be less the case in the future. And importantly, the improved airplane will also perform much better, carry more, fly higher, use less gas, exactly the kinds of things operators treasure.

Senator KENNEDY. I am going to include the John Young's letter. [The information previously referred to follows:] [SUB-COMMITTEE INSERT]

Senator KENNEDY. And in the page 2 of that, he goes into talking about the importance of retention operation, C-5A are required, the avionics modernization programs, and the next paragraph, the logistical aspects, which you have referred to.

I want to ask you about the—Secretary Payton, the DOD cost, approved cost estimate of the C-5 Reliability Enhancement and Re-engineering Program have showed that there was, indeed, a breach of the Nunn-McCurdy threshold for the C-5 RERP modernization. The Cost Analysis Improvement Group, which produced that proved estimate derived a constant-dollar cost estimate of acquisition, unit cost of \$92 million, \$92.4 million versus \$60.5 million originally estimated.

While this increase was unfortunate, the estimate only reflects half the increase that the Air Force derived, as the service cost position reporting the Nunn-McCurdy violation in the first place. Can you explain why the Air Force estimate was so much higher than the Cost Analysis Improvement Group?

Ms. Payton: Yes, sir. In trying to get affordability and cost growth under control and inheriting many programs that were costed at a 50 or 40 or 30 percent confidence level to begin with, I have set the stage so that we—the person who inherits the job after me will get programs that are costed at a higher level of confidence.

If 10 things can go wrong on a program and you only have enough money to fix 4 of them, i.e., you would be at a 40 percent confidence level in your amount of money allocated, that puts our acquisition workforce in a terrible situation. So I have indicated that an 80 percent to 90 percent confidence level should be the funding level for our program, so that our acquisition people do have enough money in order to pay for things when things go wrong that you weren't counting on.

So the reason our Air Force cost estimate was higher is because they calculated it at an 80 percent confidence level, having a few more engineers, having a little bit more time in the schedule in case things go wrong, rather than at a 50 percent confidence level, which is what the OSD CAIG calculates cost at.

Senator KENNEDY. Well, that is an interesting concept and one which I can see has value if it is constantly used. Of course, there are—there was at least an argument made that the estimate by the Air Force was so prohibitively high that it is sure to terminate the whole program. And therefore, when they came back in at the lower cost, which is the real cost, they found that it made sense in terms of the value of the program.

So I think we want to find out it is important in terms of accounting, but also what the impact is going to be. I mean, just as we want to make sure that we are going to have sort of truth in accounting in terms of it—

Ms. Payton: Yes, sir. And I—

Senator KENNEDY. And consistency in the accounting because, otherwise, when I heard those figures that are going out and said that is the end of the program. And most other people thought it was the end of the program, and then we heard there were some in the Air Force who wanted the end of the program, this is a pretty easy way to end it.

And then we found out that the costs were not really related, were double what were the real costs on it. So it raised some serious questions, and I think you have given us an explanation—

Ms. Payton: Yes, sir. I have had other programs that have come before me, and I have insisted on an 80 percent confidence level so that acquisition doesn't get cost overruns. We estimate them so low, and all of a sudden, they are 30 percent overrun when, in fact, they were not funded properly to begin with.

So I am trying to set the stage as my predecessors for all programs—

Senator KENNEDY. This is for all programs, right?

Ms. Payton: For all programs, sir. For all programs, I have a memo and guidance out that we will no longer lowball these programs. They must be funded properly so our acquisition workforce has a fighting chance to maintain its integrity and to deliver on time and on cost.

Senator KENNEDY. My time is up, but I would be interested what the results are. At 80 percent, do you have a consistent fact that you are missing the target because you are using at 80 percent versus if you had used, what, the 50 percent? I am not an accountant, and I don't know.

Ms. Payton: I would be glad to follow up with you.

Senator KENNEDY. But the—with that, there is going to be some issues in terms of the merits of a particular kind of system. It would be interesting for us to know, using the higher figure, the accuracy of that in terms of —

Ms. Payton: Yes, sir. The C-5 program, to begin with, was under estimated. We baselined it way, way too early before we had any data. We do this in a very poor manner, and so we came up with a number, "I think it will be about this." And we breached Nunn-McCurdy because I think we baselined it way too low to begin with.

So I am trying to put some discipline in the process. We have great cost estimators, but we always pick the low number. We should start picking a higher number so that we can give our acquisition people a fighting chance to be successful.

Senator KENNEDY. Senator Martinez?

Senator MARTINEZ. Thank you, Mr. Chairman.

You spoke eloquently, I think, about the process on the KC-45A, and I had the benefit of also, Secretary Payton, hearing you yesterday. And I want to just commend you for the very even-handed way that you have made your presentation in both instances.

Ms. Payton: Thank you.

Senator MARTINEZ. And as someone who does not have a direct stake in the outcome, I must say that it sounds like a process that—well, obviously, the protest is undergoing. So I shouldn't comment on it. But it just does seem like you are providing the kind of information that is helpful to us.

But General Schwartz, on that same subject, if I could ask, could you describe for us, you had determined this to be the top priority of your command, the tanker fleet. They currently fly out of MacDill in my backyard in Tampa. And I was just wondering if you could speak to us about the importance of the KC-45's passenger and cargo capability and what it will do for your airlift mission? And also does this capability add to your ability to operate at greater capacity and greater efficiency?

General Schwartz: Certainly, sir. I think it is important to recognize that while other countries have modest capabilities in this area now—France, Italy, Japan, so on, the U.K.—we have a unique capability to project American military power that the tankers give us.

It allows us to establish the air bridge through which we move airlift aircraft, pack passengers and cargo. It allows us to put fighter aircraft and bomber aircraft into an area of responsibility to perform missions as required. Likewise, it supports the intelligence, surveillance, and reconnaissance capability of the armed forces with air-breathing sensors. It is a fundamental and almost a uniquely American capability.

The dilemma is, is that 500 of our 550 or so airplanes are aging. I mean, they were manufactured not long after I was born. And while we have modified and improved the KC-135 over the years,

we need a successor platform. And so, we made the case, which was validated by the Joint Requirements Oversight Council, that in today's environment what we needed was an airplane that certainly could do the refueling mission, but needed to offer more versatility than just to do refueling.

Throughout the armed forces, sir, single-point platforms, single-mission platforms are not necessarily the best solution. You want to have versatility. Doors, floors, and defensive systems in a tanker-type airplane provide that type of versatility so that you can carry passengers. You can carry cargo. You can air refuel on the same sortie, and you can position the airplane in threat airspace that at the moment we very carefully manage with regard to the KC-135 and the KC-10.

The bottom line is, sir, we need an airplane of the 2000s, not of the 1950s. And that is exactly, it appears to me, what the Air Force has selected.

Senator MARTINEZ. Tell me, General Schwartz, about this very sensitive mission that you spoke of, which is transferring of injured servicemen and women from the theater to critical care facilities, which I know you place a great deal of importance on that. Can you tell us and give us an update regarding your continued efforts to improve this vital mission, and let us know also of any further support that Congress might provide you in this vital area?

General Schwartz: This is the—a mission which is a moral imperative. We have a contract, Senator, with our kids, and that is if they get banged up on the battlefield that we will leave no stone unturned to return them to the best medical care on the planet.

And I honestly believe that we and part of what we do underwrites the all-volunteer force because if the kids stop believing that, they will stop volunteering. And so, our capacity to do this has just multiplied because of modern aircraft.

In the old days, when we had C-141s and KC-135s and so on, these were adequate. But they were not designed with good power, good lighting, or good environmentals—temperature control, pressurization, and so on. Modern airplanes do that, like the C-17, to a T. And so, if we put a superb medical crew in the back, they actually have an intensive care unit that is as good as anything on terra firma. And we have fortunately in the last 2.5 years we have only lost one troop that passed away while returning from the Central Command AOR, returning to the United States.

And it is a tribute, sir, to both the aircrews in the airplanes, the equipment on the birds, and, most importantly, the medical teams that provide that care. That capability is embedded in the KC-45 requirement. There is no doubt in my mind that we will use that airplane to perform that function, and it will do it exceedingly well. Profoundly important mission.

Senator MARTINEZ. Let me ask both of you if you could comment on the working relationship with our commercial transportation partners and supporting labor organizations that allow you to do your mission and to supplement your mission. I am speaking of craft specifically.

General Schwartz: Yes, sir. If I may, Madam Secretary?

Ms. Payton: Please.

General Schwartz: The United States Government, sir, can never own all of the assets it would need in a major surge. Our secret weapon, frankly, at the Transportation Command is this capacity to blend both organic U.S. Government-owned resources and commercial resources to best effect. This happens both in the airlift and the sealift communities.

Let me start with the sealift first. It is important to recognize, sir, that all of our sealift assets, even those that are owned by the Navy and those that are owned by the Maritime Administration, are operated by U.S. Merchant Mariners, civilian U.S. Merchant Mariners. And in my opinion, that is the fifth service. They are—they are dedicated, patriotic Americans, and they do a terrific job.

The same thing is true on the airlift side, where roughly 95 percent of the passengers that we move—and we move a lot. We have moved 5 million passengers since 9/11—move on commercial platforms. Roughly 40 percent of the cargo that we move moves on commercial platforms. And so, that is very important. And the way we get access to these platforms is through the civil Reserve air fleet. And once again, those are crewed by American civilian aviators.

And so, it is vitally important, sir, preserving those two capabilities and structuring the incentives that allow American industry to support the Government when we need to surge is something that I think is very important for the future.

I just would close, sir, by commenting that one of the things that you hold me accountable for is sort of maintaining the balance between the organic fleet and the commercial capability. And as I mentioned in my opening remarks, I caution about overbuilding the organic fleet because if that occurs, it competes in peacetime with that preference cargo, the incentives that we offer our commercial partners. And so, that is one of the reasons that I believe 205 is the right number of C-17s.

Thank you, sir.

Senator MARTINEZ. Well, go ahead, and while you are on that subject, if you would, also comment on the recapitalization needs that you might be seeing in terms of our seagoing lift assets?

General Schwartz: Yes, sir. We are in a period at the moment where there is not a need to initiate a new sealift program. You may recall, sir, that both in the immediate aftermath to the first Gulf War, there was a considerable investment made by the Congress in sealift capability. Those platforms will remain viable through about 2020.

So we won't have to seriously consider successor platforms until program year 2012, the 2012 program. We are a couple of years out from that. But at that point, 2 years from now, it will be time for us to think about the recapitalization of the fast sealift ships.

You may recall those were the old sea/air/land ships, the high-speed SL-7s that DOD bought and converted, and they will go out to about 60 years. And at that point, it will be time to replace them.

Senator MARTINEZ. My time has expired. But thank you both very much.

General Schwartz: Thank you, sir.

Senator KENNEDY. Senator Sessions?

Senator SESSIONS. Thank you, Mr. Chairman.

The Navy recently awarded contracts for the Joint High-Speed Vessel. I guess, what role do you expect them to play, when will a lead contractor be decided, and when do you expect them to enter into the fleet, and how many?

General Schwartz: Sir, I will have to do this for the record in terms of when they will be delivered. I don't have that off the top of my head. However, the last program summary I saw was that there were going to be three Navy and five Army platforms. And this is an important capability, and the reason is, is because not everything has to fly.

And if you can move units, coherent units on a surface platform, which is what the high-speed vessel will allow us to do—to move a Marine battalion, for example—forgive me, a Marine company very effectively over, say, distances from in the western Pacific from Okinawa to Korea, for example, or similar arrangements in the Gulf. These are excellent platforms, again, for moving coherent units where you have port capability.

It is an important initiative. It is one which the regional commanders who I support certainly endorse—Pacific Command and Central Command, in particular. And the first increment of that, I am quite certain, will be eight platforms, and I will give you the delivery schedule for the record. [The information previously referred to follows:] [SUBCOMMITTEE INSERT]

Senator SESSIONS. All right. Secretary Payton, with regard to the tanker and the procedures that were utilized, there was lease arrangements which fell apart and much embarrassment over that. And Congress, as part of our response and mandate to the Defense Department, required that this contract be bid, did it not?

Ms. Payton: Yes, sir.

Senator SESSIONS. And when Congress required that, issues such as components, labor requirements, or other issues in existence at the time, Congress—that Congress, I guess, had originally passed—were the standards that you had to follow when you executed—

Ms. Payton: Yes, sir.

Senator SESSIONS.—the contract.

Ms. Payton: Yes, sir.

Senator SESSIONS. So the people that are complaining to you about some members of Congress, I think complain to you about how you conducted the process. We set up the process of how bids should be conducted, and then we directed the Air Force to bid this contract, and do you feel like you followed those requirements?

Ms. Payton: Absolutely.

Senator SESSIONS. And are you satisfied that the aircraft chosen will be a superior product for the military personnel who will use them?

Ms. Payton: No doubt. Yes, sir.

Senator SESSIONS. General Schwartz, would you comment on that?

General Schwartz: Sir, I am content with the selection process.

Senator SESSIONS. And will the aircraft today, General Schwartz, the aircraft that has been selected, how does it compare to the existing aircraft? Do you get savings and benefits from having this

more modern aircraft in addition to just eliminating a fleet that is getting more and more costly?

General Schwartz: Senator Sessions, I think the short answer is this. The 707 was a magnificent machine in its day, and it was designed to fly once every 3 days. Airplanes today, particularly commercial variants, are designed to fly three times a day. That kind of utility, that kind of productivity will change the way we do business.

And that is really the thing that is exciting. And the versatility that is inherent in the airframe to both refuel and to lift and to do it with a modicum of self-protection is a game changer, in my view.

Senator SESSIONS. With regard to your comments about lift and the commercial sector, the Army Reserve unit I used to be a member of for 10 years—I was a part of the military sealift command, and we contemplated and had leases with ships. And in a crisis, we didn't expect that we would have enough military ships to lift everything that we needed, but we had a priority lease with regard to those shipping companies that they would immediately bring their ships to the service of the country for whatever needs we might have, along with their crews.

First of all, is that essentially what you are doing with the Air Force, and does that—is that a big cost saver?

General Schwartz: That is essentially the process that we have both on the airlift and the sealift side. And clearly, if we owned, if the U.S. Government owned the assets and the networks that we take the commercial networks out there that we take advantage of, some have estimated that it being \$50 billion, it is clear—

Senator SESSIONS. In extra cost if you tried to maintain that as a—

General Schwartz: Exactly. Exactly. The truth, this is a particularly advantageous arrangement where, for a relatively modest incentive, we are assured that both our airline partners and our sealift partners will present their vessels or their aircraft typically within 48 hours, a little bit longer for the sealift folks depending on where their ships are, and support America's business.

Senator SESSIONS. Well, I think striking that right balance, I mean, people might disagree where it is. But I absolutely agree it is just not feasible for us to maintain all these ships sitting with no real mission, and then for a certain number of months, they might all be used. It makes more sense to have the kind of contracts in place that allows you to call up commercial aircraft that are well maintained and can be utilized immediately.

And with regard to I think you mentioned, but there is considerably more cargo and considerably more personnel lift capability in these new tanker aircraft. Mr. Chairman, the fuel—you probably know, but I didn't until some time ago. The fuel is just in the wings. The main cargo area is open for personnel and any cargo. So you get a considerably amount more of cargo and personnel lift capability with this?

General Schwartz: We certainly do, and that is not a trivial matter.

Senator SESSIONS. Secretary Payton, do you know the details of the numbers on that offhand?

Ms. Payton: Yes, sir, I do. I think relative to the winner—the successful offer and the unsuccessful offer, I can't really give those particular numbers out at this time.

This was a tanker first. It has incredible offload capacity at 1,000 nautical miles and 2,000 nautical miles. So from a tanker perspective, it will take many less tankers to refuel many more receivers and to stay in the air for a much longer time.

The relative to passengers, hundreds of more passengers can be carried. Aero medical, evacuation as well is hugely improved with really either one of these tankers. So it is a great multi-mission aircraft, but tanking is job one.

Senator SESSIONS. Thank you, and I know it remains the Air Force's number-one priority for recapitalization. And you mentioned multi-point refueling. What does that mean, Secretary Payton?

Ms. Payton: Do you want to take that?

Senator SESSIONS. Or General Schwartz?

General Schwartz: I would be happy to. In other words, this airplane will be able to refuel both from the boom for those typically Air Force aircraft that have a boom and receptacle sort of refueling arrangement. Or at the same time, there will be wing pods, which allow refueling what we call probe and basket. Typically, the United States Navy uses that. So the baskets come back out of the pods and the Navy aircraft refuel.

And so, you can refuel both off the pods and the boom simultaneously.

Ms. Payton: And as well with our coalition partners who typically use the drogue or the basket side of it, yes.

General Schwartz: Right.

Senator SESSIONS. Thank you very much.

Senator KENNEDY. Thank you very much. I had just a final couple of questions.

Secretary Payton, what is the status of those negotiations for buying any C-17 beyond the 180 aircraft in the original Air Force program?

Ms. Payton: From an acquisition point of view, we have no requirements to procure any additional C-17s. I do understand that some have been put in the GWOT, I believe, in the supplemental. So a request went in in the supplemental.

The requirement side of the world is handled by the uniform service relative to operations and readiness, and once those requirements are approved and funded, then the acquisition workforce kicks into work. But at this point, relative to acquisition, I have no new requirements to procure any more C-17s.

Senator KENNEDY. If there are, are you including negotiation of options for buying some number of C-17 with the final appropriations in 2008?

Ms. Payton: No.

Senator KENNEDY. If not, would you be conducting all new negotiations for any 2008 aircraft?

Ms. Payton: No, sir. We don't have any negotiations in work for C-17s. We—as a matter of fact, a primary concern right now is that factory and the amount of money it costs to close it down. And so, if we are not going to buy more, then we need to figure out how

to fund the closedown of it. If we are, then we won't know that until the supplemental is approved later this year, I understand.

Senator KENNEDY. The point I am getting to is whether you consider any of these options in terms of negotiating for expansion of C-17s?

Ms. Payton: I believe we have been provided unsolicited proposals. But at this time, we are not looking at those because we have no money, and it would violate the law to try to do something without any money.

Senator KENNEDY. Let me ask you, General Schwartz, just to conceptually and just briefly with the looking down the road in terms of national security and defense and where we are, where we are going to be, how do you—expansion of the services, which are being looked at, all the different types and changes, how do you consider those potential changes as you are planning now in terms of the future?

General Schwartz: There are a number of matters out there that do need to be factored into what is the right fleet size and mix. Some of those factors include, at the moment, changes related to the size in the ground forces, both the Marines and the Army. Some of that relates to the equipment, which needs to be transported. This tends to grow over time. It rarely gets smaller.

And likewise, the plans that the combatant commanders have to employ the force influences how quickly one must close the force. Every several years, we do what we call a mobility study, sometimes called a capability study, sometimes called a requirements study. This time, upcoming, sir, it will be both.

And the so-called mobility, capability, and requirement study '08 will look at all of these factors to offer the best assessment on what is the right size of the force and what is the best fleet mix. Now, there is another study underway as well, directed by the Congress, known at least in our lingo as McCaskill-Tauscher, which is due in January of '09. And the Institute for Defense Analysis is going to do that one.

The DOD study, which we are a full partner in, MCRS will be due later in '09. And we are working hard to synchronize those two efforts so that they don't get disconnected.

One final comment, sir. You asked me earlier about 205. A key factor in 205 is this question about the growth in the ground forces. I believe that the growth in the ground forces is not to provide the country with a capability to surge more brigades in a short period of time. In other words, say, for the sake of argument, our current plan is 20 brigades, that the additional brigade equivalents that will come onboard are not there to take it to 25, but rather to reduce the tempo on the ground forces that, in some cases, are pulling 15-month tours now or longer, or 7 months for the Marines or maybe a little longer—to reduce that tempo.

I think that is the case. The studies will reconfirm that, that that is, in fact, what the department intends. But that is certainly my understanding of where we are at and is why I remain confident that 205 is the right number.

Senator MARTINEZ. Nothing else. Thank you.

Senator KENNEDY. I want to thank you very much. We might have some questions from the other members who weren't here.

General Schwartz: Understood, sir.

Senator KENNEDY. But we're very grateful, and we appreciate and we applaud you. We weren't always in this kind of circumstance in terms of airlift in recent years.

General Schwartz: Right.

Senator KENNEDY. So you deserve very considerable credit to get us up to the shape that we are in, and we are very impressed with it. And thanks very much.

General Schwartz: And to you, sir, and the Congress, who enabled us to do it.

Ms. Payton: Yes, sir.

Senator KENNEDY. The Committee stands in recess.

[Whereupon, at 3:15 p.m., the hearing was adjourned.]