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Before the

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY
ON THE POSTURE OF THE DEPARTMENT OF THE AIR FORCE
IN REVIEW OF THE DEFENSE AUTHORIZATION REQUEST
FOR FISCAL YEAR 2017 AND THE FUTURE YEARS DEFENSE PROGRAM

Thursday, March 3, 2016

Washington, D.C.

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HEARING TO RECEIVE TESTIMONY ON
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U.S. Senate
Committee on Armed Services
Washington, D.C.

The committee met, pursuant to notice, at 9:32 a.m. in Room SD-G50, Dirksen Senate Office Building, Hon. John McCain, chairman of the committee, presiding.

Committee Members Present: Senators McCain [presiding], Inhofe, Sessions, Wicker, Ayotte, Cotton, Rounds, Tillis, Sullivan, Lee, Reed, Nelson, Manchin, Shaheen, Gillibrand, Blumenthal, Donnelly, Hirono, Kaine, King, and Heinrich.

1 OPENING STATEMENT OF HON. JOHN McCAIN, U.S. SENATOR
2 FROM ARIZONA

3 Chairman McCain: Good morning.

4 The committee meets today to consider the posture of
5 the Air Force in the context of our review and oversight of
6 the fiscal year 2017 budget request. I welcome our
7 witnesses, Secretary of the Air Force Deborah James and
8 Chief of Staff of the Air Force General Mark Welsh.

9 General Welsh, I understand this may be your last time
10 you will appear before this committee. Thank you for not
11 cheering. I just want to take this opportunity to express
12 our gratitude to you and your family for 40 years of service
13 and sacrifice in defense of our Nation and wish you every
14 success in your future endeavors.

15 Twenty-five years of continuous deployments, troubled
16 acquisition programs, and frequent aircraft divestments have
17 left us with the oldest and smallest Air Force in history.
18 And the combination of relentless operational tempo and
19 misguided reductions in defense spending in recent years has
20 depleted readiness. Today less than half of the Air Force
21 fighter squadrons are fully combat mission ready, and the
22 Air Force does not anticipate a return to full spectrum
23 readiness for another decade.

24 Meanwhile, potential adversaries are developing and
25 fielding fifth generation fighters, advanced air defense

1 systems, and sophisticated space, cyber, and electronic
2 warfare capabilities that are rapidly shrinking America's
3 military technological advantage and holding our aircraft at
4 greater risk over greater distances.

5 Despite temporary relief from the arbitrary spending
6 caps imposed by the Budget Control Act, including through
7 last year's Bipartisan Budget Act, we are still placing an
8 unnecessary and dangerous burden on the backs of our airmen.

9 Given the obvious needs of our Air Force to restore
10 readiness, recapitalize our combat aircraft fleet, and
11 invest in modernization, the President should have requested
12 a defense budget that reflects the scale and scope of the
13 national security threats we face and the growing demands
14 they impose on our airmen.

15 Instead, he chose to request the lowest level of
16 defense spending authorized by last year's budget agreement
17 and submit a defense budget that is actually less in real
18 dollars than last year, despite the fact that operational
19 requirements have grown.

20 That leaves the Air Force \$3.4 billion short of what
21 the Air Force said last year it would need for fiscal year
22 2017. Given this budgetary shortfall, I am concerned the
23 Air Force will not be able to meet the requirements outlined
24 in the 2014 QDR: to simultaneously defeat an adversary
25 while denying the objectives of another.

1 The shortfall in this year's budget has forced the Air
2 Force to make a number of painful and undesirable decisions.
3 The most significant was to slow procurement of the F-35A by
4 45 aircraft over the next 5 years. This budget-driven
5 decision will likely increase the cost of this already
6 costly aircraft, while exacerbating what defense experts
7 call the modernization bow wave for other critical Air Force
8 programs over the next 10 years, which the Air Force admits
9 it cannot afford at current funding levels. It also means
10 it will take even longer for the Air Force to address the
11 tactical fighter shortfall looming in the next decade.

12 While we recognize the need for additional resources,
13 this committee will continue to exercise rigorous oversight
14 on Air Force acquisition programs, including the KC-46A
15 tanker program, the presidential aircraft replacement, and
16 the GPS Operational Control System, recently labeled the Air
17 Force's "number one troubled program." If the Air Force,
18 and the Department of Defense more broadly, wish to convince
19 the American people that they need more taxpayer dollars,
20 they must show they are efficiently and wisely using the
21 resources they already have.

22 In particular, questions persist about the validity of
23 the F-35 program of record quantity. Just consider that 815
24 F-35A's have been deferred from delivery to the Air Force
25 since 2002, and the service's latest procurement profile now

1 projects the last F-35A to be delivered in the year 2040.
2 At a certain point, a 38-year acquisition program runs the
3 risk of producing obsolescence, especially when our
4 adversaries are accelerating technological developments to
5 counter the F-35. I look forward to reviewing the Secretary
6 of Defense's decisions on revalidation of the total F-35
7 program of record quantity, which is due to this committee
8 by May 25th, 2016.

9 The decision to further delay the F-35 procurement also
10 underscores the folly of the Air Force's plan to retire the
11 A-10 fleet before a proven close air support replacement is
12 fielded. Much fanfare has been made about the Air Force's
13 decision not to divest A-10 aircraft in fiscal year 2018,
14 but beginning in fiscal year 2018, the Air Force again plans
15 to retire the entire A-10 fleet by 2021 with no replacement.

16 As the Air Force proceeds with needed modernization, I
17 recognize the need for a new bomber to replace our aging
18 fleet of B-52, B-1, and B-2 aircraft. A long-range,
19 penetrating strike capability is vital to deterring our
20 enemies and reassuring our allies in increasingly contested
21 environments in Europe and the Asia-Pacific.

22 However, I remain seriously concerned about the
23 acquisition strategy for the B-21 Long Range Strike Bomber,
24 especially the use of a cost-plus contract for the
25 development of this aircraft. I am still not convinced that

1 this program will not repeat the failures of past
2 acquisition programs such as the F-35. I will carefully
3 examine every legislative option to ensure that our Congress
4 can fulfill our dual obligations to the American people,
5 providing our warfighters with the necessary capability to
6 defend this country and to do so at the lowest possible cost
7 and shortest period of time.

8 Similarly, ending the use of Russian rocket engines
9 remains a top priority for this committee. Department
10 leaders have correctly drawn attention to Russia's growing
11 development of military capabilities to threaten U.S.
12 national security in space. And yet, the greatest risk in
13 this regard is that Vladimir Putin continues to hold our
14 national security space launch capability in the palm of his
15 hand through the Department's continued dependence on
16 Russian rocket engines. This is a national security threat
17 in addition to a moral outrage at a time when Russian forces
18 continued to destabilize Ukraine, including nearly 500
19 attacks in the past week, as General Breedlove, the
20 Commander of European Command, testified on Tuesday.

21 And yet, the Treasury Department remains unwilling to
22 sanction Roscosmos, the Russian parent company of the
23 manufacturer of the RD-180, which is controlled by two
24 sanctioned cronies of Vladimir Putin. This suggests a level
25 of hypocrisy in U.S. sanctions policy that will only make it

1 harder to convince our European allies to renew their own
2 sanctions on Russia this summer.

3 This committee wants to find a constructive solution to
4 eliminate our dependence on Russian rocket engines
5 immediately without compromising future competition, a goal
6 that Secretary James said was possible in testimony in
7 January.

8 Finally, I want to express my continuing concern with
9 the Air Force's mismanagement of its remotely piloted
10 aircraft, or RPA, enterprise. The Air Force's MQ-1 and MQ-9
11 community remains undermanned and overworked. Yet, despite
12 the Air Force's stated need for an additional 3,000 RPA
13 manpower authorizations, the Air Force's end strength
14 remains the same as last year.

15 And while the Congress authorized greater retention
16 bonuses for RPA pilots, the Air Force did not provide them
17 out of a sense of "fairness." After years of warnings that
18 RPA pilots and maintainers are leaving in droves, this was a
19 missed opportunity and a damaging mistake. I look forward
20 to your explanation for this action.

21 Senator Reed?

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1 STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE
2 ISLAND

3 Senator Reed: Well, thank you very much, Mr. Chairman.
4 Let me join you in welcoming Secretary James and General
5 Welsh to the committee this morning to testify on the plans
6 and programs of the Department of the Air Force for the
7 fiscal year 2017 annual authorization.

8 We are grateful to both of you for your service to the
9 Nation. Particularly, General Welsh, let me join the
10 chairman in commending you for your outstanding service to
11 the Nation and to the Air Force. You have led with vision
12 and integrity. Thank you very much, sir.

13 Over the past 15 years, the Air Force personnel and
14 equipment have played a key role in support of our national
15 security goals in Iraq, Afghanistan, and across the globe.
16 Over this time, we have relied heavily on Air Force strike
17 aircraft to take on important ground targets, Air Force
18 manned aircraft and unmanned aerial vehicles to provide
19 intelligence, surveillance, and reconnaissance support, and
20 Air Force tankers and cargo aircraft to support coalition
21 air operations.

22 Our witnesses this morning face huge challenges as they
23 strive to balance the need to support ongoing operations and
24 sustain readiness with the need to modernize and keep the
25 technological edge in the three domains of air, space, and

1 cyberspace that are so critical to military success. The
2 Air Force has produced a budget that, like all the services,
3 made tough decisions in a time of constrained resources.

4 The Air Force is proposing significant force structure
5 changes to ensure that it will have the right size and mix
6 of assets and capabilities to meet strategic needs in a
7 manner consistent with a constrained budget environment.
8 The Air Force proposal includes major shifts in both
9 strategic and tactical aircraft programs, with reductions
10 shared among the active duty force, the Air National Guard,
11 and the Air Force Reserve. And here are some examples.

12 The Air Force is planning to retire the entire A-10
13 fighter force over the future years defense program as new
14 F-35A Joint Strike Fighter aircraft replace them on a one-
15 for-one basis. While there is a one-for-one replacement for
16 aircraft and squadrons under the Air Force plan, it is not
17 clear that the close air support capability of the
18 modernized force will equal or exceed the close air support
19 capability of the current force, and we would appreciate
20 your thoughts, as the chairman has indicated. The
21 disjunction between the deployment of F-35's and the
22 proposed retirement of the A-10 raises that question, and it
23 is a critical question.

24 The Air Force continues its plan to eventually retire
25 the entire U-2 fleet and keep the Global Hawk Block 30

1 remotely piloted aircraft fleet. In the meantime, the Air
2 Force plans to develop and field capabilities for the Global
3 Hawk that are intended to equal or exceed the capability of
4 the U-2, as required by law. Again, I would appreciate an
5 update on this particular issue.

6 DOD has directed the Air Force to reduce the number of
7 Predator and Reaper RPA, remotely piloted aircraft, Combat
8 Air Patrols, CAPs. The previous goal was 65 CAPs. The new
9 goal will be 60 CAPs. This is to allow time for the Air
10 Force personnel and logistics systems to catch up to the
11 demand for RPA forces. Again, your views on how this is
12 going to be accomplished would be actually critical.

13 Finally, the Air Force wants to make significant
14 reductions in certain high-demand/low-density forces, such
15 as the AWACS, JSTARS, and Compass Call fleets before they
16 would be replaced by new systems and capabilities. We need
17 to understand the risks involved and the gaps that would be
18 produced in phasing one system out as other systems come
19 aboard.

20 4 years ago, Congress created a National Commission on
21 the Structure of the Air Force to make recommendations on
22 policy issues that are directly relevant to these force
23 structure decisions. We look forward to receiving testimony
24 from the Air Force on the progress being made to implement
25 those recommendations.

1 As the Air Force contemplates major force structure
2 changes, we need to understand what if any effects these
3 changes may have on the Air Force's ability to play a key
4 role in implementing defense strategic guidance calling for
5 a shift to refocus emphasis to the Asia-Pacific region, for
6 one example. And again, I hope our witnesses today can give
7 us this advice.

8 You have, as the chairman has indicated, significant
9 challenges in maintaining the acquisition programs with the
10 new strike fighter. It is an expensive program, and again,
11 I think it will be a focus not only of our questions but of
12 your efforts over the next several months.

13 And I look forward to your testimony.

14 And thank you, Mr. Chairman.

15 Chairman McCain: Thank you.

16 Welcome, Secretary James.

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1 STATEMENT OF HON. DEBORAH LEE JAMES, SECRETARY OF THE
2 AIR FORCE

3 Ms. James: Thank you, Mr. Chairman and Ranking Member
4 Reed, and good morning to all the members of the committee.

5 We have got a lot to talk about this morning, and
6 General Welsh and I are very proud to be here to represent
7 the Air Force.

8 When we testified before you last year at our posture
9 hearing, we outlined three priorities. Those are taking
10 care of people, balancing readiness of today with the needs
11 of modernization for tomorrow, and making every dollar
12 count. And I am here to tell you that those are the same
13 priorities. They have not changed.

14 But what has changed -- and both the chairman and the
15 ranking member have already touched upon this, that what has
16 changed over the last few years are the threats and the
17 challenges that are faced by our Nation around the world.
18 And your Air Force is fully engaged in every region of the
19 world, every mission area across the full spectrum of
20 military operations. Put simply, we have never been busier
21 on such a sustained global basis, at least not in the 35
22 years that I have been an observer on the scene.

23 Now, General Welsh, is going to talk to you more about
24 these areas, as well as many others under our priorities
25 representing our budget in just a few minutes. But what I

1 would like to do is use my precious time here before the
2 committee to update on two key areas of interest, and both
3 the ranking and the chairman touched upon these. And those
4 two areas are the B-21 bomber and space launch.

5 So our nuclear enterprise is our number one mission
6 priority, and the B-21 will be an essential piece of our
7 Nation's nuclear backbone and, indeed, ditto for the
8 conventional area as well. The B-21 will be a vital global
9 precision attack platform that will give our country a deep,
10 penetrating capability, enabling us to hold targets at risk
11 anywhere on the globe and provide the President with
12 flexible options in addressing future threats. Now that we
13 are beyond the GAO protest period, we are moving forward
14 with execution.

15 Now, in terms of the B-21 acquisition, cost control is
16 paramount. We have taken a careful look at lessons learned
17 from previous acquisition programs. We have looked at those
18 that have worked well, and we have looked at those that have
19 not worked well. Experience tells us that there is no one-
20 size-fits-all when it comes to acquisition contracts and
21 strategies because you see we have certainly examples of
22 cost-plus failures, but there also have been cost-plus
23 successes. Likewise, we have had some successes in fixed
24 price work, but there have also been some noteworthy
25 failures in the fixed price development world to include the

1 A-12, the Tri-service standoff attack missile, the C-5, the
2 future combat system, and the C-17.

3 Now, some of these programs were canceled without
4 delivery of any warfighting capabilities. Some had to
5 sacrifice capability to stay within funding constraints.
6 And some were restructured and significant additional
7 funding was added to complete. And many of them, in
8 addition, resulted in years of litigation.

9 So to help ensure that we now deliver the best value to
10 the American taxpayer with the right quantities, the B-21
11 approach uses a mix of contract types to support the overall
12 acquisition strategy, and this mix was specifically chosen
13 to capitalize on the advantages of the different contract
14 types while limiting the potential risks for cost growth
15 and/or performance issues. Although the B-21 design
16 incorporates mature and existing technology, we will be
17 integrating those technologies on a never-before-built low-
18 observable bomber. So it is these two factors, the never-
19 before-built bomber and the integration aspect that
20 introduces risk into this development program, particularly
21 when we get to integration and test phases.

22 While some can draw comparisons between the B-21 and
23 the KC-46, there are actually some very important
24 differences. Unlike the KC-46, the B-21 is neither a
25 commercial derivative aircraft, nor is it a commercial

1 derivative design. Unlike the KC-46, the B-21 has no
2 anticipated commercial or foreign sales market to offset any
3 unexpected development costs.

4 Now, after carefully considering these and other
5 factors, the milestone decision authority determined a cost-
6 plus incentive contract type was best for the development
7 phase of the program.

8 Now, of course, there have also been cost-plus
9 failures. There is no question about that. F-22, B-2, F-
10 35. They went way over cost and did not produce the
11 performance on time. We are mindful about all of these
12 examples, and we are also very mindful of the potential for
13 cost growth. And we believe that we have taken steps to
14 address this.

15 First, we had two independent cost estimates completed
16 and we have funded to the higher estimate.

17 Second, we have and will continue to ensure the
18 requirements remain stable. And by the way, the chief
19 requirements control officer is sitting right next to me
20 right now this morning.

21 And third, we crafted an incentive structure that will
22 reward cost and schedule performance during this cost-plus
23 phase of the contract. We structured the majority of these
24 incentives toward the back end of the cost-plus phase of the
25 program, which means that the contractor will be

1 incentivized to get to production as quickly as possible and
2 as feasible and not drag it out in the cost-plus phase.

3 And fourth, we are using those mature technologies I
4 referenced to meet requirements and avoid developing key
5 subsystems while also developing the aircraft. And by the
6 way, that combination was one of the things -- one thing
7 that went wrong in the B-2 program.

8 Now, all of these factors make us believe that we have
9 a good approach and that we will control costs on this
10 program. Technology maturation and risk reduction was fixed
11 price. The first five low-rate initial production options
12 are fixed price, and the remainder of the production will be
13 fixed price. The majority of this program will be fixed
14 price, but a portion, of course, is in the cost plus
15 incentive arena.

16 Let me now take a few moments just to update the
17 committee on some elements with respect to space launch
18 since we were last together in January.

19 Now, during the January hearing on space launch, I
20 testified that I too was disappointed that ULA had not been
21 on the GPS-3 competitive launch. And I asked my team to go
22 look at options for what could be done about this because,
23 after all, the ELC is taxpayer dollars involved. My general
24 counsel performed that review and coordinated the results
25 with the OSD general counsel.

1 The general counsel found that while certainly it is
2 possible to terminate the contract, it is not probably the
3 most cost-effective approach for the taxpayer. Given that
4 ELC provides infrastructure, which is essential to the
5 launches that are specific to the block buy, we would still
6 have to pay for that service somehow, and we would end up
7 probably paying a lot more than we are paying today.
8 Breaking that contract and allocating those costs to each
9 individual launch in the block buy would likely cost the
10 taxpayer between \$700 million and \$800 million more.

11 Now, that was the finding of my general counsel,
12 together with the OSD general counsel. But I want to take
13 one more step. I would like to get an independent legal
14 review to see if there is some angle there that we are
15 missing.

16 Additionally, since the space hearing, the DOD engaged
17 the Department of the Treasury regarding the status of
18 sanctions as they pertain to the recent reorganization of
19 Roscosmos and as the chairman noted the findings there.

20 Meanwhile, we have continued our plan to transition
21 away from the RD-180 rocket engine reliance, and in addition
22 to the first two OTA contracts that went to SpaceX and
23 Orbital ATK, on February 29th we awarded two more. These
24 two were to Aerojet Rocketdyne and to ULA. With these
25 actions, we will have obligated all of the fiscal year 2015

1 funding for rocket propulsion system work in a full and open
2 competitive way per the law.

3 Finally, we are still concluding and conducting an
4 analysis on various allocation strategies, should allocation
5 become necessary in the future. Preliminary analysis
6 suggests that a transition to a combination of an allocation
7 between the Delta and the Falcon launch service, on the
8 other hand, would add anywhere from \$1.5 billion to \$5
9 billion in additional cost, depending on your assumptions
10 and depending on when you would begin such a transition.
11 The basic rule of thumb here is that the sooner a full
12 RD-180 ban might start, the more disruptive it would be to
13 the launch manifest and to the production timeline and the
14 higher the cost would be.

15 Now, none of this additional cost, whatever that cost
16 ends up being, is currently contained within the Air Force
17 program. And as I just said, everything I just said is
18 preliminary in nature. We are still trying to refine the
19 details.

20 As I wrap up, Mr. Chairman, I want to thank you and
21 this committee for your leadership and support of the
22 Bipartisan Budget Act. As you noted, it does not provide
23 all of the resources that we felt we needed, but it is
24 extremely important because it is much needed stability and
25 predictability.

1 And while we are appreciative of this, we worry about
2 the return of sequestration in fiscal year 2018 and beyond.
3 You all remember in 2013, sequestration compelled us to park
4 jets and delay upgrades and halt training, and that further
5 exacerbated our readiness situation. If we return to it in
6 fiscal year 2018, we will be even worse off. It will touch
7 our people, our modernization efforts, and our readiness.
8 And all of the programs that both the ranking and the
9 chairman talked about in the beginning -- all of these
10 relate to money. We agree with these points. So all of
11 these points relate to money, and getting sequestration
12 lifted permanently would be a fantastic start to helping the
13 entirety of DOD in this arena.

14 Thank you very much for your support of our Air Force
15 and for our airmen, and we look forward to your questions.

16 [The prepared statement of Ms. James and General Welsh
17 follows:]

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1 Chairman McCain: General Welsh?

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1 STATEMENT OF GENERAL MARK A. WELSH III, USAF, CHIEF OF
2 STAFF OF THE AIR FORCE

3 General Welsh: Thank you, Mr. Chairman and Ranking
4 Member Reed, and distinguished members of the committee. It
5 is always a privilege to testify before you and to join
6 Secretary James in representing America's airmen.

7 As you heard from the Secretary, our top priorities
8 remain taking care of people, balancing readiness and
9 modernization, and making every dollar count. And while we
10 keep one eye on those priorities, we keep the other on our
11 very interesting world. Along with you, we have been
12 watching China flex its muscles in the South China Sea. We
13 have watched as they dramatically increased the level of
14 technical capability in their air force and expanded the
15 scope and complexity of their operations in both space and
16 cyberspace.

17 After wreaking havoc in Georgia, Crimea, and the
18 Ukraine, we see a resurgent Russia now aggressively
19 supporting the Assad regime in the skies over Syria and
20 promise to modernize its legacy nuclear forces.

21 We noticed Iran's broad overt and covert influence on
22 unrest in the Middle East and its general malign influence
23 inside and outside the region.

24 And we watched with interest as North Korea conducted
25 an illegal nuclear test and subsequent rocket launch,

1 perhaps signal events for a ballistic missile program yet to
2 come.

3 And we continue to watch ISIS walk a trail of terror
4 that now stretches well beyond Iraq and Syria.

5 To confront these challenges and to ensure a fighting
6 force that is able to overcome them all, our fiscal year
7 2017 budget request attempts to balance the size of our
8 force with the required readiness and necessary
9 modernization of that force.

10 In terms of people, our fiscal year 2017 budget request
11 modestly grows the total force and adds airmen in a number
12 of critical career fields like ISR, cyber, maintenance, and
13 battlefield airmen. We are asking to increase active duty
14 end strength from roughly 311,000 to 317,000 by the end of
15 fiscal year 2017. Given our current operational tempo, it
16 is imperative that we at least get to this number this year.

17 If mission demands require additional growth in 2017,
18 Secretary James is prepared to use her existing authorities
19 to grow modestly beyond 317,000 provided we are able to
20 attract the right talent for the positions we need. That
21 would, of course, require congressional support of a
22 reprogramming action to fund the additional manpower.

23 In the Air Force, total force integration is alive and
24 well. We continue to shift mission sets from the active to
25 Reserve components where appropriate and to integrate

1 organizations when and where it makes sense. We have three
2 active duty officers today commanding Reserve component
3 wings, and this summer an Air Force Reserve officer will
4 take over -- will take command -- excuse me -- of an active
5 duty fighter wing and an Air National Guard officer will
6 take command of an active duty mobility wing. We will also
7 test a fully integrated air refueling wing beginning in
8 fiscal year 2017.

9 For fiscal year 2017, we have requested a 1.6 percent
10 pay raise for both military and civilian airmen and targeted
11 pay and retention bonuses for a variety of career fields,
12 including RPA crews. Chairman, thanks to your help and the
13 help of this committee, RPA and manned pilot incentives are
14 finally at the same level, but we cannot stop there. This
15 year, we chose to give our RPA pilots a \$25,000 per year
16 retention bonus and not the full \$35,000 you authorized. We
17 did that to make sure that the bonus for RPA pilots was
18 commensurate with that of other critically manned pilot
19 categories. We have some that are even in more crisis than
20 RPAs at this point in time. We will intend to seek
21 legislation this year to increase all of our aviator
22 retention pay for manned and unmanned platforms to \$35,000
23 per year. We will ensure you have all the details you need
24 to assess that proposal.

25 Finally, this year's budget expands the Sexual Assault

1 Prevention and Response program, fully funds child care
2 facilities, boosts educational benefits, and supports
3 important infrastructure programs that benefit both airmen
4 and their families.

5 Readiness remains both an imperative and a struggle for
6 us. Less than half of our combat units are fully prepared,
7 as you heard, for a high-tech fight against a capable and
8 well equipped force. This budget funds flying hours to the
9 maximum executable level, invests fully in the corresponding
10 sustainment accounts, and ensures our top end combat
11 exercises like Red Flag and Green Flag remain vibrant.

12 In consultation with our combatant commanders, we made
13 some adjustments to address the global threats that I
14 mentioned previously. We did rephase the A-10 and EC-130
15 divestitures. Both fleets are fully funded in fiscal year
16 2017. Keeping them beyond that is simply a manpower issue.
17 We do not have enough people in the Air Force to continue to
18 operate all the equipment we have today and to stand up a
19 new fleet of F-35's. With additional manpower and funding
20 to cover the activity, we could certainly do that, and I
21 would be a very happy Air Chief if we got that increase.
22 But today we do not have the manpower to do both.

23 Our budget request also adds 24 MQ-9 Reapers and
24 increases our munitions buy to meet operational demands.

25 Our aircraft inventory is the oldest it has ever been,

1 as the chairman started off mentioning, and our adversaries
2 are closing the technology gap. We simply must modernize.
3 This budget request includes ongoing investments in nuclear
4 deterrence, space, and cyberspace. We are pressing ahead
5 with legacy platform replacements, the F-35, KC-46, B-21,
6 Combat Rescue Helicopter, and the JSTARS. Due to limited
7 trade space, we had to defer five F-35's from our fiscal
8 year 2017 program, delayed some upgrades to legacy weapon
9 systems, and will continue to live with a dramatically
10 reduced infrastructure improvement program.

11 To maximize our buying power, we will streamline energy
12 usage, we will employ airmen's cost-saving ideas by the
13 hundreds, and we will march toward audit readiness by the
14 end of this fiscal year.

15 So in closing, I would like to offer my thanks to each
16 one of you for dedicating your time and your attention to
17 our military services, not just our Air Force, and the
18 remarkable men and women who give them all life.

19 We look forward to your questions.

20 Chairman McCain: Well, thank you very much.

21 You know, the only problem, General, with your
22 statement about the A-10 is you have no replacement for it,
23 and it is in combat and in operation in Iraq and Syria as we
24 speak. So you want to retire it, but you have no plans,
25 according to what has been submitted to this committee, as

1 to the F-35's that will replace it. In fact, you have
2 reduced the number of F-35's that we are requesting. It
3 does not match up, General.

4 General Welsh: Chairman, the mission capability of the
5 A-10 will not be replaced by the F-35.

6 Chairman McCain: So we have a conflict going on in
7 Iraq and Syria now, which the A-10 is in combat, most
8 notable when they destroyed the fuel trucks, and you have
9 nothing to replace it with.

10 General Welsh: Sir, we would do the work that the A-10
11 is doing today with the F-16 and the F-15E predominantly.

12 Chairman McCain: Then why are you not doing it now?

13 General Welsh: We are, sir. They are flying many air
14 sorties.

15 Chairman McCain: You know, that again flies in the
16 face of reality. The A-10's are flying the most effective
17 and least costly missions in Iraq and Syria.

18 General Welsh: Chairman, we would love to keep it all.
19 The fact is that the Budget Control Act --

20 Chairman McCain: But you have nothing to replace it
21 with, General. You have nothing to replace it with.

22 Otherwise, you would be using the F-15's and the F-16's,
23 which you have plenty of. But you are using the A-10
24 because it is the most effective weapon system. This is
25 really unfortunately disingenuous. I mean, you have the

1 options of using the F-15 and the F-16 right now. You are
2 not. You are using the A-10.

3 General Welsh: Sir, we are using them both heavily.
4 We are using the B-1 heavily.

5 Chairman McCain: Every Air Force pilot that I know
6 will tell you the most effective close air support system is
7 the A-10.

8 General Welsh: Senator, we have X amount of people and
9 X amount of dollars.

10 Chairman McCain: And you have X amount of missions,
11 and the A-10 is carrying out those missions, General.

12 General Welsh: No, sir.

13 Chairman McCain: That is amazing.

14 General Welsh: Senator, those are not the facts.

15 Chairman McCain: Yes, they are the facts, General.

16 General Welsh: We can give you the numbers.

17 Chairman McCain: They are the facts. The facts are on
18 the ground in the destruction of the enemy by the A-10
19 aircraft. If you were not using the A-10, as you said, if
20 you think the F-15 and the F-16 can do the job, then you
21 would be using them instead of the A-10.

22 You know, General, I have had a little military
23 experience myself, including in close air support. And for
24 you to sit there and tell me that we could be using the F-16
25 and the F-15 when we are not and your plans are to use the

1 F-35 at 10 times the cost eventually, it flies in the face
2 of not just my experience but the experienced pilots that I
3 know, the U.S. Air Force pilots that I am in constant
4 communication with.

5 General Welsh: Senator, my last comment. I do not
6 want to argue this with you.

7 Chairman McCain: You are arguing. You are arguing
8 facts.

9 General Welsh: Senator, I will give you the facts of
10 how many targets have been struck by which kind of platforms
11 in Iraq and Syria over the last year.

12 Chairman McCain: Yes, and a significant number of them
13 have been done by the A-10. Is that true or false?

14 General Welsh: No. It is true.

15 Chairman McCain: It is true? Then why would you want
16 to retire the least expensive, most accurate close air
17 support system?

18 General Welsh: I do not want to retire it, Senator.
19 But the Air Force has to get bigger to do all this.

20 Chairman McCain: But you have not got a replacement
21 for it, General. For you to sit here and say that you do
22 absolutely flies in the face of the facts. So enough said,
23 General. Okay?

24 General Welsh: Okay, Chairman.

25 Chairman McCain: You know, it is really embarrassing

1 to hear you say something like that. When I talk to the
2 people who are doing the flying, who are doing the combat,
3 who say that the A-10 is by far the best close air support
4 system we have -- it is embarrassing.

5 General Welsh: We all talk to them, Chairman. Thank
6 you.

7 Chairman McCain: Secretary James, on the rocket
8 engine, which you chose to highlight, are you aware that
9 there are members of -- two members at least of Roscosmos
10 who are on our sanctions list? You are aware of that.

11 Ms. James: Yes.

12 Chairman McCain: So we have now two sanctioned cronies
13 of Vladimir Putin who are getting X millions of dollars of
14 taxpayers' money. Right?

15 Ms. James: I do not know that to be true or false.

16 Chairman McCain: Well, they are being paid. Are they
17 being paid?

18 Ms. James: I do not know.

19 Chairman McCain: Is Roscosmos being paid? Do you know
20 that?

21 Ms. James: I got the decision from the Treasury
22 Department vis-a-vis the sanctions --

23 Chairman McCain: Do you know that Roscosmos is the
24 Russian parent company of the manufacturer of the RD-180?
25 Do you know that?

1 Ms. James: I do not have access to who makes that
2 money.

3 Chairman McCain: It is public knowledge, Secretary
4 James. It is public knowledge that the company is Roscosmos
5 that is the company that is selling the -- is a parent
6 company of the manufacturer of the RD-180. You did not know
7 that?

8 Ms. James: Chairman, I would be happy to get the
9 Treasury Department to come brief you.

10 Chairman McCain: I am not asking for the Treasury
11 Department. I am asking you if you know what is public
12 knowledge. Do you know that it is public knowledge that
13 Roscosmos is the parent company of the manufacturer of the
14 RD-180? Do you know that or not?

15 Ms. James: I have not studied it in detail, but if you
16 say so, I believe you.

17 Chairman McCain: I am asking you if you know it not.
18 This is really -- you know, I have been to a lot of hearings
19 in my time, but I have not quite seen one like this. I am
20 asking you a question. Do you know that the Russian parent
21 company of the manufacturer of the RD-180 is Roscosmos, of
22 which two sanctioned cronies of Vladimir Putin control it?
23 Do you or do you not know that?

24 Ms. James: I accept your word. So I know it.

25 Chairman McCain: Thank you. I am astonished that you

1 did not know it. I mean, after all, this is a pretty big
2 deal that we have been talking about, and you chose to bring
3 that up in this hearing, and you do not know that Roscosmos
4 is the Russian parent company of the manufacturer of this
5 rocket engine, which is controlled by two sanctioned cronies
6 of Vladimir Putin. You did not know that?

7 Ms. James: I brought up that the Treasury Department
8 did not put the Roscosmos on the sanctions list, and you
9 brought that up too, Chairman.

10 Chairman McCain: That was not my question. My
11 question was whether you knew that or not.

12 Ms. James: Prior to you telling me this today, that
13 individual aspect, no. But I accept your word and I know it
14 now.

15 Chairman McCain: I am not asking you to take my word.
16 I am astonished that you did not know it.

17 Senator Reed?

18 Senator Reed: Thank you very much, Mr. Chairman.

19 One of the points that you both made and I made in my
20 statement was the decision by Secretary Carter to lower the
21 number of combat air patrols for the remotely piloted
22 aircraft from 60 to 65. My sense is that is a reflection of
23 the stress on the whole enterprise, the number of pilots, et
24 cetera. And this is an asset that every commander needs
25 more not less, as we hear every time we go overseas. And

1 two questions follow from that.

2 One is that in order to aid the enterprise, the
3 training of the pilots, selection of pilots, who will fly
4 these aircraft so we can get back up to the CAP levels of 65
5 or beyond, is there any legislative initiative that you need
6 going forward, General Welsh and Secretary James? Do you
7 want to start, General?

8 General Welsh: Senator, I do not believe there are.
9 We are in the process now of doubling our production and our
10 training pipeline between now and the end of fiscal year
11 2017. That is biggest and most significant first step. We
12 have never trained more than 180 a year. We will train 334
13 this year and 384 beginning next year. That is the
14 beginning of the recovery in that enterprise and normalizing
15 a battle written for the entire community. But I think we
16 are on track to get that done.

17 Senator Reed: Secretary James?

18 Ms. James: I would concur. Not this year, but as we
19 go forward, as you heard, we do want to modestly build up
20 our end strength. There may be things coming down the pike
21 next year.

22 Senator Reed: General Welsh, we had a lively
23 discussion in my office about -- first, let me commend you
24 on opening up the senior enlisted ranks to access to
25 operators for Global Hawk, which you have done, which I

1 think makes sense, and you can tap into some great
2 expertise. And the question, what about the Predator and
3 Reaper communities? Those are still restricted to trained
4 pilots and non-commissioned officers. Is there any plan to
5 go look at the enlisted ranks to fill those slots?

6 General Welsh: Initially we want to get that community
7 well first, complete our "get well" plan, get it healthy.
8 It was not a problem moving -- availability of officers who
9 are enlisted to move through the pipeline. The problem was
10 the training pipeline itself. And we need to get that
11 healthy first. We chose the Global Hawk community to
12 initiate the enlisted RPA operator program because it is a
13 smaller community. It can be more controlled initially. We
14 can learn the lessons we need to learn as we do that, and
15 then we will decide where we go from there.

16 Senator Reed: Let me switch to another issue that I
17 mentioned in my opening statement, and that is that we have
18 some high-demand/low-density aircraft you are well aware of,
19 JSTARS, AWACS, Compass Call. And the plan again, because of
20 pressure, is to retire these aircraft, and we are sort of in
21 a similar dilemma as the A-10. We do not have an obvious
22 replacement. Can you comment on that, General?

23 General Welsh: The strategy for those aircraft,
24 JSTARS, EC-130H, Compass Call, et cetera, is to try and
25 modernize within our top line because we do not think there

1 is more money coming. To do that, we have to take money out
2 of our top line some way, and the way we have approached
3 this is to look at downsizing to certain numbers of aircraft
4 in those fleets to pay for the recapitalization program and
5 just replace it on the fly. It means that short-term you
6 have less capability in that mission area to support the
7 combatant commanders with, but if we do not do this, long
8 term we will have no capability in that mission area to
9 support the combatant commanders.

10 Senator Reed: So you are going to use the internal
11 budget issues to generate more improvements on existing
12 aircraft or even build new aircraft.

13 General Welsh: That is our intent, sir. And we can do
14 that with any capability. It is not the ideal way to do it
15 because you have to give up capability to get future
16 capability. But we just do not think there is more money
17 coming to support a development program.

18 Senator Reed: Secretary James, one of the issues that
19 is always attendant upon development of a new aircraft is
20 not just the acquisition costs but the life cycle costs.
21 Have you been looking at the B-21 in terms of life cycle
22 costs? And if you have, can you give an indication of how
23 you are prepared to minimize those costs, since we are
24 starting on this process right now with design and initial
25 sort of production?

1 Ms. James: I would like to, if I may, come back for
2 the record or come back in a briefing format to give you
3 some information on that, Senator Reed.

4 Senator Reed: Thank you very much.

5 [The information referred to follows:]

6 [COMMITTEE INSERT]

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1 Senator Reed: Thank you, Mr. Chairman.

2 Chairman McCain: Senator Inhofe?

3 Senator Inhofe: Thank you, Mr. Chairman.

4 First of all, let me just say to the two of you I have
5 been on this committee for 20 years, and I was on the House
6 Armed Services Committee before that. I have found that the
7 two of you are the most accessible of any Secretary and
8 Chief that we have had in the past. I really do appreciate
9 it. You have come out when we have called. And I remember
10 on very short notice, General Welsh calling you and asking
11 if you would meet me in Fort Smith, Arkansas to look at a
12 problem with the 188th wing there, and you were there. It
13 was a little intimidating for me because I had to park my
14 little Harmon Rocket next to your C-20. But, nonetheless,
15 we enjoyed that visit, all on short notice. So I really do
16 appreciate it.

17 I want to use my time differently than the rest of them
18 because it is very disturbing to me, when I watch the
19 presidential debates and I hear people talking, nobody knows
20 the level of threat that we are facing in this Nation right
21 now. You know. Both of you know. But the people do not
22 know that. And that is what we should be talking about in
23 terms of the resources that we have.

24 When I read the statement that was made by our former
25 Secretary of Defense, Chuck Hagel, when he said, quote,

1 American dominance on the seas, in the skies, and in space
2 can no longer be taken for granted, you know people back in
3 Oklahoma, when we say that, maybe it is not believable. But
4 it is true. And I think in your statement that you
5 submitted, you said in different words the same thing. The
6 era in which the United States could project military power
7 without challenge has ended. And I agree with that.

8 And the thing that that translates into is the other
9 statement that you made the deteriorating military strength
10 is an invitation for conflict. We all remember when we were
11 looking at the big bomb and the threats that we were facing.
12 Our feeling was at that time you have to have it, but you
13 never want to use it. And the best way not to use it is to
14 have it. You have got to have that force.

15 One of the things that was stated in your message when
16 you said, quote, your Air Force will support the most urgent
17 combatant commander request. When I read that, that means
18 to me that we cannot meet all of the combatant commander
19 requests, but just the most urgent ones. Do you want to
20 define what an urgent one is, either one of you?

21 General Welsh: Senator, the decision on which
22 combatant commander's request we actually prioritize is
23 actually made through a joint process. The ultimate
24 decision belongs to the Secretary of Defense. There is a
25 debate that goes on or a requirement that is presented from

1 a combatant commander to the Joint Staff. The services
2 engage in the discussion. The Joint Chiefs engage, and the
3 Secretary of Defense makes a decision based on what he sees
4 to be the greatest priority.

5 Senator Inhofe: Yes, but if we had the resources,
6 would you not say that you would be meeting -- attempting to
7 meet most all of the requests that they have, not just the
8 urgent ones.

9 General Welsh: Senator, all the services would like to
10 meet all --

11 Senator Inhofe: You were at Hill, I think, were you
12 not, when you were flying during Desert Storm I think it
13 was, probably F-16's I would guess.

14 At that time, was the threat to the United States as
15 great as it is today?

16 General Welsh: Sir, I think the greatest existential
17 threat, the nuclear threat that Russia holds, was the same,
18 but other than that, no.

19 Senator Inhofe: Well, James Clapper and every witness
20 we have had before this committee has said that we are
21 facing the greatest threats today that we have ever faced.
22 Some of them say not just in the last 40 years but in the
23 history of this country. And I believe that is true. And
24 that is what we need to be talking about.

25 You mentioned a minute ago that we are trying to go up

1 from 310,000 to 317,000 active Air Force. Is that correct?

2 Ms. James: Yes. The Chief did mention that, Senator,
3 and it is -- actually I think it is 311,000 to 317,000 for
4 the active. And you will recall about a year or so ago, we
5 also increased our Guard and Reserve to about 3,000
6 additional. So we are modestly now upsizing active, Guard,
7 and Reserve. And as the Chief was saying, we think, given
8 world demands and our reading of the situation, that there
9 may be cause for even more provided that we can get the
10 right talent.

11 Senator Inhofe: Yes. And that is really, Madam
12 Secretary, the point I am trying to make here. At that
13 time, if we had 300,000 or so Guard -- or currently Guard,
14 we would be talking about a total force, including the
15 Reserve component, of around 600,000. I mean, round
16 figures. And yet, at the time that you were flying those
17 F-16's, at that time we actually had 134 combat-coded
18 fighter squadrons. Today we have 55.

19 And this is the point I am trying to get across because
20 we know it in this room, but the Americans do not know it,
21 that we have a greater threat and we have less than half of
22 the capability in terms of numbers that we had at that time.

23 Ms. James: We are approximately 200,000 people smaller
24 than we were at the time of Desert Storm.

25 Senator Inhofe: Yes, and that is the point I want to

1 make, and I do not have time for that.

2 But for the record, I would like to ask you if we had
3 three top priorities, what would they be if we had the
4 funding levels to support where we are deficient today. For
5 the record. All right? Thank you.

6 [The information referred to follows:]

7 [COMMITTEE INSERT]

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1 Ms. James: Thank you.

2 Senator Inhofe: Oh, I meant to mention also I really
3 appreciate your greatest asset being here too, Betty.

4 Chairman McCain: Senator King?

5 Senator King: First, I want to associate myself with
6 the comments of Senator Inhofe. I think we are facing --
7 all the testimony that has been in all the hearings, whether
8 for me in Armed Services or in Intelligence, that we are
9 facing a more diverse and serious threat environment than we
10 have faced in any of our adult lives.

11 And I think the important point -- and people often
12 talk about defense budgets and do we need to modernize the
13 nuclear fleet -- is that the most successful foreign policy
14 initiative in terms of peacekeeping has been our deterrent.
15 And the fact that nuclear weapons have not been used since
16 1945 is a function of the reality of the fact that have a
17 deterrent force. It is a paradox that in order to prevent
18 war, you have to prepare for war. And there is a danger,
19 particularly I am concerned, as is Senator Kaine, that we
20 have ceded our congressional power over warmaking to the
21 executive. And I think that is something that we really
22 need to discuss and focus upon. But the larger question is
23 how do we maintain the peace, and the best way to do that
24 paradoxically is to prepare for war. And that is what we
25 are talking about today.

1 Let me ask some specific questions about the B-21. Is
2 the fixed price part of the contract fixed today? In other
3 words, is there a price or is that to be set after the
4 design phase? Madam Secretary?

5 Ms. James: The price is related to what is called the
6 APUC. So if you think back, Secretary Gates in the year
7 2010 set a price point for what we now call the B-21. So
8 the fixed price is fixed. It is fixed today.

9 Senator King: It is a dollar amount?

10 Ms. James: Yes.

11 Senator King: It is so many millions of dollars per
12 airplane.

13 Ms. James: Yes.

14 Senator King: And as I understand it, 70 percent of
15 the contract, roughly, is in this fixed price component.

16 Ms. James: Correct.

17 Senator King: 30 percent is in the cost-plus
18 component, which is engineering and design. So the fixed
19 price part is fixed.

20 Ms. James: And we will make that price point -- beat
21 it actually, we hope, vis-a-vis what Secretary Gates set.

22 Senator King: Could you explain as briefly as possible
23 the incentive structure in the cost-plus part of the
24 contract that is designed to mitigate the very real and I
25 think legitimate concerns the chairman has articulated about

1 cost-plus contracts generally?

2 Ms. James: The basic approach involves having very
3 specific performance milestones, having gates along the way
4 during that cost-plus phase of the contract. And then there
5 are incentives, meaning a fee that the contractor will earn,
6 provided that they hit those milestones and do it correctly.

7 Senator King: So if they do not hit the milestones, if
8 they do not hit the price milestones, if the cost-plus is
9 too much on the plus side, they lose incentive fees.

10 Ms. James: They lose the fee. They lose partly the
11 fee or they can lose all of the fee under certain
12 circumstances.

13 Senator King: And what we are really talking about
14 here in contractual terms is risk. They are not willing to
15 bear all the risk of new R&D, but we are not bearing all of
16 it either because of the way the fee is structured.

17 Ms. James: That is right. It is a shared risk
18 situation, and the bulk of the incentives are geared toward
19 the tail end of the EMD, which gives the contractor the
20 incentive to go as quickly as possible and not drag out the
21 cost-plus EMD portion, to get to production as quickly as is
22 feasible.

23 Senator King: Well, that gets to my next question.
24 Senator Inhofe has a very powerful chart that talks about
25 the length of time it takes to bring a new airplane to

1 flight, and it was something like 23 years as opposed to a
2 new automobile or a new commercial plane. And those three
3 things, automobile, commercial plane, and military plane,
4 used to be the same, roughly, time frame 30 years ago, and
5 today there is this dramatic difference.

6 Are we focused on time as well as price?

7 Ms. James: We are focused on both, and we project the
8 mid-2020's would be the IOC of this aircraft.

9 Senator King: Well, I hope that there are structures
10 in the contract too that strictly relate to this issue
11 because, you know, the F-35 time was a real problem. I
12 think Senator Inhofe's chart was 23 years now is the time to
13 bring a new --

14 Ms. James: And there are, Senator.

15 Senator King: One final quick point in terms of
16 design. Because we are designing a structure, a platform,
17 if you will, that will have a significant life, 20-30 years,
18 I hope that the design concept includes -- "easy" is not the
19 right word, but facilitates modularization and modernization
20 without having to redesign the whole structure. I think
21 that is very important. Otherwise, it is obsolete the day
22 it takes to the air.

23 Ms. James: You are right and it does.

24 Senator King: Thank you.

25 Thank you, Mr. Chairman.

1 Chairman McCain: Senator Sessions?

2 Senator Sessions: Thank you, Mr. Chairman.

3 General Welsh, with regard to nuclear issues, as
4 Senator King and Senator Donnelly, our ranking member on the
5 Strategic Subcommittee, we have been dealing with these
6 issues for many years. I think we have good bipartisan
7 understanding of these issues. Deterrence is the key
8 fundamentally to peace. It is important.

9 Is it not true, however, that the Russians are
10 aggressively pursuing nuclear advancement in making a number
11 of -- taking a number of steps to achieve that?

12 General Welsh: They are, Senator.

13 Senator Sessions: Tell me about how you feel about it.
14 Particularly within NATO, we have a dual aircraft that is
15 capable of nuclear and conventional weapons. I understand
16 that it is at least a week before that aircraft could be
17 loaded and deployed to deliver a nuclear weapon. It seems
18 to me that is the kind of signal that Russia might misread
19 as not being alert and determined to use our nuclear
20 capability if we have to. Do you think that is acceptable,
21 and should we improve that delay time?

22 General Welsh: Senator, there are various levels of
23 response time required by the NATO system. It depends on
24 the qualification level of the crew, the current alert
25 status of the crew, the NATO threat level that has been set

1 at the time. Actually I think you can do it faster than a
2 week. But this is something you have to pay attention to
3 all the time.

4 Senator Sessions: Well, I just think it is important
5 for us, do you not, that we start our modernization program,
6 get it moving to send a message to the entire world that we
7 are not so shaken by the concept of nuclear weapons that we
8 are not going to be prepared to defend ourselves if it
9 happened. Do you think we need to be sure we are moving
10 forward at a steady pace to maintain the nuclear arsenal,
11 modernize it, make it more safe, but yet more effective if
12 delivered?

13 General Welsh: Senator, I think one of the reasons we
14 are facing this bow wave and recapitalizing the nuclear
15 infrastructure is because we have not stayed on a steady
16 pace with our investment in it over time. And now we are
17 going to have to pay the price and prioritize our investment
18 over the next 10 to 15 years.

19 Senator Sessions: Well, I think that is the conclusion
20 of our subcommittee, absolutely. Over the last 20-30 years,
21 we are the slowest nuclear power in the world to modernize
22 and recapitalize our nuclear weapons system.

23 With regard to this RD-180, Russian launch system, that
24 goes into space, you have said this before, but I would like
25 you to repeat it. Are you committed to transitioning off

1 the Russian engine and to an American-made replacement as
2 soon as feasible? Both of you can answer.

3 Ms. James: Yes, absolutely.

4 Senator Sessions: Well, Secretary James, how we do
5 that could impact significantly cost. Is that right?

6 Ms. James: Yes.

7 Senator Sessions: Well, one figure you gave us, Madam
8 Secretary, was \$1.5 billion to \$5 billion in cost. What was
9 that?

10 Ms. James: So we agreed to do an analysis -- and that
11 analysis is still ongoing -- of different possibilities of
12 allocation strategies, one of which involves Delta on the
13 one hand -- so some of the launches going under Delta --

14 Senator Sessions: That would be the Delta medium that
15 is more expensive right now?

16 Ms. James: That would be the Delta -- I am looking
17 around. I think is that the heavy? That would be the Delta
18 heavy. And then there would be -- the other side of the
19 allocation would be the SpaceX variant. So SpaceX would do
20 the launches that it is certified to do, and the others
21 would be done by the Delta.

22 So that approach would cost additional dollars to the
23 Air Force budget, to the taxpayer, anywhere on the order of
24 \$1.5 billion more to maybe as high as \$5 billion more
25 depending on when you would cut of the RD-180 and start this

1 approach. So there are various assumptions at play here,
2 and we are still doing the analysis. So those figures are
3 preliminary.

4 Senator Sessions: Well, it is a bitter pill it is
5 taking as long as it apparently is taking to replace the
6 engine.

7 However, I am concerned about cost, and I think that
8 you have to be concerned. A billion dollars or \$5 billion
9 would impact your ability to do the things you have already
10 been asked about, would they not, General Welsh? It would
11 have to come out of your hide.

12 General Welsh: Senator, that is the problem right now.
13 It is balancing this.

14 Senator Sessions: Senator McCain and this committee is
15 going to give vigorous oversight to that. But I think you
16 cannot make foolish decisions and incur more cost than is
17 reasonably necessary in this project. I really care about
18 that.

19 With regard to the long-range strike bomber, now named
20 the B-21, we are talking about \$550 million a copy I
21 understand. That is half a billion dollars per plane. Just
22 for a layperson, that seems like a lot. Are we missing
23 something here in our entire process of procurement both in
24 terms of how many years it takes to accomplish this and
25 ending up with a cost this high? Or is there anyway to

1 achieve the same quality and capability in a shorter time at
2 less cost?

3 Ms. James: Well, that figure that you quoted, the \$550
4 million, in fiscal year 2010 dollars is actually the price
5 point that former Secretary Gates wrote into the acquisition
6 strategy. So frequently in Defense, we do not pick a price
7 point and then try to do the development and the procurement
8 around that price point. The private sector does that all
9 the time. Defense usually does not. This was a rather
10 unusual program, and it was all about cost control. So I
11 know it is a lot of money, but it is a lot of capability for
12 a lot of money.

13 Senator Sessions: Well, thank you. My time has
14 expired. Thank you very much for your service, both of you,
15 and we will continue to work on these tough issues.

16 Ms. James: Thank you.

17 Senator Reed [presiding]: On behalf of Chairman
18 McCain, Senator Heinrich.

19 Senator Heinrich: Thank you very much.

20 Secretary James, you mentioned at the beginning the
21 focus on taking care of people. I still have very serious
22 concerns that we are not adequately taking care of our RPA
23 community, particularly our RPA pilots. I would certainly
24 ask that the issue that Chairman McCain mentioned at the
25 very beginning regarding bonuses be looked at again. You

1 know, General Welsh, I know when we talked about this last
2 year, the community was practically at the breaking point.
3 And as somebody who represents the Nation's premier RPA
4 training mission in New Mexico, I am very pleased at the
5 focus that has been put on this. And I think that you,
6 General Welsh and Secretary James, General Carlisle as well
7 -- we all very much appreciate the focus, but we have to do
8 more because this is a very, very serious stressor and we
9 are not seeing the relief that we need yet.

10 You have heard from some of my colleagues concerns
11 about this as well. I want to put a little different focus
12 on it in regards to my question and focus specifically on
13 the training element of the RPA mission versus the
14 operational challenges that we face right now.

15 I want to ask what plans the Air Force has to invest in
16 additional training facilities and infrastructure
17 specifically at Holloman Air Force Base or at other
18 locations to handle the increased workload that we see
19 coming down the pipeline as a result of trying to fix some
20 of these stresses.

21 General Welsh: Senator, this year in fiscal year 2017,
22 the budget request asks for a little over \$3 million to
23 finish a GCS facility at Holloman so we can put the new
24 Block 50 cockpits in there when they arrive, also to house
25 the current GCS so we get people out of trailers into a

1 little more livable day-to-day environment.

2 Next year we asked for more money because one of the
3 things that has changed in our plan as a result of the "get
4 well" plan is that the 6th reconnaissance squadron, which
5 has been doing the training for the Predator crews, was
6 scheduled to be divested. We are now going to keep that,
7 transition it to MQ-9's, build new facilities, equipment,
8 and the infrastructure required to be able to train students
9 in that squadron now. And that will also be done at
10 Holloman. I believe that is \$43 million here in the next
11 couple years.

12 Senator Heinrich: Fantastic. I think this focus is
13 going to pay a lot of dividends down the road. So I
14 appreciate everything you are doing on this front.

15 Secretary James, last year one of the things that I
16 expressed concern about is the lack of modernization for our
17 Air Force research laboratories. And as you know, these
18 labs play a critical role in developing and deploying next
19 generation systems, improving acquisition program outcomes
20 -- we have spent a lot of time talking about that today --
21 and in making sure that operational technical problems are
22 solved in a reasonable time period.

23 I am still highly concerned about this. I look at this
24 budget and it invests heavily in modernization programs like
25 the F-35, the B-21, but it seems to be continuing to

1 shortchange the underlying infrastructure that develops the
2 technologies that really set us apart from our adversaries
3 in the world.

4 What is the Air Force's plan to modernize its research
5 laboratory infrastructure, specifically focused on things
6 like MILCON and increased flexibility for minor construction
7 projects so that we have that infrastructure in place to
8 support the kind of capabilities that we all know we need?

9 Ms. James: Just a few points, if I may make, Senator.
10 There are two Air Force-owned lab projects that are in the
11 fiscal year 2107 budget, \$13 million for a facility at
12 Kirtland, which would be focusing on space vehicle research,
13 and then there is a \$75 million project for Eglin, and that
14 would be focusing on advanced munitions and technology. So
15 those are the two that are Air Force-owned labs that are in
16 the budget.

17 We also have dollars in the budget that will do the
18 MIT-Lincoln Lab approach. That is a different form of a
19 lab. So we are advancing the ball on that.

20 But let me come back to your overall point, and that is
21 the infrastructure spending across the Air Force. So this
22 was one of the reductions that we had to make, one of the
23 tough choices, along with some of the modernization choices
24 and the other things that we talked about earlier. So
25 neither one of us -- I think I speak for the Chief too. We

1 are not satisfied with the level of funding there. We are
2 essentially shortchanging a lot of different areas and a lot
3 of different facilities, but that is, again, a budget
4 situation. And a BRAC would certainly help for us to be
5 able to shed excess infrastructure and that way we could
6 spend the dollars on those facilities that we really need
7 for the future.

8 Senator Heinrich: I wanted to raise this for my
9 colleagues because I think we need to understand that there
10 are some very difficult tradeoffs being made here. And we
11 are certainly not meeting the needs of basic infrastructure,
12 and it is one of the things we need to focus on with regard
13 to research and development and also with regard to things
14 like our ranges, which just simply do not also get the
15 MILCON investment that they need to support all of our
16 services, not just the Air Force.

17 So thank you all.

18 Senator Reed: On behalf of Chairman McCain, Senator
19 Cotton, please.

20 Senator Cotton: Thank you.

21 Earlier this week, I chaired a classified hearing of
22 the Airland Subcommittee about the B-21. It was a very
23 worthwhile hearing. One thing I noted in that hearing is no
24 member asked about the need for the next generation bomber.
25 They understood the strategic threats we face and the

1 capability it delivers. Obviously, there are many issues
2 that we cannot entertain here in this hearing.

3 But one thing I would like to hear from both of our
4 witnesses on the question we asked in that classified
5 setting is why will the B-21 be different. We have ongoing
6 issues with the F-35. We were supposed to have 620 F-22's.
7 We got 187. We were supposed to have 80-something B-2's.
8 We got 20. Many of those decisions go back decades. There
9 is not much we can do about that now. But what is it about
10 the way the contract for the B-21 has been structured and
11 about this aircraft that gives us the confidence, given the
12 vital need for the aircraft, that we will, at the end of the
13 program, in fact, have 100 aircraft? General Welsh, if you
14 would like to start.

15 General Welsh: Senator, for it to be different, we
16 have to make it different, which is going to require
17 attention from this minute forward under this program at
18 every level of our Air Force and the right kind of oversight
19 provided by everyone from the Congress to the Department of
20 Defense to our folks in Air Force Materiel Command and our
21 acquisition chain.

22 The difference to date has been the collaborative
23 effort with industry before we even sent a request for
24 proposal out to industry was, at least in our experience,
25 incredibly good. We identified needs and the cost curve

1 before we wrote the requirements for the RFP. We set a
2 requirements baseline for this airplane 4-plus years ago and
3 it has not changed at all. We have held very firm to that.
4 As a result, the industry teams who were competing were able
5 to get way ahead of the game in terms of looking at
6 integration of sensors onto the platform, final design work,
7 et cetera because they were not worried about us changing a
8 requirement that would cause them to reshuffle all that work
9 again at some point in their development process. I think
10 that is why we saw the fact that the actual price that they
11 came in within their bids was lower than what we had put on
12 as a requirement of the system.

13 We have to keep that same kind of communication, that
14 same kind of dialogue going from now forward. We cannot
15 take our eye off this ball or it will drift like everything
16 else has. We just cannot let it.

17 Senator Cotton: Secretary James, do you have anything
18 to add?

19 Ms. James: First of all, I certainly concur with
20 everything that the Chief said.

21 And back to the actual strategy, we tried to learn from
22 both successes and failures of the past acquisition
23 strategies. So we are approaching this differently. He
24 mentioned the importance of having stable requirements, and
25 in order to change a requirement, it requires the Chief of

1 Staff of the Air Force himself to sign off on such a thing.
2 And so there have not been changes.

3 We went and we got two independent cost estimates
4 because the other thing that we learned from the past is
5 having proper estimates that are realistic is really
6 important. And we budgeted to a higher independent cost
7 estimate to provide enough margin in the program. And then
8 we structured the contract in a hybrid fashion, some of
9 which is cost plus incentive for a portion of the contract,
10 and a lot of it is in the firm fixed price world. The
11 period of development, which is cost plus incentive, the
12 incentives are specifically structured so that the
13 contractor will be incentivized to meet milestones on time.
14 If they do, they make their maximum fee. And it is also
15 backloaded such that the contractor is incentivized to get
16 through the cost-plus portion into production and into the
17 firm fixed price as soon as feasible and not drag it out in
18 the cost-plus arena.

19 And then if I could ask the Chief to just say a few
20 words because the other part of the question had to do with
21 the need, the Nation's need for the bomber, and how it will
22 be different, given the threats that we --

23 Senator Cotton: My time is running short. As I said,
24 there was uncommon consensus in the subcommittee hearing
25 about the need for this next generation bomber.

1 General Welsh, I want to turn my attention to a more
2 immediate practical matter. I hear from Arkansans who are
3 flying missions in the Middle East right now over Iraq and
4 Syria that our aircraft are in some ways facing a
5 maintenance crisis, that we have F-15E's that are either not
6 able to take off or having to return early because of their
7 age and because of maintenance issues. Could you say a
8 little bit more about this situation?

9 General Welsh: Sir, our fleets of airplanes are
10 getting old. All of them are, except the ones just coming
11 off the line now. We have now six fleets of airplanes that
12 are older than 50 years old, and we have 23 I believe that
13 are older than 25 years. So supplies are getting tougher to
14 find. Manufacturers are diminishing. Cost of maintenance
15 is increasing. Our aircraft availability is going down in
16 virtually every system we have. It is just a fact of life
17 right now in the Air Force. It is why we have to modernize.
18 The cost of day-to-day operations in our Air Force is going
19 up because the fleets are old.

20 Senator Cotton: Well, you can imagine what it is like
21 to hear from Arkansans who are either flying these aircraft
22 or whose children are flying these aircraft. On the one
23 hand, they see cost overruns on the F-35. They see brand
24 new F-15A's destined for Saudi Arabia sitting on the flight
25 line at St. Louis, and then they see what happens to pilots

1 when their aircraft goes down over territory controlled by
2 the Islamic State. Are we putting the kind of resources we
3 need to into this immediate problem of the maintenance and
4 flight readiness of these aircraft that are being flown
5 every day by America's sons and daughters over a brutal
6 terrorist army?

7 General Welsh: Senator, we pay an awful lot of
8 attention to maintenance of our airplanes before we put
9 people in them to go fly. And I think that is reflected in
10 the actual maintenance rates and the lack of emergencies
11 over enemy territory for the last 25 years. Our maintenance
12 teams are remarkable. They are stressed because they are
13 undermanned. We have built up a 35,000-person ISR
14 enterprise over the last 10 years or so while we cut the Air
15 Force 50,000 people overall, which is an 85,000-person cut
16 to the rest of the 330,000 mission area in the Air Force.
17 So we are thinned out everywhere. That is the manpower
18 problem. There is no place we can go to grab people because
19 we are undermanned everywhere. Our people are working their
20 tails off. They are doing great work. I feel comfortable
21 about the safety of our crews who are flying these
22 airplanes, but keeping them safe is getting harder and
23 harder and more and more expensive.

24 Senator Cotton: Well, thank you. My time has expired.
25 But I think it is incumbent upon us as a committee to do

1 everything we can to make sure that we are getting you the
2 resources and tools that you need on the front lines, even
3 as we are looking to the next generation of capabilities as
4 well. Thank you.

5 Chairman McCain [presiding]: Senator Nelson?

6 Senator Nelson: Mr. Chairman, welcome.

7 And, General Welsh, thank you so much for your long and
8 very distinguished record.

9 I just want to raise two questions that, while I am
10 doing a markup, I am sure the chairman raised. One is the
11 Russian engine, the RD-180. Madam Secretary and General, is
12 it your opinion that we would buy the RD-180 as little as
13 possible in order to protect us against a gap that we would
14 not have sufficient engines to have access to space?

15 Ms. James: So I certainly want to buy it as little as
16 possible. You said the magic word, sir, and that is assured
17 access to space, which is the top job that we all have.

18 The other element was we were trying to get to a
19 competitive environment so that two companies could actually
20 have a reasonable competition and that would be a good thing
21 for the taxpayer, the industrial base, and so on. We did
22 feel that a little bit more flexibility in the number of
23 engines would help get us through that competitive
24 environment to the transition and to such point that we have
25 a fully capable rocket, plus an engine manufactured in

1 America that is integrated and certified. And we think that
2 is a little bit more time and a little bit more flexibility
3 would be helpful.

4 Senator Nelson: And I will just conclude this by
5 saying that we are concerned about a gap of potentially 3 or
6 4 years where the only way to get to space is we could not
7 go on the Falcon 9 because it does not have the lift
8 capability of getting some of those payloads to orbit and
9 would have to go on the Delta IV. But there you are talking
10 about a much more expensive launch than the Atlas V, which
11 could put those payloads to orbit. Is that correct?

12 Ms. James: That is correct. Essentially it boils down
13 to money. And if you were to cut off the use of the
14 RD-180's, depending on assumptions, the manifest would have
15 to be changed and things would perhaps get delayed to a
16 degree. But this is where I referenced that our analysis is
17 still ongoing.

18 Senator Nelson: Okay. And I think we all want to get
19 to the same place, and the bottom line is assured access to
20 space.

21 Ms. James: Right.

22 Senator Nelson: So let me go over to the B-21. In
23 this contract, we have got production at the end, and we
24 have got development now. Because of the good work by the
25 chairman on previous contracts, namely the tanker, and his

1 concerns about the overruns, the chairman is quite concerned
2 about is this a cost-plus on the development side. But you
3 all, obviously, having been very sensitized to the fact of
4 overruns in the past, indeed, as the chairman has pointed
5 out, on the F-35, you wanted to make this as tight as you
6 could going out on an RFP. And so in that development
7 stage, you actually have about five units that are going to
8 be basically at fixed price. Is that correct?

9 Ms. James: The contract that was let some months ago
10 is for engineering, manufacturing, and development, and then
11 it is also for the production phase, the LRIP, what is
12 called LRIP, the low rate initial production phase, and that
13 will deliver to us a certain number of aircraft, 21, if
14 memory serves me correctly.

15 Senator Nelson: General, do you want to add anything
16 to that?

17 General Welsh: No, Senator. And those aircraft are at
18 a fixed cost after that, the first five production lines.

19 Senator Nelson: I must admit in the classified
20 briefings that we have had and that this Senator has had
21 personally, I, knowing the sensitivity of the chairman, have
22 hammered on this over and over with regard to watching the
23 cost. And I have been impressed with the Air Force doing
24 everything that you can possibly do on a contract of this
25 magnitude to make sure that you rein in those costs. And it

1 is our job to have the oversight and to make sure that you
2 are doing the job. I want to commend you for what you have
3 done thus far.

4 Thank you, Mr. Chairman.

5 Chairman McCain: Senator Ayotte?

6 Senator Ayotte: I want to thank the chairman.

7 I want to thank both of you for your service to the
8 country and your families as well. Appreciate it.

9 I would like to ask you, Secretary James, about the
10 Haven Well situation in Portsmouth that you and I have
11 talked about, the PFC contamination of the groundwater in
12 Portsmouth, New Hampshire. This is something that I just
13 have a couple of questions on.

14 The Air Force submitted a report last September and
15 found that as of September 15th, there were thousands of
16 service members, both active duty and Guard, as well as
17 civilians, that may have been exposed to the PFCs there.
18 And I just wanted to get the update on what the plan is to
19 contact those individuals.

20 And then as a follow-up on this, the City of Portsmouth
21 also just submitted recently a proposal to the Air Force on
22 how to clean up the contamination at Pease. And I
23 understand that was submitted 3 weeks ago. So I would like
24 just to get a sense of when you expect the Air Force to
25 respond to the City of Portsmouth. And obviously, I hope

1 you will be transparent and responsive.

2 Ms. James: On the second point, Senator, I am going to
3 have to go back and check with our Assistant Secretary for
4 I&E just to see where that proposal stands. So I have not
5 seen that proposal myself.

6 Senator Ayotte: If you can submit just when you expect
7 to respond for the record, that would be helpful. Thank
8 you.

9 [The information referred to follows:]

10 [COMMITTEE INSERT]

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1 Ms. James: I will do that.

2 And you are right. You and I have talked about this.
3 And sometimes as we as a country and as a military, in our
4 efforts to protect people, sometimes communities get
5 contaminated to a certain degree. And we regret it and we
6 stand by it, and we are prepared to take the right action
7 and clean it up.

8 So we have notified airmen, including former airmen, of
9 what has happened so that they are aware of it, and that
10 occurred, if I recall correctly, by mid-December. So that
11 happened some time ago. And we are going to clean the
12 water.

13 And we are also working with the CDC on the matter of
14 developing a plan for health monitoring. They have the
15 lead, but we are working with them.

16 Senator Ayotte: Excellent. And I would just urge you
17 with Portsmouth submitting the proposal, that you work very
18 closely with the city and in a transparent manner so that we
19 can really get this cleaned up and also get treatment or
20 support for anyone who has been affected. So I appreciate
21 that. Thank you.

22 General Welsh, I would like to ask you when do you
23 expect the SDB-2 to achieve a demonstrated full mission
24 capability for the F-35A.

25 General Welsh: Senator, I will have to get the date.

1 I do not know that off the top of my head.

2 Senator Ayotte: I think we have, in some documents,
3 heard from your staff that it is not going to be before
4 2022, but if you can get me the exact date, I would
5 appreciate it. Thank you.

6 [The information referred to follows:]

7 [COMMITTEE INSERT]

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1 Senator Ayotte: I would also like to ask you -- I know
2 that Senator McCain had asked you some questions about the
3 A-10. How many A-10's will be grounded in fiscal year 2018
4 due to unserviceable wings and also how many in 2019?

5 General Welsh: Senator, our intent would be for none
6 of them to be grounded for unserviceable wings. A-10's that
7 are in the fleet we need to keep flying.

8 Senator Ayotte: Excellent. I am glad to hear that.

9 And so as I understand it, there needs to be some work
10 done on the A-10 wings. So does the Air Force plan to
11 submit a reprogramming request to ensure that that support
12 is there? Because I understand there is going to need to be
13 some work done or some enhanced wing assemblies.

14 General Welsh: Senator, my understanding of this is
15 that we have the funding and the wings necessary for fiscal
16 year 2017, and we have a decision point during this year
17 that we will reach where we have to make a decision on
18 acquiring them in 2018 and beyond. If that is not accurate,
19 I will get you the right answer shortly after this hearing.

20 Senator Ayotte: Well, one thing I understand is that
21 there are 110 more wings that are needed. And so am I
22 hearing you say today that you are committed to ensuring
23 that these wings are repaired and that they remain,
24 obviously, operational so that we can continue to use the
25 A-10 as it is doing, as I understand Ash Carter, the

1 Secretary, has recently said, a great job in the fight
2 against ISIS?

3 General Welsh: Senator, they are doing a great job in
4 the fight against ISIS and everywhere else we use them.
5 Anything that we have in our inventory that needs
6 modifications to stay safe and effective, our intent is to
7 continue to do that.

8 Senator Ayotte: Okay. I appreciate that.

9 I also want to ask about what is happening in the
10 boneyard right now with the A-10. As I understand it from
11 information my office has gotten, in 2014 the Air Force
12 scrapped or destroyed about 44 A-10's, and even beyond that,
13 as I understand it, in 2015 as well, there were a number of
14 A-10's scrapped, to a total of 82 A-10's scrapped in the
15 boneyard. And the cost to destroy one of these A-10's is,
16 as I understand it, \$15,500 per A-10. So one thing I am
17 concerned about, as we have the A-10's out fighting the
18 battle against ISIS, we have the Air Force spending about
19 \$1.3 million in the last 2 and a half years destroying
20 A-10's. Are there no parts on those aircraft that were
21 destroyed that could have been used to support the A-10's
22 that are being deployed now? Is that not why we keep -- one
23 of the reasons we keep them in the boneyard?

24 General Welsh: Senator, the word "destroy" -- I have
25 to define that. I do not know what that means. I do not

1 know if that means they disassembled them and took parts of
2 the airplane to use as spare parts, which would be normal.
3 I do not know the facts on this case, Senator. I will find
4 out for you.

5 Senator Ayotte: Well, I hope you would because, as I
6 understand it, we have been told that there are plans to
7 destroy a total of 79 A-10's this and next fiscal year. And
8 what I would like to understand is if we are destroying
9 these A-10's, is this being done prematurely, number one,
10 given obviously the concerns we have about the close air
11 support capacity and also the concerns that we ensure that
12 we are getting the right parts to keep our flying A-10 fleet
13 in really full maintenance operational capacity? So can we
14 make sure that we get an answer to that?

15 General Welsh: Yes, ma'am. We will get you an answer
16 for that. There is certainly no intent to not have flying
17 airplanes fully serviced with spare parts. So I doubt very
18 seriously if anything is going on that is causing that to
19 happen. But I will get you the facts. I just do not know.

20 [The information referred to follows:]

21 [COMMITTEE INSERT]

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1 Senator Ayotte: Well, I appreciate it. I appreciate
2 the follow-up on both the wing issue, which is critical to
3 make sure that our A-10's keep flying and also on the
4 boneyard issue. So thank you, General.

5 Chairman McCain [presiding]: Senator Kaine?

6 Senator Kaine: Thank you, Mr. Chair.

7 And thanks to both of you, Secretary James, General
8 Welsh. It is always good to have you here.

9 I want to ask about two things: budget and Air Force
10 sort of strategic thinking about unmanned platforms. So on
11 the budget first.

12 In your testimony, you talked a bit and offered I think
13 appropriate thanks to our chair and ranking member on the
14 2-year budget deal that we struck in October and the
15 appropriations bill that we followed up with in December.

16 We have now done two 2-year budgets in a row. Painful
17 getting to both of them. But to me the 2-year budget deals
18 sort of have three strong pluses.

19 One, 2 years gives you more certainty than 1 year. I
20 think certainty is good.

21 Second, in the 2-year budget deals, we have treated the
22 BCA caps as a discipline but not as straitjacket. It is
23 sort of a starting point, but in each of the 2-year budget
24 deals, Murray-Ryan in December 2013 and then the deal in
25 October, we used the caps as a starting point, but we

1 adjusted off them to take account of current realities.

2 And the third positive about this deal in my view was
3 that it expressed a preference for base funding over OCO
4 funding, and it was something I think everybody on this
5 committee wanted to get to. There is a role for OCO, but we
6 should not use OCO generally just as a way to end run the
7 caps. We should try to, again, provide more predictability
8 by putting funds in the base when we can.

9 There is a little bit of discussion going on up here
10 now. I am on the Budget Committee too. And more of it is
11 on the House side than the Senate side about whether we
12 should undo the second year of the 2-year budget deal and
13 just revisit it and maybe do something different. I
14 strongly opposed that on the theory that 2-year budget deals
15 are providing certainty and why would we want to now kind of
16 throw that up in the air and inject more uncertainty in the
17 situation.

18 Would you agree that a 2-year deal provides a certainty
19 that is helpful to you and, if at all possible, we should
20 kind of try to stick with it?

21 Ms. James: So I certainly agree that having certainty
22 is an excellent thing and the 2-year budget deal does give
23 us that certainty. Not so much from my military work but
24 from my professional staff member work when I was on the
25 House Armed Services Committee, I would tend to agree. If

1 you do that to the deal, if you open the deal, it might open
2 up a hornets' nest. But again, I say that from my past
3 experience.

4 As you heard both General Welsh and I note, and many of
5 the members have noted, there are all these programs that
6 people are concerned about. We are concerned about them
7 too. We certainly could use more money. But I as an
8 American citizen would not want to see the deal reopened and
9 then everything go poorly as a result and lurch toward a
10 government shutdown and things of that nature. So stability
11 is pretty key.

12 Senator Kaine: General Welsh, additional comments?

13 General Welsh: Senator, all the concerns about the
14 makeup of the budget plan we share, but stability is a
15 wonderful thing actually, especially in the environment
16 within the last few years.

17 Senator Kaine: It seems to me maybe we have kind of
18 blundered into -- I am not sure we have gotten there
19 completely intentionally, but we have blundered into a
20 positive where you do a 2-year budget deal, then a 1-year
21 appropriations deal. So the 2-year budget provides some
22 general certainty, and when you get the first year
23 appropriations bill done, that gives you some
24 predictability, but it also gives you the ability in year 2
25 to alter the appropriations line items to take account of

1 some reality. So you get some in-the-ballpark certainty
2 with the ability to kind of true things up in the second
3 year. And it is my hope that we stick with the 2-year deal
4 and do not do another one.

5 I want to ask you about unmanned platforms and really
6 bigger picture kind of strategically how you approach it. I
7 was reading last month a series of articles about the CBARS
8 of the Navy. It is carrier-based aerial refueling system
9 tanker that they are working on that I think the committee
10 has supported. And it kind of made me wonder within the Air
11 Force how doctrinally do you approach the analysis of
12 platforms to determine this could be profitable to go, an
13 unmanned direction. These would be platforms we would never
14 want to go unmanned. All my military LAs have always been
15 people who have flown things, and so I am all into pilots.
16 But I am just kind of curious about how you approach this
17 question for your future investment about what can be done
18 unmanned and what necessarily needs an onboard crew.

19 General Welsh: Senator, I think we start with where
20 does having an unmanned platform in some way, shape, or form
21 make the mission either more cost-effective or more
22 successful. An example initially was ISR. You can actually
23 orbit over a point in space -- you can monitor a target for
24 hours and hours and hours beyond what the human body can
25 tolerate. But we have less than 10 percent of our aircraft

1 fleet is unmanned at this point in time. That will likely
2 grow over time. When it becomes safe enough to fly unmanned
3 systems that move freight over time and distance in a
4 predictable way with the autonomy to manage routes, et
5 cetera, I think you will see it grow there.

6 We have to be careful about cost curves that look a lot
7 like airplane cost curves that we have discussed earlier for
8 unmanned systems. That will not work. And so we cannot
9 keep going bigger and more cosmic. We have to go smaller in
10 some cases and look at augmenting manned platforms. You
11 know, swarms is a great concept. If it can be managed from
12 an airborne platform or remotely by a human in the loop,
13 they would become incredibly effective very, very quickly.

14 And so we are looking for those ideas where it is
15 practical, it is affordable, and we can build a program we
16 can execute in the near to mid-term before we start to
17 change a mission area to remotely piloted with vehicles.

18 Senator Kaine: You mentioned the swarm concept. We
19 have not spent too much time talking about that here, but I
20 gather that that is a very important component of this
21 thinking about sort of the third offset. And if that is
22 going to be a big strategic direction going forward, that
23 would necessarily involve the innovation around the creation
24 of new unmanned platforms.

25 General Welsh: Yes, sir. Man-machine interface

1 coupled with autonomy, coupled with thinking systems is
2 exactly what the third-rail strategy is all about. And we
3 have been working on this for the last couple years.

4 Senator Kaine: How much of that work -- oh, I am
5 already over. I am sorry, Mr. Chair. I will stop there and
6 follow up later.

7 Chairman McCain: Senator Rounds?

8 Senator Rounds: Thank you, Mr. Chairman.

9 I just want to go back just a little bit. I also
10 attended the classified briefing on the B-21. And I was
11 curious about when we talk about this hybrid contracting
12 strategy of the cost plus incentive and then the fixed
13 price, have you ever used it before. Clearly there was a
14 logic and you understood the need to look at keeping our
15 costs under control and working it through. And you have
16 touched about it here with Senator King a little bit and so
17 forth. But is there anything else with regard to the
18 approach that was determined that we really have not delved
19 into today that you think should be said?

20 Ms. James: I think we have covered it fairly well
21 today, Senator. The key components are thinking how we look
22 to the programs of the past, both those that had done poorly
23 and those that had done well. And given the specifics of
24 this program, some of which involves mature technologies,
25 that suggests less risk, but when you are talking about a

1 never-before-developed platform and then the very important
2 integration, that suggests that there is risk. So as I
3 mentioned for that development phase, we did think cost plus
4 incentive was the way to go but carefully constructing those
5 incentives to get the types of behaviors from the contractor
6 that we seek.

7 The Chief is in charge of requirements. The stable
8 requirements is very important. We think we have budgeted
9 well for this. We took the independent cost estimate and we
10 budgeted to that level, which is higher. That gives us a
11 margin of protection, and we are looking to move into the
12 production phase, which is firm fixed price, as quickly as
13 is feasible. And the incentives are structured to make that
14 happen.

15 Echoing what the Chief said, it ultimately will come
16 down to persistent focus and the human beings who will be
17 overseeing this to keep it on track. And certainly we --
18 and there is another team of people as well. We are very
19 committed to doing that.

20 Senator Rounds: With regard to your readiness goals,
21 the priorities and the responses that you have to demands
22 that are there right now, how would you assess the high-end
23 combat skills such as those that would be employed against a
24 near peer competitor? I know we are talking a little bit
25 about the A-10 and so forth, and I know that in its current

1 environment there, it has a high survivability rate. If you
2 are talking about near peer competition, there may be some
3 real challenges with the A-10, but that would not just be
4 the A-10. It would be other areas as well.

5 What would you believe to be the biggest obstacles in
6 the Air Force's readiness recovery?

7 General Welsh: To answer your first question, sir, how
8 do I see us against a very tech savvy, well equipped foe, we
9 are rusty. That is not what we have been doing for the last
10 25 years. We have been operating in a different
11 environment.

12 I think the key being ready for the full spectrum of
13 operations that we could potentially face is consistent and
14 persistent investment over time in the mission critical
15 infrastructure that allows you to train to that level. We
16 have heard discussion from Senator Heinrich, for example,
17 about training ranges, black and white world test
18 infrastructure, simulation infrastructure so that you can
19 actually simulate a threat that our fifth generation
20 capabilities will be operate against. Building that in the
21 real world in a training range is cost-prohibitive. And so
22 we have to get into the simulation business and go to
23 virtual constructive and then add live training into it.

24 So all those things have to happen to develop a force
25 over time, and that is the long-range readiness issue that

1 we have to invest in now to recover. That will take us 8 to
2 10 years once we have a chance to reset the force from what
3 we are doing today, which is not going to happen soon.

4 Senator Rounds: I have got just about a minute left,
5 but I am really curious. You talk long-term. What about
6 the near-term and mid-term readiness rebuilding efforts?
7 Can you rank basically how this is fitting in with the need
8 to modernize specifically the purchases of the F-35, the
9 KC-46, the B-21, the cybersecurity needs that we need to
10 address, the capabilities, the ISR priorities? How does
11 that fit in terms of the rebuilding efforts right now for
12 modernization that we are challenged with as you talk about?
13 How does it fit in?

14 General Welsh: Senator, for us it has to fit in at the
15 top of the priority list. So the prioritization right now
16 in our budget, as we make decisions, wherever we can, we
17 prioritize at this point manpower, size of the force. We
18 cannot get any smaller. We just cannot do what we are
19 trying to do right now plus anything new if we get any
20 smaller.

21 The second thing is readiness because when the Nation
22 calls, we have to be able to answer.

23 And then the third thing is modernization. This year,
24 what you are seeing in our budget is we have cut the force
25 for 25 years straight, and now we cannot cut it anymore and

1 still do our job. We cut readiness for about 10 years to
2 pay for modernization, and about 5 years ago, we decided we
3 cannot do that anymore. We are not going to be ready enough
4 as a force to do the job if we are called.

5 And now the only place we have left to go for money to
6 balance things out is modernization. That is what the
7 budget reflects. That is why you are seeing the F-35 slid
8 to the right, even though we have been trying to protect it.
9 You are seeing other programs that make F-16's and F-15's
10 viable in 10 years against the threat we expect then are
11 being delayed because we just do not have the money to do
12 it. It is a balancing act, Senator.

13 Senator Rounds: Thank you, Mr. Chairman.

14 Chairman McCain: Senator Donnelly?

15 Senator Donnelly: Thank you, Mr. Chairman.

16 Secretary James, I want to start by thanking you for
17 the time you spent with me at Grissom Air Base in Indiana
18 last year. It sent an important message to the men and
19 women of 434th and the communities that support them about
20 the importance of their mission.

21 Madam Secretary, when do you anticipate we will see
22 another KC-46 basing opportunity for a Reserve-led unit?
23 Either one can answer.

24 Ms. James: Yes. So, Chief, if you have that date or
25 do you have it written down?

1 The next time a basing decision for a Reserve unit. Is
2 that what you said, sir, for the KC-46?

3 Senator Donnelly: That is correct.

4 General Welsh: I think the next update will be
5 actually late winter this year, late this year, early next
6 year, and then that will be the decision that has already
7 been announced for MOBE-4. The primary base has already
8 been identified and the alternates have been identified.
9 That environmental study has now started and it will be done
10 the end of this year.

11 The next one, I believe, starts -- the next study -- we
12 are going to start looking at it in late fiscal year 2017 --
13 or excuse me -- calendar year 2017 for the next selection of
14 the next KC-46 base.

15 Ms. James: Would that be for the Reserve --

16 General Welsh: I do not remember which is the next --

17 Ms. James: We are going to get back to you on this so
18 that we get you a good time frame.

19 [The information referred to follows:]

20 [COMMITTEE INSERT]

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1 Senator Donnelly: In the last basing decision, the Air
2 Force emphasized the importance of Reserve-led associate
3 units, which aligns with the recommendation of the Air Force
4 Commission report that recommended expanding the number of
5 associate units. Do you anticipate that the Air Force will
6 be creating more Reserve-led associate wings in the future?

7 Ms. James: I am very interested in associate wing
8 structures, and so we cannot say for sure, but we are
9 pushing, pushing, pushing for additional integration at all
10 times. So I think it certainly is a possibility and we will
11 just have to continue to review as we go forward.

12 General Welsh: Senator, we mentioned the integrated
13 wing that we will start testing this year. That integrated
14 wing is actually a Reserve wing, and it will be led by a
15 Reserve commander with active duty fully embedded inside the
16 wing.

17 Senator Donnelly: Secretary James, when we talk about
18 the growing threats to U.S. air superiority, many people
19 assume we are talking about a distant prospect of direct
20 conflict with countries like Russia and China. But while
21 that is a reality, we also need to be prepared for a more
22 immediate concern, which is the spread of advanced Russian
23 and Chinese weapon systems into the wars we are already
24 fighting. We are seeing advanced air defenses spread to
25 countries throughout the Middle East and Africa, including

1 Syria where our pilots are already flying.

2 And, General Welsh, understanding we are in an
3 unclassified setting, how concerned are you for our airmen
4 and women if they have to face systems like Russia's S-400
5 in the near future?

6 General Welsh: Senator, I am very concerned about it.
7 That is why I keep insisting that we have to modernize. An
8 air force that does not stay ahead of the technology curve
9 will fail. 53 countries today are flying Russian fighters
10 around the world. They will export their new capabilities
11 as they field them, and their new capabilities will be
12 better than our old stuff.

13 Senator Donnelly: General, are you willing to provide
14 us, you know, as time provides, a classified briefing
15 regarding the threats our airmen are facing even not so much
16 with Russia and China but where their equipment is being
17 utilized?

18 General Welsh: Sir, I would be honored to do that.

19 Senator Donnelly: Thank you very much.

20 Secretary James, is the Air Force committed to
21 commonality as a means to modernize and maintain the triad
22 in a way to work together to not only be more efficient but
23 also help on the budget end as well?

24 Ms. James: We are definitely actively exploring
25 different elements of commonality with the Navy as we

1 together are looking to modernize the three legs of the
2 triad. So, yes, we are looking at that very closely.

3 Senator Donnelly: Thank you, Mr. Chairman.

4 Chairman McCain: Senator Sullivan?

5 Senator Sullivan: Thank you, Mr. Chairman.

6 Madam Secretary, General Welsh, thank you for your
7 testimony.

8 I want to begin by just thanking you and the airmen you
9 lead for what you do. You know, your testimony highlights a
10 lot of things that I do not think most Americans are aware
11 of like constant combat operations for a quarter century.
12 It is remarkable. And the broader number of areas in which
13 you specialize, fighters, close air support, ISR, strategic
14 airlift, two-thirds of the nuclear triad, GPS systems.

15 You know, my State sees a lot of this on a daily basis.
16 As you know, the F-22 fighter squadron just recently
17 deployed to Korea and Japan as a show of force for our
18 allies there. We are intercepting Russian bombers again
19 almost on a weekly basis. And you know, in Alaska, we have
20 become the combat air power in the Asia-Pacific, if not for
21 the country, in terms of F-16's, F-22's, C-17's, KC-135's,
22 AWACS, HH-60's, the C-130's, F-35's come in JPARC. So I
23 just appreciate and see a lot in terms of the airmen that
24 you are leading.

25 Let me ask a basic question. Actually two. How is

1 morale? When you are here testifying talking about cutting
2 forces, cutting readiness, that has got to impact morale.

3 And then a broader, more strategic question, you are
4 here talking about a budget that is cutting our ability to
5 do what the Air Force does best, the smallest Air Force in
6 our history. Why do you believe the President or Secretary
7 of Defense is putting forward such a small budget? So why
8 do we not begin with morale?

9 General Welsh: Morale actually, if you visit as many
10 airmen as I am privileged to visit and Chief Cody is
11 privileged to visit and Secretary James is privileged to
12 visit, you walk away with the perception that morale is
13 pretty darned good. They are a little tired.

14 Senator Sullivan: Great.

15 General Welsh: They have questions. They are
16 concerned about the future because they actually are very
17 connected to what goes on in this city and all these issues
18 we have been talking about.

19 Senator Sullivan: Right.

20 General Welsh: They pay attention. Even our very
21 young airmen do. All the services are this way now. They
22 are worried about their future, the future of their mission
23 set, what is happening to their airplane, their squadron,
24 their family services. All those things are of interest to
25 them. And so they sense this pressure on resources, which

1 is going to affect those over time. But when it comes to
2 how proud they are of who they are, of what they represent,
3 of the people they stand beside, and of how well they do
4 their job, morale is not an issue.

5 Senator Sullivan: That is good to hear.

6 How about on the budget?

7 General Welsh: I think the budget is -- well, you will
8 have to talk to the President and the Secretary of Defense
9 to get why they are submitting the budgets they are, sir.

10 But I will tell you this, the folks in the Air Force
11 just see what we are asked to do and they want to do it
12 better than anybody else on the planet can do it. And when
13 they do not feel they have the right tools to get that done
14 or there are too many things to do for the number of people
15 they have standing around, they get frustrated by that.

16 Senator Sullivan: Let me ask on the F-35's. You know,
17 Lieutenant General Bogdan has highlighted that you are
18 beginning to reduce the unit price of the F-35A to well
19 below \$100 million, but your budget proposes to decrease
20 procurement to 43 from 48. Does this risk undermining or
21 reversing the reduction of unit costs in terms of what you
22 have been able to do to drive down costs?

23 Ms. James: I was going to say we do not believe so,
24 not for the short run. And the reason for that, because
25 when you decrease the buy, ordinarily the unit cost does go

1 up, but what the dynamic is over the next several years is
2 that because of the FMS buys being higher, we believe that
3 the unit cost will be stable, reasonably stable, and not go
4 up dramatically because of this. And as you said, General
5 Bogdan is very focused on cost control and continuing to do
6 better and better.

7 Senator Sullivan: And do you believe that the
8 reduction in procurement -- is that going to impact the
9 arrival of F-35's that are scheduled in places like Eielson
10 or other bases around the country?

11 General Welsh: Senator, over the next 15 years -- if
12 we stayed at the lower production rate, over the next 15
13 years, it would mean two fewer squadrons to field between
14 now and 2030. So it is going to affect someplace.

15 In the near term, it will not have a dramatic effect
16 because we will be standing units up. But by 10 to 15 years
17 from now, you will start to see a delay in beddown of units.

18 Senator Sullivan: Let me ask one final question. I
19 want to follow up on what Senator King had talked about on
20 the procurement timeline and how the procurement timeline
21 for major weapon systems has increased dramatically over the
22 years. In the NDAA last year, the chairman and others on
23 this committee were very focused on giving you more
24 authority over procurement.

25 What do you believe is the most important thing we can

1 do, either the services or the Congress or both, to help
2 bring down the procurement timeline of major weapon systems
3 that we have seen grow over the years that I do not think
4 anyone is satisfied with?

5 Ms. James: Well, first of all, the changes of last
6 year I think are very positive. And to the extent now that
7 the Air Force and the Navy and the Army will be able to be
8 the MDA, the decision authority for milestones, going
9 forward on some of the newer programs, I think that will
10 help as we go forward.

11 So my advice to you would be to continue -- and we do
12 the same thing with our regulations -- continue to look to
13 streamline, wherever possible. Sometimes we have the
14 approach of lots and lots of oversight. We do this. You do
15 this. And although that is I think a good idea on troubled
16 programs -- we have to do that when things have gone amiss
17 -- sometimes you need to ease up a little bit on the vast
18 majority of programs that are actually going quite well.
19 And because we have a set of rules that tends to apply to
20 most programs at a certain dollar level, even the programs
21 that are executing well, nonetheless, have the weight of
22 what I will call a lot of oversight. So I would say
23 continue to look streamline, and we should do the same thing
24 on our end.

25 Senator Sullivan: General, any thoughts?

1 General Welsh: Senator, I believe that really reform
2 acquisition -- you should start with smaller programs and
3 look at them in a very concentrated way. And 95 percent of
4 the acquisition programs in the Air Force are cost and
5 schedule. They do not get the same attention the big
6 programs do, but they are going tremendously well, and they
7 normally do.

8 If you identified some category of those smaller
9 programs and went to the program managers and their industry
10 partners and said, what can you do to take 50 percent of
11 time and 25 percent of cost out of your small program and
12 then gave them leeway to do that and looked at the results,
13 we may be able to learn which things are not adding value to
14 the process and then bring those up into the bigger
15 programs.

16 When we start with the big programs, nobody really
17 wants to give up oversight control, and it is harder to make
18 change that way. But we have got a lot of programs that
19 work really well. Let us make them work much, much better
20 and then learn the lessons from that to change the
21 enterprise.

22 Senator Sullivan: Thank you.

23 Thank you, Mr. Chairman.

24 Chairman McCain: Senator Blumenthal?

25 Senator Blumenthal: Thanks, Mr. Chairman.

1 I would like to continue the line of questioning that
2 Senator Sullivan began on the F-35. The delay in
3 procurement of five F-35's was accompanied also by the
4 pushback, the delay in 60 aircraft per year as a procurement
5 plan. You are saying today that will not increase the per-
6 unit cost because there will be FMS, foreign military sales?
7 By what countries? What increase in per-country sales by
8 what countries and when?

9 Ms. James: I will have to get you that detail.

10 Senator Blumenthal: Well, how can you testify, with
11 all due respect, that you are confident that the per-unit
12 will not rise when you cannot tell us what countries will be
13 buying more of the aircraft?

14 Ms. James: General Bogdan, the program manager, has
15 informed us that because of FMS buys, he does not project
16 that the unit cost will go up in a substantial or material
17 way. So that is his assessment.

18 And I will get you the list of FMS customers.

19 [The information referred to follows:]

20 [COMMITTEE INSERT]

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1 Senator Blumenthal: Do you have information as to any
2 countries that will be buying more?

3 General Welsh: Senator, I know countries' air chiefs
4 who have talked to me about their countries' desire to buy
5 into the program. They have not fully committed to the
6 program yet, and I do know there are air chiefs who would
7 like to buy more in the near to mid-term. With your
8 permission, rather than talking about them publicly, I would
9 be glad to give you -- tell which ones those are after the
10 hearing.

11 Senator Blumenthal: I think this is an important point
12 because we know what happens when sales decline.
13 Ordinarily, as Secretary James has observed quite rightly,
14 the per-unit cost rises, and the viability of this program
15 really depends on it being affordable and the credibility of
16 the companies and the entire Air Force budget depends on
17 this kind of information. So I certainly would appreciate
18 that information, and I know -- I agree with you -- that
19 there are countries that would like to buy more, but we also
20 have seen that other countries are as hard-strapped as we
21 are, in fact, even more so because their economies may be
22 less robust than ours. And so that kind of information is
23 really important.

24 How important do you think that the F-35 program is to
25 the Air Force modernization plans, General?

1 General Welsh: Sir, the F-35 program at this point in
2 time is essential to our modernization program.
3 Capabilities are going to be fielded by both China and
4 Russia in the next 5 to 6 years, if not a couple years
5 sooner, that will make airplanes that we have in the fleet
6 today, except for the F-22, not competitive. We have to
7 have some level of ability to compete with those threats in
8 the future.

9 Senator Blumenthal: Well, I agree with you completely,
10 which is why I am so concerned about the affordability of
11 the program and the trust and confidence of the American
12 people that it can be done within the limits of what our
13 spending can be.

14 Let me turn to the --

15 Chairman McCain: Before you leave that issue, it is
16 well known that the new Canadian Government is reconsidering
17 their commitment to buy the F-35. That is amazing. I do
18 not know where the witnesses have been residing, missing out
19 on these international decisions that are clearly under
20 review by many nations because of the cost of the F-35.

21 Please proceed.

22 Senator Blumenthal: Thank you, Mr. Chairman.

23 Let me turn to the National Guard and Reserve units. I
24 know, Madam Secretary, you had responsibility as an
25 Assistant Secretary for our Reserve program. And I am

1 concerned that the active Air Force is receiving C-130J
2 aircraft. Our National Guard and Air Force Reserve will
3 still be flying the C-130H. Perhaps, General Welsh, you
4 could tell us a little bit about your strategy for
5 outfitting the Air National Guard and Air Force Reserve with
6 the most suitable modern aircraft.

7 General Welsh: Thanks, Senator. I think it is
8 important to remember how we ended up where we are. When we
9 built the C-130H's, the newest C-130, we put it into the
10 Guard and Reserve, and the active kept the C-130E model.
11 And so then the newest fleets were in the Guard and Reserve.
12 Then the C-130J came along and it was time to recapitalize
13 the oldest C-130's which were in the active force. That is
14 why the C-103J went there first.

15 The C-130J buy ends at the end of this FYDP essentially
16 as we finish populating our Air Force Special Operations
17 Command C-130J fleet. We believe that we need more C-130J's
18 in the total force. We right now are building and have
19 almost finalized the modernization plan for the entire
20 fleet. We are doing this in conjunction with the Guard, the
21 Reserve, and the active duty. It is led by Air Mobility
22 Command. Every State TAG is going to be part of this review
23 process and final affirmation of the plan. We will do the
24 AMP increment 1 and 2 to do the near-term and the far-term
25 navigation update, and then modernization of those C-130H

1 models. And as part of that plan, we will identify units at
2 the back end of that modernization for increment 2 as ones
3 that would probably be the best choice if we can generate
4 funding for C-130J between now and that point in time in
5 2028 to start populating those squadrons with C-130J's
6 wherever we can get the money to do it.

7 We need to modernize our 130 fleet. All these units
8 are fantastic units and contributing routinely to the joint
9 fight around the world.

10 Senator Blumenthal: I agree totally. They are
11 fantastic units. They are contributing greatly, and they
12 need a modernized fleet. So thank you for making that
13 point.

14 My time has expired, but if you have additional
15 details, I would welcome them in written form. Thank you
16 very much, General. Thank you, Madam Secretary.

17 Chairman McCain: Senator Graham?

18 Senator Graham: Thank you, General. Thank you very
19 much for your service. And, Secretary James, thank you for
20 coming.

21 Your favorite topic, the A-10. If you had all the
22 money within reason in the world, would you keep the A-10 or
23 would you want to retire it?

24 General Welsh: I would keep the A-10 and build a new
25 low-threat CAS platform. I would replace the A-10 with it

1 when it was fielding, and I would use the other money to
2 build manpower to stand up the F-35 in the Air Force. We
3 need the capability. We are stressed. We have been for 25
4 years. We are downsizing. That is what I would do, and I
5 think it is a logical plan. We just do not have the money
6 to do it.

7 Senator Graham: I think that is the point. We are
8 having all these fights about the A-10. But it is a budget-
9 driven problem.

10 General Welsh: Sir, this is not about the A-10 at all.
11 It is about having to make decisions. I find myself in an
12 almost surreal position arguing to divest things I do not
13 want to divest, to pay a bill we were handed in law, and we
14 are not being allowed to pay it by the institution that
15 passed the law.

16 Senator Graham: What do you think is the biggest
17 consequence of sequestration to the Air Force thus far?

18 General Welsh: My opinion. I will let the boss jump
19 on here, sir.

20 But, Senator, my opinion is it is not really the
21 mechanism of sequestration. That was a shock in 2013. It
22 is more the Budget Control Act caps and how they have reset
23 the sense of what is good in a budget. We are still \$12
24 billion below what we had planned even 4 years ago for our
25 budgets. All the force structure that we had in place in

1 the Air Force at that time that we have had trouble
2 divesting was based on a top line that was \$12 billion to
3 \$20 billion per year more than what we are going to have
4 going forward. We have to make some very difficult
5 decisions to live within that top line.

6 Senator Graham: And if we go back to sequestration,
7 what awaits us from an Air Force point of view?

8 General Welsh: Exactly what we saw in 2013, sir,
9 decreased training, decreasing readiness, much more
10 frustration on the part of our people. When they looked out
11 windows at airplanes they could not fly, we had a problem
12 with moral then. If we do that again, we will have a much
13 bigger one than we did last time.

14 Senator Graham: Is it affecting families?

15 General Welsh: I think it affects families' concern
16 more than it directly affects families, to be fair. We have
17 done a pretty good job of protecting family programs. But
18 the tension associated with it, the concern about the future
19 of their platform, their unit, their tasking affects
20 everybody.

21 Senator Graham: In your time in the military, have you
22 ever seen more threats to the homeland than you do today?

23 General Welsh: No, sir, not threats to the homeland.

24 Senator Graham: Secretary James, anything you want to
25 add right quick?

1 Ms. James: I would just add that every program that
2 has been discussed here today is a good program, and it all
3 comes down to money. Somehow if you have got to balance
4 your books, as we have to submit a budget each year, you
5 have to make choices about what you are going to invest in
6 and what you are going to cut. None of the cuts are easy
7 cuts. They all hurt some element of the force. And every
8 single program pretty much that has been discussed here
9 today falls into that category.

10 So as the Chief said, we always ask at every juncture
11 Congress to work with us. And I know this committee has
12 been leaders in this regard, but to convince everybody else
13 that we have to lift sequestration permanently because, of
14 course, it will come back to us in fiscal year 2018 if
15 action does not occur.

16 Senator Graham: The Russian rocket problem is not a
17 sequestration problem. Is it?

18 Ms. James: That is one and the contract strategy for
19 the B-21 is one that we discussed here today. But most of
20 the other issues I think have related to money.

21 Senator Graham: Why do you think we have such fights
22 with the Air Force in this committee? They seem to happen a
23 lot.

24 Ms. James: Well, these are lively discussions from our
25 oversight committee and the people who are executing on the

1 programs.

2 Senator Graham: Does it make sense to you what we are
3 trying to say about the Russian rockets -- the committee?

4 Ms. James: It certainly makes sense and I agree and I
5 too want to get off the reliance of the RD-180 as quickly as
6 possible.

7 General Welsh: Senator, can I make one comment?

8 Senator Graham: Sure, absolutely. But tell me how
9 does this movie end with the Russian rocket debate. But go
10 ahead. I am sorry.

11 General Welsh: Well, let me slip back to the fight
12 comment you made. I think the discussions we have, whether
13 it is my discussion earlier with the chairman or it is any
14 other discussions we have with members of the committee,
15 come from the same passion for providing national security
16 for this country.

17 Senator Graham: It just seems that we fight more with
18 the Air Force than anybody, and I am in the Air Force -- or
19 used to be, anyway. Still am in my own mind. So just take
20 that back. I mean, we got four branches of the service. We
21 seem to tangle with you all more than anybody, and it is not
22 that we do not respect the Air Force. I certainly do. It
23 was one of the highlights of my life to have been a part of
24 it.

25 But you promise us, Secretary James, that this rocket

1 engine thing is going to end well, that Senator McCain will
2 be pleased one day soon?

3 [Laughter.]

4 Ms. James: I promise you we are working very hard on
5 the problem. We are getting all of the analysis done, and I
6 am sure at the end of the day, you know, we will get your
7 guidance, your law that will pass. The new NDAA will settle
8 it going forward.

9 Senator Graham: Well, that will be a good day.

10 Thank you both. Thank you, General Welsh. You have
11 provided really good leadership at a tough time for the Air
12 Force. I sincerely mean that.

13 And to all those who fly, flight, our job is to let you
14 win. So thanks much.

15 Chairman McCain: Well, to illustrate the point, I
16 received a letter today after several months from Secretary
17 James saying that concerning the Russian rocket, quote,
18 assuming a Delta-Falcon phase 2 split buy, the pre-
19 decisional Air Force estimate projects a cost in excess of
20 \$1.5 billion. This morning you said not \$1.5 billion. You
21 said \$5 billion.

22 Ms. James: I said somewhere between \$1.5 billion and
23 \$5 billion, depending on the assumptions and when RD-180
24 access would stop.

25 Chairman McCain: Actually I quote. Assuming a Delta-

1 Falcon phase 2 split buy, the pre-decisional Air Force
2 estimate projects a cost increase in excess of \$1.5 billion.
3 It does not mention \$5 billion in this letter, Secretary
4 James. I can read English.

5 Ms. James: That figure of \$1.5 billion assumes the
6 block buy continues, that we still have RD-180's for the
7 block buy. If there were a decision by Congress to break
8 the block buy, to stop access to those RD-180's, that could
9 create even larger costs. The \$5 billion comes from the
10 Mitchell study of about a year and a half ago.

11 Chairman McCain: But you do not mention any of that in
12 this letter.

13 Ms. James: I am mentioning it today. It depends on
14 assumptions.

15 Chairman McCain: So I am to disregard really the
16 letter you sent to me that I have been waiting several
17 months for. Maybe that helps explain some of the
18 difficulties that we have.

19 This hearing is adjourned.

20 [Whereupon, at 11:34 a.m., the hearing was adjourned.]

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