

Stenographic Transcript
Before the

Subcommittee on Airland

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

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

Tuesday, March 8, 2016

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U.S. Senate

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Subcommittee on Airland

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Committee on Armed Services

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Washington, D.C.

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The subcommittee met, pursuant to notice, at 2:31 p.m.

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in Room SR-222, Russell Senate Office Building, Hon. Tom

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Cotton, chairman of the subcommittee, presiding.

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Subcommittee Members Present: Senators Cotton

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[presiding], McCain, Inhofe, Wicker, Rounds, Ernst, Lee,

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Manchin, Blumenthal, and Donnelly.

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1 OPENING STATEMENT OF HON. TOM COTTON, U.S. SENATOR
2 FROM ARKANSAS

3 Senator Cotton: This hearing will come to order.

4 The Airland Subcommittee meets today to consider Air
5 Force modernization in the context of review and oversight
6 of the fiscal year 2017 defense budget request.

7 I welcome our witnesses, Acting Assistant Secretary of
8 the Air Force for Acquisition, Ms. Darlene Costello; the
9 Military Assistant to the Secretary of the Air Force for
10 Acquisition, Lieutenant General Arnold Bunch; Deputy Chief
11 of Staff for Strategic Plans and Requirements, Lieutenant
12 General James Holmes; and Deputy Chief of Staff for
13 Operations, Lieutenant General John Raymond. Thank you all
14 for your service and we appreciate your testimony here
15 today.

16 At \$18 billion less than last year, the President's
17 defense budget request for this fiscal year is
18 disappointing. The President has submitted five budgets
19 since 2011. Each budget has under-resourced the military,
20 while the President has also portrayed the world as safer
21 than it was when he took office or asserted that the U.S.
22 needed to step back from the world stage. The current
23 budget request has rhetorically acknowledged an increase of
24 worldwide threats and that our military's capabilities are
25 eroding. However, it still conforms to arbitrary budget

1 caps put in place 5 years ago.

2 This is nowhere more apparent than in the Air Force
3 modernization program. Atop the service's priorities are
4 the F-35A next generation fighter aircraft, the KC-46A air
5 refueling tanker aircraft, a replacement for the legacy
6 KC-135, and the B-21 long-range strike bomber. While all
7 three are needed, the focus on these three priorities could
8 put at risk modernization in future years and gives our
9 priorities the appearance of being somewhat unfocused.

10 For example, they are the highest priority. The
11 President's budget cuts procurement of five F-35A fighters.
12 Further, it cuts modernization of F-15 fighter aircraft and
13 reduces procurement of C-130J aircraft by \$724 million.

14 Unfortunately, unlike the other services, the Air Force
15 did not grow much during the post-9/11 buildup. Rather, it
16 got smaller as older aircraft were retired and replacement
17 programs, such as the F-35, experienced excessive delays in
18 bringing new aircraft into the fleet. For example, air
19 superiority is overwhelmingly being supported by the F-15,
20 which makes up 71 percent of air superiority platforms but
21 has consumed over 90 percent of its estimated 30-year
22 service life. The eventual retirement of 438 F-15's in the
23 fleet and the replacement by only 177 F-22's, with eventual
24 support from the F-35, is a serious gamble.

25 We cannot afford to assume that the enemy will resemble

1 threats of recent wars, nor can we assume that future fights
2 will not require greater numbers of advanced aircraft. We
3 have to be ready to fight tonight on any battlefield and
4 with any foe. The current investment strategy is too risky
5 and will prove only to be riskier in the near future.

6 To that end, in January of this year, the Center for
7 Strategic and International Studies released a report
8 detailing the impending modernization bow wave for the DOD.
9 When you also include all the other Air Force modernization
10 imperatives, the annual price tag for this wave peaks in
11 2023 at nearly \$35 billion and accounts for more than half
12 of the entire DOD's investment wave.

13 Yet, modernization, particularly capability and
14 capacity, cannot be placed at odds with readiness or other
15 needs. Simply reducing quantities of other aircraft,
16 retiring legacy systems, or deferring modernization on other
17 programs will not achieve the Air Force the Nation needs for
18 the next fight. Increasing the top line of defense spending
19 is the only solution that will ultimately blunt the bow wave
20 and achieve the concurrent capability and capacity we need.

21 After that, we should next consider fencing off funding
22 for platforms and systems crucial to the Nation's nuclear
23 deterrent and maintaining the nuclear triad. Second, we
24 should continue investment and procurement of next
25 generation technologies to build capability while also

1 maintaining and upgrading the legacy fleets to preserve
2 capacity. Both are essential to preserving America's global
3 dominance of the skies.

4 Again, I want to thank our witnesses. We look forward
5 to your testimony.

6 Senator Manchin?

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1 STATEMENT OF HON. JOE MANCHIN III, U.S. SENATOR FROM
2 WEST VIRGINIA

3 Senator Manchin: Thank you, Mr. Chairman.

4 And, Mr. Chairman, I want to extend the welcome and
5 thank each of our witnesses for appearing before this
6 subcommittee today.

7 I also want to thank each of you representing the men
8 and women of the armed forces for the wonderful jobs they
9 are performing in Afghanistan and all around the world. We
10 keep all of those who are serving right now in our thoughts
11 and prayers and also remember that both they and their
12 families are serving and sacrificing every day.

13 Our witnesses this afternoon face huge challenges as
14 they strive to balance the need to support ongoing
15 operations and sustain readiness with the need to modernize
16 and keep the technological edge so critical to military
17 success.

18 These challenges have been made particularly difficult
19 by the spending caps imposed in the Budget Control Act, caps
20 that were relieved somewhat for fiscal year 2016 and 2017 in
21 the Bipartisan Budget Act of 2015 that we enacted late last
22 year.

23 However, these caps are scheduled to resume again in
24 fiscal year 2018 and beyond. Unless modified for years
25 after fiscal year 2018, they will threaten our long-term

1 national security interests.

2 Every year we are challenged to make decisions
3 balancing a number of competing demands for resources,
4 including resources for current operations and investment in
5 future modernization. In this case, we will be assessing
6 plans and programs regarding the current status and future
7 prospects for tactical aviation programs. Again, this year,
8 the Air Force is proposing further reductions in the future
9 years defense program, including eliminating the entire A-10
10 aircraft fleet.

11 The Air Force awarded the long-range bomber, the LRS-B,
12 contract last fall. The Air Force has named the bomber the
13 B-21. The award just came through the protest with the
14 Government Accountability Office, GAO, denying the protest.
15 The Air Force awarded a contract that provides for a cost
16 plus incentive fee structure for the engineering and
17 manufacturing development phase of the program, with fixed
18 price contracts for production. I know that Chairman McCain
19 has taken exception to this contracting approach. So I look
20 forward to hearing from our witnesses about why they think
21 the Air Force plan represents the best value for the
22 taxpayer.

23 There are several other force structure adjustments
24 that are of concern. The Air Force plans to eliminate six
25 Compass Call EC-30H aircraft in fiscal year 2019. There are

1 other reductions, including the AWACS and JSTARS, that are
2 planned for later in the future years defense program.
3 While there is a plan to recapitalize the JSTARS with new
4 aircraft and a radar program, I am concerned that the Air
5 Force plans to retire aircraft like AWACS and Compass Call
6 with no planned replacement in sight.

7 There are a number of other issues that we may discuss,
8 but in the interest of time, I am going to stop here.

9 Again, I want to thank our witnesses. I look forward
10 to hearing your testimonies.

11 And I want to thank you again, Mr. Chairman, for this
12 hearing.

13 Senator Cotton: Thank you, Senator Manchin.

14 Ms. Costello?

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1 STATEMENT OF DARLENE J. COSTELLO, ACTING ASSISTANT
2 SECRETARY OF THE AIR FORCE FOR ACQUISITION; ACCOMPANIED BY:
3 LIEUTENANT GENERAL ARNOLD W. BUNCH, JR., USAF, MILITARY
4 DEPUTY, OFFICE OF THE ASSISTANT SECRETARY OF THE AIR FORCE
5 FOR ACQUISITION; LIEUTENANT GENERAL JAMES M. HOLMES, USAF,
6 DEPUTY CHIEF OF STAFF FOR STRATEGIC PLANS AND REQUIREMENTS;
7 LIEUTENANT GENERAL JOHN W. RAYMOND, USAF, DEPUTY CHIEF OF
8 STAFF FOR OPERATIONS

9 Ms. Costello: Chairman Cotton, Ranking Member Manchin,
10 members of the committee, thank you for your continued
11 support of the U.S. Air Force, our airmen, and their
12 families. We welcome today's opportunity to discuss the Air
13 Force's current and projected operations around the world,
14 our plans for the modernization of key Air Force weapon
15 systems, and to allay our concerns regarding the
16 programmatic impacts that budget uncertainty brings. It is
17 a privilege to be here, and we look forward to answering
18 your questions.

19 For the past 25 years, the U.S. Air Force has been the
20 most globally engaged Air Force on the planet. Within the
21 past year, our 24,000 deployed airmen have flown missions
22 over the Korean peninsula with F-22's and B-52's to dissuade
23 the North Korean regime and demonstrate our resolve to our
24 South Korean allies.

25 Our bombers are patrolling the South China Sea to

1 validate the right for all nations to maintain freedom of
2 navigation in internationally recognized waters.

3 Remotely piloted aircraft, combat search and rescue,
4 and mobility assets are operating throughout Africa
5 combating transregional violent extremist organizations.

6 We have invested in building partner capacity with our
7 friends and allies in South America, as well as conducting
8 counternarcotics operations.

9 And of course, we continue our commitment to Europe
10 through our strategic partnerships and deployment of theater
11 security packages.

12 We continue prosecuting operations against the Islamic
13 State of Iraq and Syria, and we provide training and
14 operational support to the Afghan National Defense and
15 Security Forces in Afghanistan.

16 The Air Force has done all this while committing over
17 200,000 airmen in place to defend the homeland, operate
18 remotely piloted aircraft, control our nuclear space and
19 cyber forces, and provide rapid global mobility.

20 However, during those 25 years of continuous combat
21 operations, budget decisions have taken a toll on our
22 ability to provide for the joint force in the future.

23 For example, the Air Force has simultaneously reduced
24 total force military and civilian personnel over 30 percent,
25 cut combat-coded fighter squadrons by 59 percent, and

1 slashed annual procurement of fighter aircraft by 88
2 percent, all while standing up new ISR and cyber missions.

3 When combined with the fiscal restraints levied by the
4 Budget Control Act and our extended combat operations in a
5 permissive air environment, our Air Force today stands at
6 less than 50 percent ready for full spectrum conflict and
7 operates the oldest fleet of aircraft in its history at an
8 average age of 27 years.

9 Additionally, during that same quarter century, our
10 adversaries have shrunk the technological gap. They have
11 deployed new air, space, cyber, surface-to-air, and surface-
12 to-surface capabilities aimed at neutralizing the American
13 air, space, and maritime advantages that underwrite the
14 joint force. Iran and North Korea have acquired new
15 capabilities that threaten our allies and the stability of
16 the regions where they live. Islamic extremists have
17 expanded conflict from the Middle East into Africa and
18 created a heart-rending flow of refugees. In short, we face
19 new capabilities and new threats that will require new ways
20 of thinking and consistent investment to counter.

21 To frame the discussion of our fiscal year 2017
22 presidential budget, it is important to understand the
23 environment in which our strategic decisions were made. The
24 limited resources available since the Budget Control Act of
25 2011 have hampered our ability to balance readiness,

1 capability, and capacity. The fiscal year 2017 presidential
2 budget trades modernization, particularly the F-35
3 production rate and fourth generation fighter modifications,
4 along with delayed recapitalization of the C-130H fleet, to
5 sustain the capacity necessary to meet the combatant
6 commanders' urgent needs for air, space, and cyber forces
7 and begin recovering readiness levels after 25 years of
8 continuous combat.

9 And while we are grateful for the additional resources
10 the Bipartisan Budget Act provides, compared to the Budget
11 Control Act caps, we need your support in the form of stable
12 and predictable budgets if we are going to build the Air
13 Force that ensures the joint force can continue to deter,
14 deny, and decisively defeat any enemy that threatens the
15 United States or our national interests. Any return to
16 sequestration-level funding will force us to chase short-
17 term requirements at the expense of long-term strategic
18 planning, modernization, and readiness, and our budget
19 problems will only get worse between now and the end of this
20 5-year plan.

21 On the acquisition front, first let me say that I am
22 humbled by the selection to this position by the Air Force.
23 I have watched the Air Force from my oversight roles with
24 the Office of the Under Secretary of Defense for
25 Acquisition, Technology, and Logistics, and I have seen a

1 transformation over the last few years. Through the
2 development of Air Force acquisition priorities, the
3 wholesale adoption of better buying power practices, and
4 through their own bending-the-cost-curve initiatives, the
5 Air Force has emerged as a disciplined, deliberate, value-
6 focused enterprise that is stretching every dollar to obtain
7 capability for our warfighters. I am proud to now lead this
8 enterprise, if only temporarily, as we all look forward to
9 the appointment of a permanent Assistant Secretary for
10 Acquisition and Logistics as soon as possible.

11 Again, thank you for your service to the United States
12 and for your continued support of our airmen, both military
13 and civilian, serving our great Nation.

14 I would like to introduce the other witnesses you have
15 invited today. It is a privilege to be sitting here next to
16 my partner in acquisition, the Military Deputy, Lieutenant
17 General Arnie Bunch, and two of my distinguished colleagues:
18 Lieutenant General Mike Holmes, who leads the development
19 and integration of the Air Force strategy, long-range plans,
20 as well as operational capabilities-based requirements; and
21 Lieutenant General Jay Raymond, who is responsible for Air
22 Force operations to include air, space, cyber, irregular
23 warfare, counterproliferation, homeland security, and
24 weather.

25 You have assembled a broad group here, and we all look

1 forward to your questions. Thank you.

2 [The prepared statement of Ms. Costello, General
3 Holmes, General Raymond, and General Bunch follows:]

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1 Senator Cotton: General Bunch?

2 General Bunch: Sir, we have given the one statement.
3 She spoke for all of us. We now look forward to answering
4 the committee's questions.

5 Senator Cotton: Outstanding. We will have to do that
6 with members of the committee.

7 [Laughter.]

8 Senator Cotton: I would like to start, Ms. Costello,
9 with the B-21 bomber. As you know, we have had a classified
10 hearing last week, in which we explored it. I think we need
11 to explore some elements here in this open setting.

12 Why did the Air Force choose a cost plus incentive fee
13 contract vehicle over a fixed price contract for the
14 engineering and manufacturing development phase of the B-21?

15 General Bunch: So, Senator Cotton, if I can sir, most
16 of those will come my way. So I will just go ahead and let
17 you know that now.

18 To start off with, sir, the determination of a contract
19 type -- there is no one-size-fits-all. You have to look at
20 each individual acquisition case and you have to look at the
21 risks involved with that acquisition and the maturity of the
22 technologies and variety of different factors. And that is
23 what we did in this case.

24 After carefully considering the full spectrum of
25 contracting options and looking at all the factors that go

1 into selecting a contract type, the Milestone Decision
2 Authority determined that the most appropriate contract
3 vehicle for the acquisition of the B-21 was a cost plus
4 incentive contract.

5 The key factors that went into making that decision
6 were the technical risk, and that falls into two categories.
7 One of those is that we did use mature technologies to meet
8 this requirement and deliver this capability, but those
9 mature technologies must now be integrated together on a
10 never-before-built platform. So the risk is in the platform
11 development of something that has not been built ever and
12 the integration of those mature technologies.

13 The other factor that was critical in this was the
14 determination of the contractor's ability to continue the
15 operation if they were to be put in a loss environment or
16 where they were losing profit. And in the case of the KC-46
17 right now, Boeing is running at about a 25 percent loss over
18 what the contract was. In the case of the KC-46, that
19 contractor can capitalize on the commercial market to be
20 able to get additional continued sales or they can
21 capitalize on foreign military sales to make up any losses
22 that they may have had. In the case of the long-range
23 strike bomber with highly classified activity going on and
24 highly classified technologies, there is not a commercial
25 application.

1 Senator Cotton: General Bunch --

2 General Bunch: Yes, sir.

3 Senator Cotton: -- if I can interject here.

4 So you said something similar last week --

5 General Bunch: Yes, sir.

6 Senator Cotton: -- at the Subcommittee on Seapower.

7 So what bearing does that particular characteristic have on
8 the decision that should ultimately hinge on best value to
9 the taxpayer?

10 General Bunch: Sir, we believe -- well, it is best
11 value for the taxpayer, but it is also a capability that we
12 need to be able to meet a critical gap, a gap that was
13 identified through the entire Department as a way looking at
14 the technologies that were out there. So it is a balancing
15 act of trying to ensure that we get it in the most cost-
16 effective manner and also meet the capability gap that we
17 need to meet from a requirements perspective.

18 Senator Cotton: So some of the things you have cited,
19 though, like the mature technologies or stable requirements,
20 specified aircraft price, and the inability to recoup cost
21 overseas, when you think about it in the context value, I
22 mean, those characteristics would seem to point at least as
23 strongly in favor of a fixed price contract as they would
24 cost-plus because they should give you a fairly definite
25 idea of what that price is going to be. Is that wrong?

1 General Bunch: Sir, the mature technologies -- I
2 believe we do have a good idea of what those would be. The
3 risk involved is the integration of those technologies and
4 building a never-before-built aircraft. And that moves it
5 on the risk perspective more to the cost-plus arena than it
6 does to the fixed price arena.

7 Senator Cotton: I have seen reports that during
8 industry discussions prior to the bid submission, that one
9 potential offeror indicated that they would not bid on the
10 RFP if it was a fixed price development contract. Do you or
11 any of our witnesses have any knowledge of that?

12 General Bunch: Sir, I will take that for the record to
13 make sure that I answer that in appropriate classification
14 levels of what I am supposed to be doing.

15 Senator Cotton: General Holmes?

16 General Holmes: I do not have any knowledge of that,
17 sir.

18 General Raymond: I do not have any knowledge of that
19 either, sir.

20 General Bunch: So I will take that for the record,
21 sir.

22 [The information follows:]

23 [SUBCOMMITTEE INSERT]

24

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1 Senator Cotton: Let me speak hypothetically for a
2 moment. What would be the impact on value to the taxpayer
3 if the Air Force issued an RFP for such a major weapon
4 system under a fixed price contract vehicle and only one
5 vendor submitted a bid?

6 General Bunch: Under that construct, we would still go
7 into the -- we would get the proposal in. We would evaluate
8 what we believe the performance of that could be, and then
9 we would look and make sure that we were getting a fair and
10 reasonable price for what we were doing, and we would
11 determine if it was a contract that we could let.

12 Senator Cotton: In my final question, let me ascend
13 from this particular point to a more general question
14 related to this matter, General Holmes. In discussions with
15 the committee and staff, you have championed a return to
16 developmental planning, experimentation, prototyping, and
17 developing future capabilities. So we all understand the
18 severe budget constraints the Air Force has faced for the
19 last 7 years. But hypothetically, if sufficient funds were
20 available from a capabilities development perspective, do
21 you believe that a return to prototype development and so-
22 called "fly before you buy" methodology for large, complex
23 weapon systems before down-selecting a winning manufacturer
24 would be the preferred approach?

25 General Holmes: Senator, thanks for the question.

1 I think it depends on the system, both in complexity
2 and the cost. So we are moving forward, and we hope to
3 continue to expand the prototyping and experimentation to
4 look at specific aspects and to reduce risk in different
5 programs. If you are going to go to a weapon system that
6 has a unit cost of \$500 million, then you would have to
7 weigh the cost of competing prototypes built at that initial
8 fly-away cost against what you think you could learn in risk
9 reduction in systems first. So I think it would depend on
10 the aircraft or on the program.

11 Senator Cotton: Thank you.

12 Senator Manchin?

13 Senator Manchin: Just to follow up very quickly on
14 that, I think the concerns we might have is because the F-35
15 strike fighter -- was it not a cost-plus?

16 General Bunch: It was, sir.

17 Senator Manchin: So you can understand our chairman's
18 consternation about that, and I think you have heard it over
19 the years. So we are looking for every way possible not to
20 repeat the mistakes of that type of a contract, and I think
21 that is what we are kind of all leading to.

22 So how can you assure us we are not going to go down
23 that same path?

24 General Bunch: Yes, sir. That is a valid question
25 because we are very worried about cost growth, and it is

1 something that we want to make sure we control as we execute
2 the program. So the two things that we have done -- two of
3 the main things -- we have done more than two, but two of
4 the main things we have done to control cost growth on the
5 program -- the first of those is we conducted an independent
6 cost estimate outside the program office, which is something
7 that the SASC was a champion for with SARA to form an
8 independent cost estimate so that a program office that may
9 be optimistic about what it might cost to develop a
10 capability would not be able to do that. So it is an
11 independent cost estimate. In this case, we actually had
12 two. Those were very close numbers, and we funded to the
13 higher of the two numbers. So that is a key indicator, in
14 past studies by RAND and others, of controlling costs is to
15 have an independent cost estimate to make sure you are not
16 overly optimistic as you start.

17 The second one is stable requirements, and we have had
18 no changes in the requirements since 2013. And our
19 requirements control officer is our Chief of Staff of our
20 Air Force. He has made that very clear to all of us that he
21 controls the requirements and he does not wish to see those
22 change because he knows if you change requirements, you can
23 increase the cost and you can change what you are trying to
24 get in the technology perspective, and he wants to control
25 that.

1 So those are the two main drivers that we have seen
2 over the years that have driven cost.

3 The other piece that we are doing is we are using
4 mature technologies. The analogy that I use here is we do
5 not have developmental programs going on inside a major
6 developmental program for the platform. So I am not
7 developing a brand new radar at the same time I am building
8 a never-before-built aircraft. I am not building a brand
9 new defensive management system at the same time I am
10 building an aircraft that has never been built. So the
11 mature technologies -- the risk there is the integration.
12 The technologies are proven, and we should be able to do
13 those. That is another one to control costs, sir.

14 And the last of those is we have crafted an incentive
15 structure for the contract so that the contractor must
16 perform on cost and schedule to be able to garner or gain
17 the profit and the fee that is associated with the contract.
18 So it is made up of two components. It is made up of cost
19 and it is made up of performance. The performance aspect is
20 based on schedule. And the schedule incentive is the
21 heavier weighted of the two, and it is not just making a
22 date. It is delivering capabilities and meeting
23 requirements. And that schedule incentive is loaded toward
24 the back of the EMD phase, and it goes larger as the program
25 goes forward such that if the contractor is not able to make

1 those dates, then they will lose a portion of the incentive
2 fee up to the point that they will lose it all for that
3 scheduled event. And if they do not execute on cost and on
4 schedule, they end up executing the program at no profit and
5 with no fee.

6 Senator Manchin: Thank you, sir.

7 I want to go to General Holmes real quick. But I want
8 to say on that, General Bunch, we would like to compare that
9 to the anticipation we had when we started the F-35 strike
10 fighter. Some of us who were not there when that started,
11 if this was the same anticipation as you have now with this
12 set of criteria, it was the same back then. What have we
13 learned? We are just hoping that we do not repeat the same.
14 And I will get into that in more detail with you, sir, if I
15 can.

16 General Bunch: Yes, sir.

17 Senator Manchin: General Holmes, I mentioned in my
18 opening statement, the Air Force is planning to retire some
19 aircraft, including AWACS and this EC-130H. Why would they
20 plan to retire aircraft in high demand without planning to
21 replace them? I think that is about as straightforward as I
22 can make it.

23 General Holmes: Thank you, Ranking Member Manchin.

24 So if we go back to the fiscal year 2012 President's
25 budget and we compare the spending levels that we expected

1 to see between 2012 and this year, from the President's
2 budget that was turned in, the Air Force has lost about \$70
3 billion in buying power. From the 2012 budget as it was
4 enacted, which was actually a little lower than that, the
5 Air Force has lost about \$40 billion in buying power. So to
6 try to upgrade all of the Air Force, the money is just not
7 there to do it. So we are forced to make some tough
8 choices.

9 Senator Manchin: The only thing I say is should we
10 assess the risks of failing to meet combatant commander
11 demands. These are people on the front lines. These are
12 aircraft they very much need.

13 General Holmes: Absolutely, sir, we do. And
14 everything I have in the Air Force is very much in need by
15 the combatant commanders. They participate in the budget
16 review process. They participate at every step on the way
17 in building our budget, and the budget that we provide you
18 is a combination of the Air Force and the combatant
19 commanders' best military advice on where to accept risk.

20 We are accepting risk in areas we do not want to. We
21 know we are accepting risk in areas they do not want to. We
22 are just trying to make the best budget we can within the
23 buying power that we have left under the BCA, as modified by
24 the BBA that we are grateful for.

25 Senator Manchin: Then why would we eliminate?

1 General Holmes: Sir, because we only have enough money
2 to do -- we do not have enough money to do all of the things
3 that you expect the Air Force to do.

4 So we hope not to eliminate. We have a plan to
5 recapitalize the EC-130. We plan to bring that forward to
6 you next year. We have brought a plan to you to
7 recapitalize the JSTARS. For the AWACS, our plan is to draw
8 down a portion of the numbers so that we can make money
9 available to upgrade the rest of the fleet to be effective
10 for the combatant commanders and the missions that they are
11 expected to do. And so in general, we are trying to do the
12 best we can to provide all the combatant commanders'
13 requirements within the budget limit that we have and in
14 consultation with them.

15 Senator Manchin: Thank you, sir.

16 Senator Cotton: Senator Inhofe?

17 Senator Inhofe: What you are saying is it is budget-
18 driven. And I think that the other two Lieutenant Generals
19 there with you would agree with the statement that General
20 Holmes just made. Is that correct?

21 You know, I can remember back when the discussion was
22 -- we were talking about the F-15 and F-16. And that was
23 quite some time ago. But again, at that time, the argument
24 was always, well, you can do it with one or the other, but
25 not both of them. And yet, we know now that the missions

1 were different at that time. We knew it at the time.

2 And we are going through kind of the same situation now
3 with the F-22 and the F-35. The F-22 has been carrying a
4 load that it should not have carried. Originally -- and I
5 recall this, and each one of the three of you remember this
6 also -- there were going to be -- what -- 750 F-22's and
7 that slowly went down to -- I cannot remember who it was.
8 In 2008, it went down to 381. Then Gates changed that to
9 243. Now we are down to 187 operational F-22's.

10 All we hear about is how great -- what a great job they
11 are doing. In the statement that was made -- let me see who
12 it was who made this. I think it was when we had Secretary
13 James and General Welsh in here at our general committee. I
14 said I understand the F-22 has been deployed against ISIL in
15 Iraq, Syria, has been deployed in the Pacific, Middle East,
16 and Europe. And the Air Force chose to cut its force
17 structure over the past several years. It is now paying for
18 it.

19 A lot of us complained about this back when we decided
20 that we were going to be downsizing the F-22. And I think
21 that probably all of you would agree now that probably was
22 not a good idea. There was a reason for coming up with the
23 750 to start with, and I have just always wondered what the
24 reasoning was, other than the budget, of bringing it down
25 over the last 7 or 8 years. Do you agree that that was the

1 problem?

2 General Holmes: So, sir, I think it was certainly a
3 budget involvement there. So 750 is about the same number
4 that we built of the F-15A and C in our air superiority role
5 in the Cold War.

6 The budget came down for a couple reasons, one, budget-
7 driven. I think you are right. Also, I think the
8 Department and the Congress made a decision that we would
9 not see a near peer threat within a number of years, and
10 that decision also proved to be -- that judgment also proved
11 to be optimistic. We have seen both Russia and China
12 develop airplanes faster than was anticipated.

13 Senator Inhofe: And I appreciate that.

14 Staying on the F-22, I am not sure who they are
15 quoting, but it was in the "Air Force Times." They said the
16 biggest challenge for the F-22 Raptor community now is to
17 stretch the limited fleet so the Air Force can guarantee air
18 superiority until a successor aircraft comes along. That
19 may not happen for another 20 years. The biggest deficiency
20 in the F-22 fleet, though, has to do with the number of
21 F-22's. There just are not enough of them.

22 I have often wondered. At least I have not heard the
23 discussion in our Senate Armed Services Committee about
24 reopening that line. Is there any thought along that line?
25 I think we all know we do not have enough F-22's. What are

1 the arguments against trying to go back and reopen the line?

2 General Bunch: Senator, there have been RAND studies
3 in that area. They have looked at it and there are rough
4 order of magnitude numbers that are in the billions of
5 dollars and years. And we viewed it in the light of the
6 balancing act we are already doing between readiness and
7 modernization as something that would be cost prohibitive,
8 and we would have to take something else out that we value
9 right now to try to meet the requirements to be able to do
10 that. So we have not put any further analysis into that.

11 Senator Inhofe: As far as the F-35, we really need
12 more of those, and cutting it down from 48 to 45, I do not
13 know what that amount does to the cost. Was that a decision
14 you agreed with, or is it another budget-driven --

15 General Bunch: Sir, I will address the cost. It did
16 not increase our costs. We are in a different position on
17 the F-35 program than we were on the single Air Force
18 program on the F-22. The Navy, the Marine Corps, our
19 partners and foreign military sales have continued to fill
20 the production line so that the cost estimates have
21 continued to come down. That is still on track. And we did
22 not pay increase for the aircraft that we got through the
23 FYDP at this time.

24 Senator Inhofe: In his opening statement, Senator
25 Manchin talked about the current plan to replace the AWACS.

1 Does anyone want to tell us what the current plans are to
2 replace the AWACS?

3 General Holmes: So, Senator, we are looking in the
4 long term at a replacement. Our short-term plans were
5 focused on upgrading the airplanes we have and making them
6 both able to keep flying and relevant as they keep flying
7 through the block 40 and block 45 upgrade. We have taken a
8 recent study to look at our air superiority needs starting
9 in 2030. One of the factors that has come out of that will
10 be choices in what we need to do with the recapitalization
11 program.

12 We hope that our JSTARS recapitalization program can
13 provide a model for recapitalizing the rest of what we are
14 doing now with the wide body aircraft fleet and a way to
15 bring the radar -- the air battle management and an airframe
16 together in a way that is cheaper to be able to continue to
17 do those missions.

18 Senator Inhofe: Okay. I appreciate it. My time has
19 expired, but I am hoping some of the other members might
20 bring up the shortage of pilots, fighter pilots, that we are
21 facing right now.

22 Thank you, Mr. Chairman.

23 Senator Cotton: Senator Donnelly?

24 Senator Donnelly: Thank you, Mr. Chairman.

25 As you may know, Indiana is home to Grissom Air Base

1 and the 434th air refueling wing. Our Hoosier airmen had
2 the opportunity to host Secretary James at Grissom a few
3 months ago. They were able to share with her the incredible
4 job they are doing flying and maintaining the KC-135's they
5 have. And Grissom was among the Air Force's top candidates
6 in the last KC-46 basing round. I expect they will be
7 topping the list next time.

8 General Holmes, in the last KC-46 decision, the Air
9 Force emphasized the importance of Reserve-led associate
10 units. This aligns with the recommendation of the Air Force
11 Commission report in 2014 that recommended expanding the
12 number of associate units in the Air Force. Can you speak
13 to how associations are a force multiplier in air, space,
14 and cyber and whether you anticipate the Air Force creating
15 more Reserve-led associate wings in the future.

16 General Holmes: Yes, sir. Thank you, Senator
17 Donnelly. That is a great unit you have at Grissom. I have
18 hidden from many a hurricane there from the east coast,
19 bringing fighter airplanes there.

20 Senator Donnelly: I can tell you where you will get a
21 good meal, sir.

22 General Holmes: They serve a great service to us.

23 We have a KC-135 associate that is a Reserve wing with
24 an Air Force association on it at Seymour Johnson Air Force
25 Base in North Carolina, and that is probably our highest

1 performing KC-135 unit. When you combine a Reserve unit
2 with the experience that goes with the aviators and
3 mechanics you find in a Reserve unit with a small active
4 duty component that makes the aircraft a little more usable
5 -- they can deploy more often than a citizen airman can on a
6 more regular basis -- then there is a synergy there that
7 makes both sides of it more effective.

8 Over the last year, we have looked at 100 percent of
9 the Air Force's mission areas in our Reserve and active
10 component mix. We have taken steps in each of the last
11 three budgets to adjust that mix, and we will continue to do
12 that as we go forward in the places where it makes us better
13 or it helps us save money.

14 Senator Donnelly: Well, let me ask you this again. Do
15 you anticipate the Air Force creating more Reserve-led
16 associate wings in the future?

17 General Holmes: Yes, sir, I do, but I could not tell
18 you where they would be yet.

19 Senator Donnelly: General Raymond, concerns that
20 warnings from our military about growing threats to U.S. air
21 superiority posed by advanced adversaries are often
22 dismissed as distant and far away. But in fact, while we do
23 have to prepare for large-scale conflict, the more immediate
24 concern is the spread of advanced Russian and Chinese weapon
25 systems into the wars we are already fighting. We are

1 seeing advanced air defenses spread to countries throughout
2 the Middle East and Africa, including Syria where our pilots
3 are flying as we are here.

4 So how is the Air Force responding to the proliferation
5 of these very present threats to our air superiority?

6 General Raymond: Thank you for the question.

7 Let me go back real quick, if I could, to the mobility.
8 I was just in the AOR, and on the mobility piece of it, our
9 mobility aircraft are doing incredible work. They are
10 passing over 2.75 million pounds of fuel a day to feed that
11 fight.

12 On the question that you just asked now on what are we
13 doing, clearly the Air Force has a modernization program and
14 we say that we fly, fight, and win in airspace and
15 cyberspace. There are several things that we are doing.
16 One, you have to be able to fly, and that is the SLEP
17 programs that we have got going on to increase the age of
18 our aircraft to be able to maintain those in years to come.

19 Then there is the part to fight. We are looking at
20 modifications and modernization programs to be able to do a
21 better electronic warfare, to have better radars, to have
22 better ability to share data back and forth between
23 platforms, to have better command and control over those
24 capabilities, to have better weapons that they can drop to
25 be able to do that fight.

1 I agree with your assertion that the technology gap is
2 closing, and we need to move on with those modernization
3 programs.

4 Senator Donnelly: Well, how concerned are you for our
5 airmen if they have to face the S-400 in the near future?

6 General Raymond: I am very concerned for our airmen
7 against the advanced threats.

8 Senator Donnelly: General Holmes, would you care to
9 comment?

10 General Holmes: Yes, sir. So specifically to your
11 question, in this budget we will have to continue to spend
12 money to improve the capability of both the F-22 and the
13 F-15 while we work our way through to a replacement.

14 But air superiority is about more than just those air-
15 to-air airplanes. It is about being able to attack advanced
16 systems like the S-400 or neutralize them with electronic
17 combat or cyber attacks. We will continue to try to hold
18 onto the gap that we have while we try to work out a way to
19 move to the future and start with another higher gap in our
20 air superiority capability, a gap between our performance
21 and theirs. We need to make that bigger again.

22 Senator Donnelly: Ms. Costello, is the Air Force
23 committed to commonality as a means to modernize and
24 maintain the triad? And if so, what elements do you see as
25 most applicable for commonality with the ICBMs?

1 Ms. Costello: So for the GBSD program, we are
2 committed to commonality, and we are working with the Navy
3 on how we can achieve commonality in there. We are early in
4 the analysis there to find out where we can pursue that
5 further. We are heading towards a milestone, and we are
6 working closely with the Navy in order to do that within
7 that program in particular.

8 Senator Donnelly: Mr. Chairman, thank you.

9 Senator Cotton: Senator Rounds?

10 Senator Rounds: Thank you, Mr. Chairman.

11 I would like to follow up on Senator Inhofe's line of
12 discussion with regard to the F-22 for just a few minutes,
13 recognizing that at one point with the B-1 program we
14 started that line up again, and it is a good thing that we
15 did.

16 Now we clearly understand that the near peer threats
17 have increased over what had been anticipated. I am
18 wondering when we talk about a successor aircraft, it may be
19 20 years in the future. But somewhere down the line, we are
20 going to have an additional cost with regard to the planning
21 and the layout and the modernization that goes into a brand
22 new aircraft. And yet, we have taken the F-35 and we have
23 been modernizing the F-22 based upon what we learned with
24 the new technologies in the F-35.

25 Has there been any analysis as to what the actual costs

1 would be to start up that F-22 line with the new systems
2 that are currently available with the F-35 and how that
3 would compare with the extended life that we might get out
4 of that aircraft versus a new aircraft being developed as
5 its successor 20 years from now?

6 General Bunch: So we have not analyzed as, again,
7 there were some initial rough order of magnitude estimates
8 as to what the costs would be. We have not estimated what
9 it would be to reopen the line and populate it with more
10 modern technology. We have not done that at this time, sir.

11 General Holmes: Senator Rounds, the Air Force and the
12 Navy have been collaborating on a future capability that was
13 called the next generation air dominance platform. We have
14 worked together in our studies. We have worked together in
15 providing technology together. The Navy has gone ahead and
16 moved toward an analysis of alternatives. We delayed a year
17 because we wanted to take a broader look at the picture. We
18 will move forward next year with a plan on how we want to
19 get after a solution there.

20 I think because we want to do it faster and we cannot
21 afford to do another 20-year development program for a host
22 of reasons, we will try to go with technology that is at a
23 high readiness level now with manufacturing capabilities
24 that are at a high readiness level now. And I think it is
25 completely possible, as we get to a requirement, that there

1 may be competitors that bid on modification of an existing
2 technology or platform like the F-22 and the F-35.

3 Senator Rounds: Very good. Thank you.

4 Let me go back. Now that we have talked a little bit
5 about the items which we add to the cost, I want to just
6 touch base -- the other day in open committee hearing, there
7 was a discussion about the A-10. And we did not get very
8 far into it because it seemed as though at that stage of the
9 game, it was more a matter of sending the message that we
10 wanted the A-10 to remain operational.

11 And yet, I would like to hear from you, just in terms
12 of -- my personal opinion is that while we would all like to
13 see F-15's available throughout the areas in which right now
14 the A-10's are out there, we do not have enough F-15's to go
15 around unless we start determining that we have got some
16 that can be in two places at the same time. We do not have
17 that. And so the A-10 seems to be working right now in this
18 area where we do not have -- or, as they would call it, a
19 low-threat environment.

20 I understand that long-term you do not want to continue
21 down the line where you may very well need an aircraft that
22 can handle near peer challenges. But with regard to the
23 A-10 right now, it looks to me like we need it right now
24 because the demand is there for it in the field of battle
25 today. And yet, you are trying to do modernization.

1 How do we work these two together? What is your
2 analysis about how and where do we go with the A-10 and
3 modernizing the other platforms that are there?

4 General Holmes: So, thank you, Senator.

5 You know, I have heard it said that the Air Force wants
6 to move away from this mission. What I would tell you from
7 my experience, including as a wing commander in Afghanistan
8 with the F-15E and the A-10, is that over the last 12 years,
9 the Air Force has moved to turn almost our whole combat Air
10 Force's fleet into airplanes that are capable in this
11 mission. And what does that mean? It means we took
12 airplanes that did not have all the capabilities they needed
13 and we added the radios so that a strike Eagle crew member
14 or a B-1 crew member can talk directly to the ground
15 commander, directly to the JTAC, and directly to the air
16 operations center. Flying the F-15E in Afghanistan, I can
17 talk on UHF SATCOM over the high mountains there to the
18 command and control element. I could have one radio with
19 the JTAC who was in the battalion TACP who was looking at
20 the picture from my targeting pod next to the battalion
21 commander, and then one radio talking to the platoon leader.

22 We added advanced targeting pods that combine the
23 geolocation capability so that when you type in a
24 coordinate, it will look exactly at that spot and --

25 Senator Rounds: General, what I am really curious

1 about -- and I do not mean to interrupt, but I am going to
2 run out of time.

3 General Holmes: Yes, sir.

4 Senator Rounds: Are you saying that you have enough
5 F-15's that are capable today of actually doing the jobs
6 that the A-10's are doing, that you have got enough aircraft
7 right now to replace those one for one?

8 General Holmes: So all the airplanes that we use have
9 some unique capabilities that they bring to the situation.
10 Some are faster, some stay out there longer, some carry a
11 bigger load, some can get down lower. We are using all
12 those in the right place for them.

13 My problem is I need no less than about 54 fighter
14 squadrons or the 1,900 limit that the Senate gave us in the
15 NDAA last year. But I cannot afford any more than 54
16 fighter squadrons either. So the problem is, as I stand up
17 F-35 squadrons, that would be a 56th squadron and a 57th
18 squadron. Then without additional funds, I have to take
19 some squadrons down to go through that.

20 Our best judgment, as we came forward to this point,
21 was that the way to do that was to start to retire our aging
22 A-10 squadrons, but we know we are going to work with the
23 Congress to come up with that what that solution is. We
24 think we need at least 55. We are unable to afford more
25 than that. We are not retiring any squadrons this year, and

1 we hope to work with the Congress to find out what the right
2 answer is as we move forward.

3 Senator Rounds: Thank you, sir.

4 Senator Cotton: How many fighter squadrons did we have
5 in the Gulf War?

6 General Raymond: Sir, we had 134 fighter squadrons in
7 the Gulf War.

8 Senator Cotton: Wow, astonishing.

9 Senator Blumenthal?

10 Senator Blumenthal: Thank you, Mr. Chairman.

11 I was struck by the comment in your testimony, and I am
12 going to quote it. The Air Force is currently 511 fighter
13 pilots short of the total manning requirement, and our
14 projections indicate this deficit will continue to grow to
15 approximately 834 by 2022. That sounds pretty alarming.

16 General Raymond: It is alarming, Senator. It is one
17 of great concern for our Air Force. It is one that we are
18 putting a lot of attention and focus on. On the one hand,
19 we have got the airlines that are hiring about 3,500 fighter
20 pilots every month. Our focus is increasing the pipeline,
21 bringing pilots in and maximizing the UPT that we have to
22 ramp up those numbers. We also have to look at absorption,
23 being able to season those fighter pilots and working total
24 force requirements to put fighter pilots in cockpits to be
25 able to do that seasoning. And then we are working very

1 closely on retention issues as well to try our best to
2 maintain the fighter pilots that we do have in the service
3 as we speak.

4 Senator Blumenthal: We tend to be focusing here on all
5 the hardware and the bright, shiny objects and all the stuff
6 that people find glamorous about the Air Force. But if you
7 do not have enough good pilots, all this stuff is worthless.
8 Right?

9 General Raymond: We are an air force and we need
10 pilots, and we need -- all of our pilots are good pilots.
11 We need fighter pilots as well.

12 Senator Blumenthal: I may have overstated it somewhat,
13 but that is the way it looks like to --

14 General Raymond: Again, it is a big focus item for our
15 Air Force. I am 100 percent in agreement with you. We are
16 working this hard.

17 Senator Blumenthal: And let me ask you what can we do
18 to help you with either recruitment or the training or the
19 retention, whatever it is. Maybe you have some
20 recommendations.

21 General Holmes: Well, Senator, we are going to bring
22 forward a plan that will both increase production. We think
23 we need to stand up two more fighter training units that
24 train students out of undergraduate pilot training and turn
25 them into fighter pilots. And we are going to work with the

1 Guard and Reserve to ask them to absorb more of our active
2 duty young pilots into their squadrons. And then we will
3 have to increase our UPT production also to be able to make
4 that happen.

5 We think if we do that, we can start to address that
6 gap, and next year we will bring you a plan. We are going
7 to make it fit into our budget, but there will be something
8 else that falls out. And we will bring you a plan next year
9 to address it.

10 Senator Blumenthal: Well, if I may just suggest, with
11 all respect, I think to have a plan next year is great, but
12 it seems to me if we are expecting a deficit of 834 by 2022,
13 the sooner the better.

14 General Holmes: Yes, sir. So in the short term, we
15 will use the bonus and the tools that we have to try to
16 retain as many of those pilots as we can. We know that
17 their readiness is a big part of that. To keep fighter
18 pilots, you need to give them a chance to be good at their
19 jobs and be ready, and we are working to fund the
20 requirements of readiness as we go through. And we also
21 think that there is a reduction in tempo that is a part of
22 that. We need to give them more time to train and more time
23 to have a full career in the airplane. And then we are
24 going to work to make sure we absorb every person we can
25 that leaves active duty into the Reserve or the Guard so

1 that we hold onto that experience.

2 Senator Blumenthal: I think that is a very important
3 point. And if I may just make a request from someone who is
4 a supporter, not a critic, that if you could give us a plan,
5 even if it is only a chalkboard plan, even if it is only
6 scribbles or whatever, it is not a final finished product,
7 but just so we can reassure ourselves that we are on track
8 to fill this gap.

9 General Holmes: Yes, sir. We will be happy to work
10 through that with you and your staff and tell you what we
11 are planning to do.

12 Senator Blumenthal: Thank you.

13 Let me just quickly ask Lieutenant General Bunch. I
14 think you were at last week's Armed Services Committee
15 hearing when Secretary James testified that the Air Force
16 believes that foreign military sales will protect unit costs
17 from increasing as a result of some of the cuts in the F-35
18 so that, in effect, there will be no increase in cost per
19 unit despite a reduction to 43 instead of 48 in the
20 procurement in F-35's. I asked the question where are those
21 foreign military sales going to go. I think that Secretary
22 James said she would produce more information about it.
23 Maybe you have some more information now.

24 General Bunch: So, sir, I was not at the hearing, but
25 I did hear the question. It was we are not going to pay an

1 increase. The gap of us moving our aircraft out of the FYDP
2 was filled by the Navy and the Marine Corps, our partner
3 nations, and foreign military sales. And I thought I had
4 written down the three nations that we were doing the
5 foreign military sales with, but I do not have them in my
6 notes -- so I apologize for that -- that we would attribute,
7 and we have other ones that are there. But I will get you
8 that information, sir. I apologize.

9 General Holmes: Senator, the partners that are buying
10 aircraft are the United Kingdom, Italy, the Netherlands,
11 Australia, Norway, and Turkey. Denmark and Canada are still
12 making up their mind, and they may move in. And on the FMS
13 side, it is Israel, Japan, and Korea. And then the
14 combination of all those partners, plus the Navy and the
15 Marine Corps -- the program manager has assured us that the
16 price will stabilize.

17 Senator Blumenthal: There will be an increase
18 somewhere in that group.

19 General Holmes: The quantity is big enough that taking
20 that small amount down will not have much of an impact. And
21 then every year, each lot -- the price is going down, and
22 that also figures into it too. The lots that are being
23 negotiated now are at a lower price than the previous lots.

24 Senator Blumenthal: If you could or maybe she or
25 somebody get back to me with a somewhat more definitive

1 answer. I understand those are the nations that are buying
2 planes. I know that the Marine Corps and the Navy are
3 buying planes also. But if you could just give me a
4 rationale and an explanation, I would appreciate it.

5 General Holmes: Sir, we will take that. That is to
6 me.

7 Senator Blumenthal: Thank you.

8 Thanks, Mr. Chairman.

9 Senator Cotton: Senator Ernst?

10 Senator Ernst: Thank you, Mr. Chair.

11 Gentlemen and Ms. Costello, thank you for being here
12 today. I appreciate it.

13 I am going to go back to something that Senator
14 Blumenthal was mentioning with our pilots. And, General
15 Holmes, you mentioned moving some of those pilots'
16 capabilities into the Guard and Reserve. And I just want to
17 address the fact that Iowa -- just in recent years, our Iowa
18 Air Guard lost its F-15's. Those went away. And it was
19 replaced with an ISR unit, which is great. Unfortunately,
20 we lost those pilots. They had to go elsewhere. So now we
21 have RPA capabilities with the ISR unit.

22 Has there been discussions that we are not aware of
23 with the Guard or Reserve, or is this just an idea for the
24 future?

25 General Holmes: So, we have done several specific

1 things, Senator Ernst. And thank you.

2 One of them is our Air Force Reserve is now taking
3 students straight of commissioning that there was not a spot
4 for them in the active duty Air Force, and they are bringing
5 them straight out of ROTC direct into the Air Force Reserve
6 without knowing what unit they will go to, send them to
7 pilot training, and banking on the fact that there will be a
8 requirement for them.

9 On the Air National Guard side, we have associations
10 where we are already sticking some of our brand new active
11 duty pilots there to gain more experience.

12 Then we are recruiting hard with our active duty pilots
13 that are leaving the service. There are vacancies in both
14 Reserve and Guards units, more in the Guard than in the
15 Reserve, that we are working hard to try to help them fill
16 either with active component airmen that are leaving active
17 service and want to continue to serve or by bringing in even
18 brand new lieutenants into the Guard and Reserve to make
19 sure that we keep their roles filled as well.

20 Senator Ernst: So we still have a need for those
21 pilots. I guess going through discussions a number of years
22 ago, I guess I am having a hard time following then why we
23 moved away from the F-15's in the Guard and the decision
24 behind that.

25 General Holmes: Well, so the decision, ma'am, was that

1 again in the Department, the Department of Defense believed
2 that we had excess capacity in what they call TACAIR, which
3 in the Air Force is our fighter force. And they decided
4 that we could accept some risks there. And so the Air
5 Force's answer for the Air Force, that meant to go down to
6 somewhere around 48 or 49 fighter squadrons was the fiscal
7 year 2015 proposal. We think that was too small. We are
8 happy to be back at 55, and we do not think we can go below
9 that. And of that 55, roughly half of those squadrons are
10 in the Guard and Reserve already. So we are already making
11 really good use of that capability.

12 Senator Ernst: Thank you, General Holmes. I agree it
13 was too low as well.

14 I would like to turn to the 400 fighter aircraft that
15 have been retired from the Air Force since 2010. And we
16 have had delays in the F-35A's -- those deliveries. And
17 this has caused what I believe to be a combat fighter
18 shortfall in relation to the combatant commanders'
19 operations plans requirements. At least that is what it
20 looks like.

21 Is there a current Air Force combat fighter shortfall?

22 General Holmes: Thank you, ma'am.

23 So that 55 fighter squadrons, when applied against the
24 problem set that the Department asked us to model against,
25 we would say is barely enough. There is nothing extra in

1 there to be able to meet the requirement. And as we go
2 forward beyond this year, then because the average age of
3 our fighter force is 27 years old, because we curtailed the
4 F-22 buy, because the F-35 is not coming aboard in the
5 numbers we expected, and the second FYDP starting in fiscal
6 year 2022 is where we will start to run into a real problem.
7 It is going to require us to extend the service life of
8 older airplanes, hopefully increase the production buys on
9 the F-35, and then think about some options beyond that,
10 both some higher-end options and some lower-end options that
11 might be more affordable.

12 Senator Ernst: And with the decline in the combat
13 fighter squadrons, has this impacted the ability to deploy
14 air power assets to prosecute the air campaign against the
15 Islamic State? I think that is a large part of why we need
16 these assets.

17 General Raymond: Senator Ernst, it has not impacted
18 our ability to deploy fighter squadrons for the current
19 fight. When we talk about readiness, Air Force readiness,
20 we talk about full spectrum readiness, and part of the
21 equation that goes into this is that less than 50 percent of
22 our fighter squadrons today are full spectrum ready. So
23 they are ready to do what we are asking them to do today,
24 but they are not ready to cover all of the requirements that
25 they may have to be required to cover in an operational plan

1 to meet a combatant commander's requirements.

2 Senator Ernst: And that is where the assuming risk
3 comes into play is that you focus in one area, but you may
4 not be able to cover down in other areas.

5 General Raymond: It comes at a cost of readiness in
6 the full spectrum, and it would require time to be able to
7 recoup that readiness.

8 Senator Ernst: Very good. Any other thoughts?
9 General Bunch?

10 General Bunch: So, Senator, thank you. I would just
11 add that we do have a continuing requirement in the combat
12 in Syria and Iraq, and when you put that with the
13 requirements in Afghanistan, with the requirements to deploy
14 to the Pacific to reassure our allies and to deter potential
15 adversaries there, and now we have added an additional
16 requirement in Europe with the Russian activity where we are
17 now also deploying TDY squadrons there from both the active
18 and the Reserve component, the cost of that is readiness to
19 the force that we have. And every time we do that, it makes
20 them less ready if they have to go fight a near peer
21 adversary or a very capable adversary. And so that is what
22 the Department has to balance, how many they provide and how
23 much opportunity they allow our crews to train to make sure
24 that they are full spectrum ready.

25 Senator Ernst: Certainly. Thank you very much for

1 being here.

2 Thank you, Mr. Chair.

3 Senator Cotton: Senator Lee?

4 Senator Lee: Thank you, Mr. Chairman.

5 Thanks to all of you for being with us today, for all
6 you do for our country.

7 I want to talk a little bit about the Utah testing and
8 training range. As we discuss the modernization of our
9 aircraft and of our weapon systems, it seems appropriate to
10 me that we ought to discuss the need to make sure that our
11 test and training ranges are there and available to be used
12 so that we can test fifth generation weapon systems against
13 emerging threats that are becoming more and more
14 sophisticated all the time and that are sort of closing the
15 gap.

16 I am pleased to report that just 2 weeks ago, an F-35
17 with the 34th Fighter Squadron at Hill Air Force Base
18 successfully deployed and dropped a laser-guided bomb over
19 the UTTR.

20 I am a cosponsor of a piece of legislation, along with
21 Senator Hatch, that would enhance the UTTR, and that I think
22 would, in turn, enable the Air Force to more effectively
23 test the F-35 and other fifth generation aircraft in the
24 coming decades.

25 So, General Holmes and General Raymond, I would like to

1 ask you detail for the committee the importance of preparing
2 these ranges for testing fifth generation weapon systems and
3 protecting them from issues that could compromise our
4 ability to use them.

5 General Raymond: Senator, it is a great point. It is
6 one that we are also putting a lot of focus on. As part of
7 our readiness pillars, one of the pillars of readiness that
8 we focus on is training. And over the course of this
9 budget, we have put forward about a billion dollars extra to
10 focus on that training, focusing on making sure the ranges
11 have those capabilities that they need to simulate that
12 high-end threat, to make sure that we have the airspace
13 required to be able to do that. We are working live,
14 virtual, and constructive training as well to help with that
15 effort. But it is something that is going to be absolutely
16 critical for our readiness going forward. We put some
17 funding into it this year to be able to start that and to
18 seeing that growth.

19 Senator Lee: I am glad to hear that.

20 General?

21 General Holmes: And, sir, we appreciate, Senator, the
22 efforts that you and Senator Hatch have made in your act to
23 avoid encroachment on the ranges. That is certainly
24 important to us to keep that airspace. We will have to move
25 a lot of our highest-end training into simulators because we

1 do not want people to watch us do that highest-end training.

2 Senator Lee: That would be fun for everyone.

3 General Holmes: But we are always going to have a need
4 for the real ranges to fly real airplanes against real
5 threat emitters so we can make sure that things work. And
6 that is where we are trying to put that money over the next
7 5 years that Jay talked about.

8 Senator Lee: Great. Well, thank you.

9 Several of my colleagues and I have expressed concerns
10 about hiring issues at Air Force depots, which is a
11 challenge faced by depots across the services. The time it
12 takes to hire civilian workers for some of these positions,
13 including especially things like engineers and some of our
14 maintenance technicians, are ridiculously long. I mean,
15 these are time frames that would put a private sector
16 business really out of business.

17 So I know this is something the Air Force is working
18 on, and we look forward to assisting in any way we can to
19 alleviate the problem. But how will these hiring issues
20 impact your modernization efforts if they are not addressed?

21 General Bunch: So, Senator Lee, thank you for the
22 question.

23 Hiring of civilians at our depots is a key concern and
24 one we are working very feverishly. I know that we have
25 been over and presented information to you and the depot

1 caucus on some of those initiatives.

2 It can impact. We make decisions based on a number of
3 people coming in. We have had an action team going from an
4 FMC. We have also got a team at AFPC and the air staff,
5 A-1, has rolled into this trying to streamline that process,
6 trying to get as many authorities as low in the organization
7 as is possible. And it is something that we are tracking
8 very closely, but it is critical that we hire more people in
9 a more timely manner.

10 Senator Lee: Well, thank you. I appreciate that.

11 Over the last 2 years, there have been a lot of
12 discussions in this committee regarding the Air Force's
13 plans to retire the A-10 and move its uniformed maintainers
14 to new F-35 units. Now that you have decided to keep the
15 A-10 operational, what steps are being taken to ensure that
16 the F-35 has the required maintenance personnel so that we
17 can make sure this is covered both in the short term and in
18 the long term?

19 General Holmes: So, thank you, Senator. We are kind
20 of doing everything we can think of, including the
21 suggestions that we got from this committee in previous
22 years. So we are contracting out maintenance in some of our
23 nondeployable squadrons, particularly training units. In
24 this budget, we asked to hire civilian contractors to do the
25 work at places where we train people to fly the fighters so

1 that we can free maintenance people up there to go to F-35
2 school. We are asking our Reserve and Guard to help us in
3 several places, notably they are primarily at Luke and at
4 Hill, as we change the mission there. We are amending our
5 high-year tenure rules so that we can keep a tech sergeant
6 skilled mechanic longer than the rule set would allow them
7 to stay in the Air Force at that grade. We have reviewed
8 the bonuses for maintainers to try to retain more so that we
9 have a larger force. And then with the end strength that we
10 have requested an increase in this budget, a healthy portion
11 of that end strength goes to training more maintainers to
12 fill in that gap, and we stood up additional instructors and
13 classroom time in our tech training school to try to provide
14 people to fill those requirements.

15 General Raymond: Could I add? We also made a down
16 payment and procured some additional manpower in this budget
17 and specifically targeted them to maintainers. One of our
18 big readiness levers is having the right folks with the
19 right skill set, and we have started that initial
20 procurement of additional bodies this year.

21 Senator Lee: Wonderful. That is helpful. Thank you
22 very much.

23 Thank you, Mr. Chairman.

24 Senator Cotton: Senator McCain?

25 Senator McCain: General Holmes, I believe that the

1 2016 NDAA required a reporting on the total number of F-35's
2 that will be procured. I believe that that information was
3 supposed to be submitted to the committee some months ago.
4 Do you have any response to that?

5 General Holmes: Senator, I believe that the Department
6 made that a CAPE-led study that the Air Force is
7 participating in. I will double check to make sure, but I
8 believe we are working with the CAPE to provide the answers
9 back in that study.

10 Senator McCain: Have you notified the committee as to
11 why you have not complied with the law?

12 General Holmes: Sir, again, I will check with CAPE,
13 and if they have the lead on that study, I would have
14 expected them to.

15 Senator McCain: So you do not know whether they have
16 complied with the law or not?

17 General Holmes: No, sir, I do not.

18 Senator McCain: I am curious why not.

19 It is my understanding that you are keeping the cost of
20 the program classified. Is that correct?

21 General Bunch: Sir, are you addressing the B-21, sir?
22 I am sorry. I apologize. I misunderstood the question,
23 Senator.

24 Senator McCain: Yes, the B-21.

25 General Bunch: Yes, sir. At this time, we have not

1 released contract value to everyone. We have released the
2 service cost position and the independent cost estimate. We
3 did release that. In the base year 2016 dollars, it was
4 \$23.5 billion for the EMD phase.

5 Senator McCain: Why would you not ever want to tell
6 the American people how you are going to spend their
7 dollars?

8 General Bunch: Sir, one of the things that we are
9 doing is we had a closed session with this committee. We
10 are also trying to arrange closed sessions with the House
11 SASC.

12 Senator McCain: Why should the taxpayers not know?
13 Why should the average citizen not know what the cost of a
14 -- whatever -- how many tens of billions of dollars -- \$80
15 billion to \$100 billion program? Should the taxpayers not
16 know that?

17 General Bunch: Sir, we are trying to balance the
18 transparency that we want do with the public so that they
19 understand what we are doing, but we are also trying to
20 protect the critical capabilities of this asset.

21 Senator McCain: By saying how much it cost?

22 General Bunch: Sir, we are trying to prevent the
23 ability of individuals to link different pieces that may be
24 unclassified together to get an idea of how the money is
25 being spent so that they --

1 Senator McCain: Tell me another time where we have not
2 told the American people the cost of something that they are
3 paying their tax dollars for.

4 General Bunch: Sir, we have given Congress and we have
5 given the taxpayers the amount of money that we are
6 expecting to pay -- what the acquisition program baseline is
7 and the amount of money that we, the Air Force, are
8 committed to get this capability delivered so that we can
9 serve the Nation.

10 Senator McCain: General, you are not serving the
11 Nation or the taxpayers if they do not know how much of
12 their taxpayer dollars are being spent. You and I have a
13 very different view of our obligation to the taxpayers. And
14 frankly, I have never heard of this before, that they should
15 not know how much of their dollars that they pay in taxes
16 are being spent because somebody might connect the dots?
17 What is that all about?

18 General Bunch: Sir, I believe we have shared with the
19 public and with the committee --

20 Senator McCain: The public knows exactly what the cost
21 of it is?

22 General Bunch: They know our average procurement unit
23 cost. We have released that and we have released our
24 independent cost estimate and our service cost position.

25 Senator McCain: So you have not complied with the

1 laws, the total number of F-35's. You do not want to tell
2 the taxpayers how much the B-21 costs. And we now are
3 finding ourselves in a shortfall of aircraft of the F-35
4 which you say will not increase the unit costs because of
5 foreign sales. Is that correct, General Holmes?

6 General Holmes: The program office says that with the
7 total number of aircraft that are being bought that our
8 reduction of five will be made up by the other partners and
9 that we should not see any increase in cost.

10 Senator McCain: It will be met by the other partners.
11 How much is five aircraft?

12 General Holmes: It depends on which lot we are talking
13 about, Senator. But five aircraft are roughly \$700 million
14 I think.

15 Senator McCain: So \$700 million of five less aircraft
16 will be made up by increased foreign sales?

17 General Holmes: Sir, the program office says that
18 total buy is big enough that a change in five in 1 year will
19 not have a big impact on the price.

20 Senator McCain: So \$700 million. That will be just
21 chump change.

22 General Holmes: Well, sir, so we pay by the airplane,
23 and we are not buying those airplanes. So the impact is on
24 the cost spread across all the fleet and there is a factor,
25 the more you build in a year, the cheaper they are. But we

1 are not amortizing that \$700 million over the rest of the
2 airplanes that are being bought. We are not spending that
3 money. We are not giving it to Lockheed. So the price is
4 based on the number that you buy in a year and a lot and not
5 on the other parts.

6 Senator McCain: So then why do we not do 10 less since
7 it would be cheaper then?

8 General Holmes: Because it is a capability we believe
9 is very important to us. But at the budget totals we were
10 told to plan under, that was all we could afford and hold
11 onto the rest of the force structure that the NDAA told us
12 to and meet the other requirements that we are asked to
13 meet.

14 Senator McCain: Now, is there a proposal? I
15 understand there is a proposal to transition out of rated
16 pilots for operation of drones. Is that correct?

17 General Raymond: Yes, Senator McCain, there is. We
18 are going, starting in fiscal year 2016 or fiscal year 2017,
19 to begin the transition to enlisted RPA pilots for the
20 Global Hawk aircraft.

21 Senator McCain: But not the rest.

22 General Raymond: Not at this time. We have done a
23 similar thing. I grew up in space operations. Years ago,
24 we started out with engineer officers that flew satellites.
25 We went to operator officers. You did not have not have an

1 engineering degree. And then we transitioned to enlisted
2 operators. We are taking a very deliberate approach to
3 this. We are going to start with the Global Hawk. We are
4 very comfortable that our enlisted airmen are going to be
5 able to do that. We want the "get well" plan and the other
6 initiatives that we have for the MQ-1 and MQ-9 to take root,
7 and then we will evaluate further going forward.

8 Senator McCain: Do you think it was a good idea to
9 start with to require rated pilots, particularly given the
10 shortfall we have?

11 General Raymond: I was not in this position or in this
12 job at that time, but it is where we are. I think it was
13 important that we have a capability. It was a technology
14 demonstrator with significant growth, and I think using the
15 pilots that we had to do that was a smart move at that time.

16 Senator McCain: I thank you, Mr. Chairman.

17 Senator Cotton: Now we will go into a second round of
18 questions. I have some questions first about the tanker
19 program, Ms. Costello.

20 The delay in the first flight of the first fully
21 missionized KC-46 Alpha and subsequent slipping of required
22 testing caused a postponement of the milestone C full rate
23 production decision until May of this year. How will this
24 slip of that milestone C decision impact Boeing's ability to
25 deliver its required 18 aircraft by August of next year?

1 Ms. Costello: That slip is not expected by Boeing to
2 cause a problem with the RAA. They are holding to their
3 belief and their expectation that they can deliver the 18
4 aircraft on time for RAA. The milestone C is currently
5 still planned for May of 2016 and the RAA for August of
6 2017, and we are proceeding on that path.

7 Senator Cotton: So we can expect 18 aircraft on August
8 2107?

9 Ms. Costello: Boeing is standing by their position
10 that they can deliver that, and the Air Force is cautiously
11 optimistic that we can, in fact, achieve that, sir.

12 Senator Cotton: On an anomaly, I understand there are
13 concerns that higher than expected axial loads on the boom
14 when in contact with the receiver aircraft that was
15 discovered during refueling test flights. Can you explain
16 that a little bit further and comment on any schedule impact
17 that it might have?

18 Ms. Costello: We are currently working with the
19 contractor in order to assess that. They have got a CDR
20 plan for some fixes. They are looking at the analysis. It
21 will be a couple weeks before we know what their recommended
22 solution is, and at that time, we will have to figure that
23 in whether it has an impact on any of our future decision
24 points. They will at least have to do some software work,
25 and we are determining what else, if anything, has to

1 happen.

2 Senator Cotton: Let us return to today's aircraft,
3 specifically fourth generation fighter aircraft. General
4 Holmes, in the fiscal year 2017 budget request, you stated
5 there were additional fourth generation fighter capability
6 upgrades that you lacked sufficient to include in the
7 request. Could you please describe the upgrades, the
8 threats they counter, and the specific aircraft which would
9 be modified? Please do so in layman's terms --

10 General Holmes: Yes, sir, I will.

11 Senator Cotton: -- understood by normal citizens, not
12 Appropriations Committee staffers.

13 General Holmes: Thank you, sir.

14 Senator Cotton: And could also be understood by
15 subcommittee chairmen.

16 General Holmes: Yes, sir.

17 So the two primary airplanes we will look at for fourth
18 generation modifications are the F-15 and the F-16. On the
19 F-15 side, we have run a test to see how long the airplanes
20 will last. We take a test stand that is built by engineers,
21 and it bends the airplane and moves it around. And you can
22 see what the service life will be in advance by simulating
23 hours of flight. And we found that the F-15 will not last
24 in its current state as long as we hoped it would. And so
25 we are going to have to put some money in the depot schedule

1 and to repairing parts that we predict through that process
2 will fail. And that is so that it will be around long
3 enough that we can keep flying it.

4 Then the capabilities that they will need to stay
5 relevant against the threat are they will need a new radar.
6 An electronically scanned radar is very important to counter
7 advance jamming threats that have been propagated primarily
8 by the Russians and Chinese and others. They will need a
9 digital radar warning receiver which allows you to know
10 whether an advanced radar is looking at you or targeting
11 you. And they will need advanced electronic combat
12 capabilities to defeat that radar. And then they will need
13 a new computer to tie all that together and make it work.
14 That is pretty much it for the F-15 side.

15 On the F-16 side, there is some service life left on
16 those airplanes, and we had not planned to use it because we
17 thought they would be replaced by F-35's, but some of them
18 will not be because of the delays in that program. So there
19 is a very limited number of them that will have to have some
20 service life extension to make them last longer, and then we
21 will do the same kind of upgrade on them if we can get the
22 money to do it, which would be a new radar, a new central
23 computer, a new radar warning receiver, and new electronic
24 combat gear.

25 We could not get to those as fast as we would like to.

1 We do make a down payment on that in this program. If we
2 had extra money, we would put money there. Thank you.

3 Senator Cotton: Ms. Costello, I want to turn to the
4 UH-1 November helicopter replacement program. Secretary
5 James recently testified that an acquisition decision is due
6 soon on the replacement program. She also testified there
7 is a sole source option under consideration to replace the
8 current fleet. I understand that a request for information
9 was issued to industry last year, which would seem to
10 indicate the Air Force's intention to conduct an open and
11 competitive bid process.

12 If the decision is to proceed with the sole source
13 award for the helicopter replacement program, are you
14 prepared to present this committee with the overwhelming
15 evidence necessary that such an award would actually provide
16 best value to the American taxpayer?

17 Ms. Costello: Yes. We would share the information
18 that we can gather along the way. What is going on right
19 now is we have gone out and mitigation efforts have been
20 taken over the last year, but we believe we still need to
21 look at what we can do with the helicopters that support the
22 nuclear mission especially.

23 We are looking -- and we have asked for STRATCOM and
24 for the Air Force Global Strike Command to outline the
25 criticality of their requirements so we can prioritize which

1 helicopters need to be replaced immediately as opposed to in
2 the long term. When we get that information, we have asked
3 for our team to put together some options. Sole source is
4 one of those options, but they are looking at a couple COAs
5 right now. And they are supposed to come back over the next
6 couple weeks for me to hear what they are representing, and
7 then we will make a decision on our way forward at that
8 point in time.

9 Senator Cotton: I understand -- correct me if I am
10 wrong -- that the helicopter will be used both for the ICBM
11 security mission and then for what you might call
12 Washington-centric missions, continuity of government, VIP
13 transport, and so forth.

14 Ms. Costello: That is part of what we are looking
15 into. Right now, we are focused on the nuclear support
16 mission, which is the ICBM convoy, and support in that area.
17 We are looking at options that might break out the other
18 missions separately and consider that for future
19 procurement. It has not been decided yet, but these are the
20 type of COAs that are being looked at.

21 General Bunch: Senator Cotton, Ms. Costello is exactly
22 right. The nuclear deterrent that we have is safe, secure,
23 ready to go if needed. Our focus right now is a capability
24 gap that the UH-1N cannot quite meet despite the mitigation
25 steps that we have taken, and we are going to weigh the

1 risks associated with that and the critical nature of that
2 requirement against the urgency of need and that would be --
3 I am sorry, sir.

4 Senator Cotton: Why can it not meet those
5 requirements?

6 General Bunch: There is a time to respond and a
7 carriage capability they cannot quite meet. I believe those
8 are two that we are short in. And we are going to look at
9 the urgency of that requirement. And if we do decide that
10 we wish to go sole source, it will solely be focused in
11 those areas to address the nuclear mission. It will not be
12 used to address the entire fleet. It would be an urgency
13 need to meet that what we would come forward with, sir, if
14 the evidence that comes to Ms. Costello is appropriate for
15 that.

16 Senator Cotton: So some observers might say that a
17 next generation fighter or bomber is a uniquely complex kind
18 of platform that might need special contracting
19 consideration, but a helicopter to fly even long distance
20 with heavy loads is a pretty traditional kind of platform.
21 What would necessitate a sole source contract for a
22 helicopter?

23 Ms. Costello: In this case, what we are looking at is
24 the time in which they need it. If they need it to be
25 procured in a certain amount of time and the mission

1 requirement is in fact validated, then we have to look at
2 how fast we can buy it. And there are opportunities to buy
3 off existing contracts that are one of the COAs as opposed
4 to going off and doing a whole new contracting event. Those
5 are the types of things that we have asked them to look at,
6 what are the pros and cons of each option. So a decision
7 has not been made yet. We have got to get the data. We
8 have to assess it against the timeliness required, weigh the
9 pros and cons, and then make a decision.

10 Senator Cotton: Thank you.

11 Senator Manchin?

12 Senator Manchin: Just very quickly. General Bunch,
13 what would be the impact of reforming the contract for the
14 B-21 to a fixed price contract?

15 General Bunch: Sir, we have looked at it and the
16 assessment is we cannot shape the contract that we have to
17 that. We would have to terminate that contract. That would
18 have a cost of over \$300 million to do the termination. We
19 would then have to have a recompetete. If we did that
20 recompetete, that would be somewhere in the neighborhood of 24
21 to 30 months to complete the recompetete. There would be a
22 commensurate delay in fielding the aircraft, sir.

23 Senator Manchin: What is the \$300 million? What
24 constitutes the cost of \$300 million?

25 General Bunch: We are on contract with a company that

1 has gone out and put suppliers on contract and on order, and
2 they have started their business case. And the analysis
3 that we have done to --

4 Senator Manchin: There is a penalty clause by them if
5 we break it.

6 General Bunch: Yes, sir, because the contract that we
7 have with Northrup.

8 Senator Manchin: Yet, they are on a cost-plus.

9 General Bunch: They are on a cost-plus, sir, and they
10 have gone out to try to do --

11 Senator Manchin: You know it is not real popular here.
12 Right?

13 General Bunch: I do understand that, sir, and I still
14 believe it is the best choice for the contract type with the
15 risks associated. And we look forward to the discussion on
16 this because we realize there are a lot of different
17 opinions.

18 Senator Manchin: I respect that. I really do respect
19 where you are coming from. It is just that we all have to
20 get there, and I think right now there is such a bad taste
21 in everybody's mouth that it is going to be a tough one. We
22 will try it. We are going to be open-minded and try.

23 General Bunch: Yes, sir.

24 Senator Manchin: With that being said, I think,
25 Secretary Costello, you General Holmes, in your prepared

1 statement for the record, you alluded to a possible
2 replacement for the A-10 and its close air support
3 capability. And this is what you all said. The Air Force
4 is funding a combat Air Force study over the next year with
5 a portion of this study dedicated to informing the fiscal
6 year 2018 to 2022 budget cycle on possible tactical air
7 support platform alternatives for low-intensity permissive
8 conflict. This will serve to ensure that other current
9 platforms in future systems meet future close air support
10 requirements.

11 So if the study were to lead to a decision to select
12 the material solution for this mission, how long would it
13 take to deliver a new tactical air support platform or a new
14 aircraft into the operational force?

15 General Holmes: So I will defer the how long question,
16 Senator. Briefly, the Department has directed in one of
17 their RMDs and the direction to us that came with the budget
18 for us to work with the study to look at low-cost platforms
19 and to work through that. And we will, and we will evaluate
20 keeping older platforms longer, adding new capabilities to
21 existing platforms, and developing a new platform. I will
22 defer to General Bunch for how long that might take.

23 General Bunch: So it depends how off-the-shelf we are
24 talking about, sir, and what kind of capabilities. We have
25 to look at what is out there in off-the-shelf, some of the

1 aircraft that we are using in the more permissive
2 environment and determine what capabilities they have and if
3 those would fit the immediate need. And if it was very well
4 developed and did not have to have a stretch for the
5 requirements, we could do that in a pretty quick manner. If
6 it is a stretch for the requirements, then it may take
7 longer, and we would have to look at the individual case
8 study as it comes forward.

9 Senator Manchin: So my final would be -- I also
10 mentioned in my opening statement concerning the Air Force's
11 plans to retire, as we talked about, the A-10. We just
12 talked about it some more. As the new F-35A joint strike
13 fighter aircraft replaces them on a one-for-one basis, I
14 understand that while there is a one-for-one replacement for
15 the aircraft in squadrons under the Air Force plan, it is
16 not clear that close air support capability of the
17 modernized force will equal or exceed the close air support
18 capability of the current force.

19 So I guess, General Holmes or General Raymond, what is
20 the Air Force doing to ensure that as the A-10 aircraft
21 basically is retired, the Air Force will not be losing that
22 close air support? And do you believe that the F-35 will
23 equal or exceed the A-10 in close air support? And in the
24 past, you have pointed to the F-15 and F-16 as picking up
25 close air support missions being vacated by the retiring

1 A-10's. So I guess you believe that the 15's and 16's will
2 be able to equal or exceed, and you believe the F-35 will be
3 able to fill in one for one.

4 General Holmes: So, thank you, Senator.

5 We do believe that we will be able to maintain the
6 capacity that we need to support the close air support
7 mission. And all the platforms have some different
8 capabilities that make them better in one area than in
9 others. But we think we will be able to do that. We are
10 working to make sure that we have the procedures to do it.
11 We are establishing a CAS integration center at Nellis to
12 make sure that those airplanes are ready to do that role,
13 both with the tactics, techniques, and procedures and the
14 com systems set to do it. And ultimately we are going to do
15 it in the same way that the Navy and the Marines are doing
16 it with similar platforms.

17 We believe the F-35 will be a capable CAS aircraft. It
18 will be particularly capable in contested environments like
19 in Russian doctrine, if you bring forward your air defenses
20 with you, there will be a limited number of airplanes that
21 can operate in that role. It certainly would be an
22 expensive way to go after a permissive environment mission,
23 and we hope to not have to do that. And so we will look at
24 other options, as you talked about before, of how can you do
25 that permissive environment role cheaper.

1 Senator Manchin: Thank you.

2 Senator Cotton: Just a few wrap-up questions here.

3 First, returning to some of Senator McCain's questions about
4 the B-21 program. I certainly understand the need for
5 secrecy among many of the programs of our military, as well
6 as our intelligence communities, and highly value those. At
7 the same time, I think we should try to be as transparent as
8 we can with taxpayers. If we cannot say today what this
9 information is -- we know it because we have had classified
10 briefings on it. But if we cannot say today the answer to
11 some of these questions like the contract award value, can
12 you tell us when we might be able to provide that
13 information to the taxpayer?

14 General Bunch: Sir, I think we will be able to provide
15 that in the upcoming months. We are still working our way
16 through the GAO reports, and we are working our way through
17 looking at the classification of those things. That is
18 something the Secretary has asked us to do. One of the
19 issues that we have found as we looked and tried to map the
20 path forward, we felt that one of the things that was not as
21 transparent with the American public was the way the B-2
22 program was handled. We are trying not to mirror that. So
23 we are trying to release as much information and be as
24 forward as we can. We just have not gotten to the point
25 that we can release that at this stage.

1 Senator Cotton: Well, as we discussed in the
2 classified setting last week, I hope we do not mirror the
3 B-2 program or the F-22 program in the sense that we
4 actually achieve the number of aircraft we want to since the
5 Air Force and our Nation badly need the B-21 bomber to be a
6 complete success.

7 General Bunch: Sir, we believe we have set in place a
8 contract structure and a methodology -- or an acquisition
9 strategy that puts us in a different place than we were on
10 those programs with the right oversight, the right incentive
11 structure, the right requirements, and the independent cost
12 estimate, and holding those requirements firm.

13 Senator Cotton: Second, I want to turn to the C-130H
14 AMP. Ms. Costello, the NDAA from last year authorized a
15 restructured AMP program and segmented the program in two
16 increments. The first increment was aimed at upgrading
17 airspace compliance and safety requirements, while the
18 second increment provides upgraded cockpit display and
19 commonality across the different aircraft variants. Can you
20 please explain why there is no procurement funding in the
21 C-130H AMP increment one for fiscal year 2017, but there are
22 funds for fiscal year 2018 and beyond?

23 Ms. Costello: In our budget this year, we do
24 accelerate the increment 1 AMP program so that we do meet
25 the FAA mandate. We have accelerated so that all 172 H's

1 will have increment one installed in time for that to be
2 done. While most of the funding is later in the FYDP, it
3 does get that done. We will complete all of that work by
4 December of 2019 so that our aircraft will meet the mandate.

5 For increment 2 AMP, we also have accelerated that in
6 this year's budget, and we brought forward 14 years earlier
7 when we will complete having install of the increment 2. It
8 will be completed by 2028 now.

9 Senator Cotton: So all -- I am sorry.

10 General Bunch: We just released the request for
11 proposal for the INC-1 yesterday, so we are getting that
12 program started. It is early in its phases, but we will
13 complete it by the end --

14 Senator Cotton: As I understand, the budget tables
15 include no funding for fiscal year 2017. Is that right?

16 General Holmes: Sir, let me double check that for you.
17 We believe we fully funded the program and we are going to
18 get it done.

19 Senator Cotton: I know the omnibus last year included
20 \$70 million for it. So what I am curious about is whether
21 that \$70 million is in your opinion adequate for the entire
22 fiscal year 2017.

23 General Holmes: Sir, can I take that for the record?
24 We think it is fully funded.

25 Senator Cotton: You may take it for the record as long

1 as you answer it for the record.

2 General Holmes: Yes, sir, we will.

3 Senator Cotton: Okay.

4 General Holmes: I will get it back to you right away.

5 If there is not money in 2017, I am guessing it is because

6 we are spending it in 2016, and then there will be a gap

7 between the procurement. But let me double check that and

8 make sure it is all there.

9 [The information follows:]

10 [SUBCOMMITTEE INSERT]

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1 Senator Cotton: What are the Air Force's plans for the
2 five operational C-130H aircraft that were upgraded in the
3 previous AMP program but are currently stored at Little Rock
4 Air Force Base in a non-flying status?

5 General Bunch: Sir, they are going to be ones that we
6 consider later on in the program, and we will not look at
7 those in increment 1 at this time. We looked at the
8 estimated cost to get those into the configuration to go
9 INC-1, then INC-2, and it is very much more expensive to get
10 those into the increment 1 stage first and then to go to the
11 increment 2, almost four to five times as much as taking a
12 fielded C-130H and getting them to increment 2.

13 So our strategy is we are going to look at that as we
14 go into increment 2. We will reanalyze where we are at with
15 our inventory, and then we will assess it as we go into
16 increment 2. We are not going to try to address it in
17 increment 1.

18 Senator Cotton: Third and final. So I have heard a
19 lot from commanders around the world in different combatant
20 commands in the different services about diminishing weapon
21 stockpiles. General Holmes, do you have the appropriate
22 authority to procure munitions based on expected expenditure
23 rates, not simply past expenditure rates?

24 General Holmes: We do this year, Senator, and that is
25 a new change in the way OMB is dealing with OCO and we hope

1 that you will too. But they allowed us to predict our
2 expenditures this year in 2017 so that we can reduce the
3 time it takes us to replace OCO munitions.

4 Senator Cotton: When I hear you say we do this year,
5 it raises a question of whether you are trying to say we do
6 not for future years.

7 General Holmes: Sir, I was not trying to avoid that
8 question, but the administration decided to do it 1 year at
9 a time and give us that authority 1 year at a time. I
10 believe they did not want to tie the next administration's
11 hands prior to them having a chance to decide. So they did
12 it in this year, and we expect it to follow.

13 Senator Cotton: So what munitions, aside from JDAMS,
14 do you anticipate a future need for?

15 General Holmes: Sir, I have got a long list of
16 munitions. The primary OCO munitions that are being
17 expended are JDAM kits, the bomb bodies that go with it.
18 SDB-1 and Hellfire are the ones that we are looking to buy
19 in advance as we go forward. And then my preferred
20 munitions list to fill up the entire kind of magazine of my
21 requirements include also air-to-air munitions and some more
22 sophisticated air-to-ground munitions as well.

23 Senator Cotton: Do you have adequate funding for all
24 those munitions?

25 General Holmes: Sir, I believe that we could spend

1 more money there. It is one of the places that we need to.
2 It is one of the areas that, as we balance risk across the
3 Department, we are accepting risk there.

4 Senator Cotton: Not many examples of something that is
5 more suitable for OCO spending than replenishing rounds. Is
6 there?

7 General Holmes: No, sir. It is a great one. The
8 problem is that our industry's capacity is limited on what
9 they can do in 1 year. And so at the OCO rates we are
10 buying now, we are maxing the capacity on JDAM. Most of the
11 weapons we are buying we are buying at that economic order
12 quantity that the manufacturer can build without losing
13 money. And so to increase that procurement, we will have to
14 go back and also pay for increased tooling and other things
15 at the manufacturer to be able to buy them at a great lot in
16 1 year. What we would propose, if you would like to work
17 with it, would be a multiyear plan that gradually increases
18 the amounts so that we can buy back what goes in those
19 magazines. But we need more money if we are going to do
20 that.

21 Senator Cotton: And is that primarily a question of
22 budget resources and industry capacity versus your
23 authorities?

24 General Holmes: We have the authorities, sir, in our
25 base budget to go out and procure munitions. It is a matter

1 of deciding where we are going to take the risk. In the OCO
2 area, we did not press beyond what industry could do in 1
3 year. So I am not sure I can answer that. But we have the
4 authority to go out and use the predicted expenditures and
5 buy those in advance.

6 General Bunch: Senator Cotton, we are in negotiation
7 with Boeing on JDAM to ramp up so that we can meet not only
8 our needs but our allies and foreign military sales and
9 other requirements. We are doing those negotiations to try
10 to get up to a higher production rate.

11 Senator Cotton: The Director of National Intelligence
12 testified last year that the global threat environment was
13 as severe as he had ever seen it in 45 years. And he said
14 he expected to say the same thing next year, and he did in
15 fact say the same thing this year. It is the worst he has
16 seen in 46 years. He did not make a prediction for next
17 year. But I will ask you if you would expect us to have a
18 lower or a higher need for munitions in the coming years.

19 General Holmes: Sir, in my opinion, it will continue
20 to be at the same way it is now at least for years to come.

21 Senator Cotton: Well, thank you all very much for your
22 time. Thank you very much for your service. We appreciate
23 everything you do for our country, and we look forward to
24 working together over the coming months to make sure that
25 our Air Force has the authorities and the budget it needs to

1 perform all of its missions.

2 This hearing is adjourned.

3 [Whereupon, at 4:04 p.m., the hearing was adjourned.]

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