

Stenographic Transcript  
Before the

COMMITTEE ON  
ARMED SERVICES

# **UNITED STATES SENATE**

NOMINATION – SHANAHAN

Tuesday, June 20, 2017

Washington, D.C.

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HEARING TO CONSIDER THE NOMINATION OF:  
PATRICK M. SHANAHAN,  
TO BE DEPUTY SECRETARY OF DEFENSE

Tuesday, June 20, 2017

U.S. Senate  
Committee on Armed Services  
Washington, D.C.

The committee met, pursuant to notice, at 9:41 a.m. in Room SD-G50, Dirksen Senate Office Building, Hon. John McCain, chairman of the committee, presiding.

Committee Members Present: Senators McCain [presiding], Fischer, Cotton, Rounds, Ernst, Tillis, Sullivan, Perdue, Sasse, Reed, McCaskill, Gillibrand, Blumenthal, Donnelly, Hirono, Kaine, King, Heinrich, Warren, and Peters.

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

3           Chairman McCain: Good morning.

4           The committee meets this morning to consider the  
5 nomination of Patrick Shanahan to be Deputy Secretary of  
6 Defense of the United States.

7           Mr. Shanahan, we thank you for joining us today and for  
8 your willingness to serve our Nation at an important time.  
9 We welcome your family and friends. As is our tradition, we  
10 invite you to introduce them at the beginning of your  
11 testimony.

12           It is important that this committee and other  
13 appropriate committees of the Congress be able to receive  
14 testimony, briefings, and other communications of  
15 information. So it is the standard for this committee to  
16 ask certain questions in order to exercise its legislative  
17 and oversight responsibilities.

18           Have you adhered to applicable laws and regulations  
19 governing conflicts of interest?

20           Mr. Shanahan: I have.

21           Chairman McCain: Will you ensure that your staff  
22 complies with deadlines established for requested  
23 communications, including questions for the record in  
24 hearings?

25           Mr. Shanahan: I will.

1 Chairman McCain: Will you cooperate in providing  
2 witnesses and briefers in response to congressional  
3 requests?

4 Mr. Shanahan: I will.

5 Chairman McCain: Will those witnesses be protected  
6 from reprisals for their testimony or briefings?

7 Mr. Shanahan: Yes.

8 Chairman McCain: Do you agree, if confirmed, to appear  
9 and testify upon request before this committee?

10 Mr. Shanahan: Yes.

11 Chairman McCain: Do you agree to provide documents,  
12 including copies of electronic forms of communication, in a  
13 timely manner when requested by a duly constituted committee  
14 or to consult with the committee regarding the basis for any  
15 good faith delay or denial in providing such documents?

16 Mr. Shanahan: Yes.

17 Chairman McCain: Have you assumed any duties or  
18 undertaken any action which would appear to presume the  
19 outcome of the confirmation process?

20 Mr. Shanahan: No.

21 Chairman McCain: In the interest of time, I will  
22 submit my opening statement for the record. I know that  
23 will come as a terrible blow to the other members of the  
24 committee. I can see how upset they are in missing that,  
25 and maybe with a little luck, Senator Reed will do the same.

1 [Laughter.]

2 [The prepared statement of Chairman McCain follows:]

3 [COMMITTEE INSERT]

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

3           Senator Reed: It is your lucky day, Mr. Chairman. I  
4 just want to welcome Mr. Shanahan and Senator Cantwell. I  
5 had a chance to speak to Mr. Shanahan and I have every  
6 confidence in his abilities. Thank you.

7           If I may, also Senator Shaheen wanted to be here. She  
8 is delayed in this terrible weather. She might not make it  
9 here today.

10          And with that, I would ask permission to submit my  
11 statement.

12          [The prepared statement of Senator Reed follows:]

13          [COMMITTEE INSERT]

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1 Chairman McCain: Since a quorum is now present, I ask  
2 the committee to consider a list of 995 pending military  
3 nominations. All of these nominations have been before the  
4 committee the required length of time. Is there a motion to  
5 favorably report these 995 military nominations to the  
6 Senate?

7 Senator Reed: So moved.

8 Chairman McCain: Is there a second?

9 Senator Kaine: Second.

10 Chairman McCain: All in favor, say aye.

11 [Chorus of ayes.]

12 Chairman McCain: The motion carries.

13 Welcome, Mr. Shanahan. You are deprived of the  
14 important opening statements of Senator Reed and myself.

15 But before we allow you to speak, Senator Cantwell is  
16 here, and I apologize, Senator Cantwell, for not recognizing  
17 you to take time from your very busy schedule to introduce  
18 Mr. Shanahan. Senator Cantwell, welcome.

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1           STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM  
2 WASHINGTON

3           Senator Cantwell: Thank you, Mr. Chairman. Chairman  
4 McCain, Ranking Member Reed, and distinguished members of  
5 this committee, I am proud to introduce an extremely  
6 qualified candidate, Patrick Shanahan, to serve as the  
7 Deputy Secretary of the Department of Defense.

8           I too want to welcome his family. They are here, and I  
9 am sure he will make that appropriate introduction.

10          Mr. Shanahan has a unique experience leading major  
11 reforms of large, highly complex programs at the Boeing  
12 Company, such as the 737 MAX and the 787 Dreamliner. These  
13 aircraft have cutting-edge technology, keeping them ahead of  
14 the global competition.

15          His entire career has been about solving problems no  
16 one else can solve, and these skills would be invaluable at  
17 DOD. He drives change by building teams that think outside  
18 the box and then convince others to think in doing things  
19 new ways. Mr. Shanahan has driven reforms in talent  
20 management, affordability, technology, and supply chain, and  
21 he has had an impressive 31-year career at the Boeing  
22 Company, last serving as Senior Vice President of Supply  
23 Chain Operations. His hands-on leadership inspires those  
24 around him to strive to achieve results on time and on  
25 budget. And Mr. Shanahan, managing the Boeing Company's



1 highly complex operations in Renton and Everett, Washington  
2 and Charleston, South Carolina, has served as the head of  
3 the commercial airplane program. His attention to detail,  
4 while operating some of the largest manufacturing operations  
5 in the world, will prove invaluable at DOD.

6 He is also fearless. He understands what our country  
7 is up against when it comes to the Russians and the Chinese  
8 and the North Koreans and it will not faze him. He focuses  
9 on big, game-changing innovation and science and technology  
10 and will not be deterred by the bureaucracy of DOD.

11 Mr. Shanahan also knows how the Department of Defense  
12 operates and has served as Vice President and General  
13 Manager of the Boeing Missile Defense System and was  
14 responsible for the U.S. Army aviation programs and site  
15 activities in Philadelphia and in Mesa, Arizona as Vice  
16 President and General Manager for Rotorcraft Systems. So he  
17 has been able to achieve positive results throughout his  
18 career.

19 He understands the need for fiscal responsibility and  
20 for innovation of the Department. DOD is the largest  
21 employer in the world with almost 3 million people and the  
22 largest military budget in the world, and he has the  
23 management skills from the private sector to guide DOD  
24 successfully into the future. I am confident that he will  
25 be an effective leader in this position for our country.

1           Thank you, Mr. Chairman. And I am going to excuse  
2 myself but again thank the committee for this opportunity to  
3 introduce Mr. Shanahan.

4           Chairman McCain: We thank you, Senator Cantwell. And  
5 we fully understand you have other duties in the Senate, and  
6 thank you for taking the time to introduce Mr. Shanahan.

7           Mr. Shanahan?

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1           STATEMENT OF PATRICK M. SHANAHAN, TO BE DEPUTY  
2 SECRETARY OF DEFENSE

3           Mr. Shanahan: Thank you, Senator Cantwell, for your  
4 very kind words, thoughtful introduction, and enduring  
5 support.

6           Before I begin, my thoughts and prayers go out this  
7 morning to the families of the seven sailors killed in the  
8 tragic accident on the USS Fitzgerald.

9           Chairman McCain, Ranking Member Reed, and members of  
10 this committee, I greatly appreciate the welcome and time  
11 you have afforded me this morning.

12           I am grateful to the President and Secretary Mattis for  
13 nominating me to the position of Deputy Secretary of  
14 Defense.

15           I would like to acknowledge my three children, who have  
16 accompanied me here today, Kayla, Will, and Jack, who are  
17 seated behind me.

18           I also want to take a moment to recognize and honor my  
19 parents, Jo-Anne and Michael Shanahan. I am the oldest of  
20 three boys. My father, Michael Shanahan, instilled in my  
21 brothers and I, from as early as I can remember, service  
22 before self.

23           My father was an Army veteran who served in Vietnam.  
24 He taught his boys to love their country and value its  
25 freedoms. My father served in law enforcement for over 25

1 years. He taught us to treat people fairly, respect law and  
2 order, and the importance of protecting the community.

3 My father co-founded a food bank in 1982 that is  
4 ongoing. To date, it has distributed over 200 million  
5 pounds of food to the needy. He showed us that with  
6 initiative and outreach, good ideas can scale to make a big  
7 difference.

8 At age 52, my father was afflicted with Parkinson's.  
9 He battled that savage disease for 17 years before passing.  
10 And I never once heard him complain. My father modeled for  
11 us what it means to have grit, that is, the ability to  
12 maintain an indomitable spirit and persevere no matter what  
13 the challenge. I so wish he were here today. I know  
14 exactly what he would say to me. He would say, Patrick,  
15 don't screw this up.

16 My mother, Jo-Anne, could not be here. She is here in  
17 spirit. My mother always supported me unconditionally. She  
18 taught my brothers and I to support others unconditionally.  
19 What I appreciate most about her that I would like to share  
20 is she taught me to truly believe in myself and that I could  
21 do anything I set my mind to. She taught my brothers and I  
22 that it is not the size of your muscles that matter. It is  
23 the size of your heart. She taught me to be a better  
24 parent, and that is a gift I can never repay. Her words for  
25 me today where, you will do fine.

1 I am here to earn your support. I aspire to join a  
2 strong and capable DOD team. I aspire to help them dominate  
3 and win. I aspire to help usher in a new age of innovation  
4 and effectiveness in the Department.

5 I believe I have prepared myself to contribute as  
6 Deputy Secretary of Defense. I bring over 3 decades of  
7 leadership honed in America's largest manufacturing  
8 exporter. I have led large, geographically dispersed  
9 organizations focused on developing and fielding complex  
10 engineered products. I have experience converting  
11 technological innovation into operational capability.

12 I bring with me a formula for leadership that has a  
13 record of delivering affordable, high-performing business  
14 systems and operations under adverse conditions. Leadership  
15 casts a long shadow, and strong leadership can create teams  
16 that achieve ambitious change at scale.

17 I believe my skill set strongly complements that of  
18 Secretary Mattis. He is a master strategist with deep  
19 military and foreign policy experience. As Deputy Secretary  
20 of Defense and Secretary Mattis' Chief Operating Officer, I  
21 bring strong execution skills with a background in  
22 technology development and business management, areas this  
23 committee in particular has identified for reforms.

24 If confirmed, I will work tirelessly with Congress and  
25 the Department to deliver on our commitments to our men and

1 women in uniform and their families, to defend the Nation,  
2 and to be relentless stewards of the taxpayers' money.

3 I appreciate the time you have afforded me today to  
4 answer questions.

5 [The prepared statement of Mr. Shanahan follows:]

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1 Chairman McCain: Thank you, Mr. Shanahan.

2 In your questions that were submitted to you, one of  
3 the questions was about providing the Ukrainians with lethal  
4 defense weaponry with which to defend themselves.

5 Inexplicably, you responded by saying you would have to look  
6 at the issue. It is not satisfactory, Mr. Shanahan. Would  
7 you wish to abridge or amend your statement concerning  
8 what --

9 Mr. Shanahan: Chairman --

10 Chairman McCain: Go ahead.

11 Mr. Shanahan: I support equipping the Ukrainians.

12 Chairman McCain: You support providing lethal  
13 defensive weaponry to Ukraine.

14 Mr. Shanahan: Yes.

15 Chairman McCain: All right, good. I am glad to hear  
16 that.

17 But I have to tell you, Mr. Shanahan, our job is advice  
18 and consent. We are equal branches of government. Your  
19 response to that question was, frankly, very disappointing  
20 to me. You have been associated for the last I do not know  
21 how many years with one of the five corporations that  
22 provide 90 percent of the defensive weaponry to defend this  
23 Nation, and your answer was, well, I would have to look at  
24 the issue. That is not good enough, Mr. Shanahan. I am  
25 glad to hear you have changed your opinion from what was

1 submitted, but it is still disturbing to me.

2 It is still disturbing to me, after all these years,  
3 that you would say that you would have to look at the issue.  
4 Have you not been aware of the issue? Have you not been  
5 aware of the actions of the Senate Armed Services Committee?  
6 Have you not been aware of the thousands of people that have  
7 been killed by Vladimir Putin? Have you missed all that in  
8 your duties at one of the major defense corporations of this  
9 country?

10 Mr. Shanahan: No, Chairman. I am aware of that.

11 Chairman McCain: Well, I got to tell you it is very  
12 disturbing. One, I am disturbed that we now have an  
13 executive from one of the five major corporations that has  
14 corralled 90 percent of our defense budgets and on one of  
15 the major issues that this committee has had hearings about,  
16 has had markups about, has reported out our bill and you  
17 want to find out more information. Not a good beginning.  
18 Not a good beginning. Do not do that again, Mr. Shanahan,  
19 or I will not take your name up for a vote before this  
20 committee. Am I perfectly clear?

21 Mr. Shanahan: Very clear.

22 Chairman McCain: Senator Reed?

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

24 Mr. Shanahan, one of the issues that you are going to  
25 face is generically termed the Third Offset. Bob Work, who



1 you are succeeding, has done a remarkable job I think, and  
2 he has been the leader for this effort. It is essentially  
3 trying to counter technologically and otherwise our  
4 adversaries, their area denial capabilities, their cyber  
5 capabilities, their asymmetric capabilities, and leap ahead  
6 with new technologies. And in trying to deal with that, the  
7 Congress reestablished the position of Under Secretary of  
8 Defense for Research and Engineering.

9 But as Deputy Secretary, you are going to play a  
10 critical role in supporting the new or revised Under  
11 Secretary, but also reaching out to the whole community,  
12 intelligence community, the industrial community,  
13 technological community. Can you give us some sense of how  
14 you are going to continue Mr. Work's efforts with respect to  
15 the Third Offset?

16 Mr. Shanahan: Yes, Senator Reed. If confirmed, I will  
17 spend time with the group that has done the Third Offset  
18 work. I have not received the classified briefings on the  
19 work that they have done.

20 The effort I would undertake is to make sure we have a  
21 clear path to being able to operationalize the capability.  
22 When I look at the strategy exercise that we will be  
23 conducting to put together the fiscal year 2019 budget, it  
24 will be critical that we have an assessment of how much  
25 funding needs to be applied against the Third Offset. I

1 believe the restructuring of R&E will give us the  
2 concentrated skill set so that we can have a more informed  
3 recommendation.

4 Senator Reed: Well, thank you very much.

5 And I presume also because of your significant  
6 experience in private industry, you already have some ideas  
7 of companies that are not currently involved but could be  
8 major contributors to this effort, some of these path  
9 breaking not only software but technology companies. Is  
10 that accurate?

11 Mr. Shanahan: That is correct. I think to Chairman  
12 McCain's point, we need to broaden our industrial base, and  
13 it is important that we develop other capabilities and other  
14 companies as well.

15 Senator Reed: Thank you.

16 One of the other changes that we made in last year's  
17 NDAA was creating an Under Secretary for Acquisition and  
18 also Chief Management Officer. In many respects, you are  
19 really the Chief Management Officer as the Deputy Secretary  
20 of Defense. But how will you work with the Chief Management  
21 Officer? Have you any ideas with respect to that issue?

22 Mr. Shanahan: I do. The Chief Management Officer, as  
23 I see it, has responsibility for helping to streamline  
24 business operations. So as the Deputy, it is all of  
25 operations for the Department. That is how I see my

1 responsibility. A subset of that is the business  
2 operations. But I will work hand in glove with the Chief  
3 Management Officer. And the real intent -- and I have  
4 experience in this area -- is how do we quickly capture  
5 efficiency and the opportunities by standardizing and  
6 sharing many of these services, if you will, across the  
7 Department.

8 Senator Reed: Very good.

9 One of the areas that is complicated, troubling, and  
10 daily we seem to be falling behind is the whole concept of  
11 information operations. It is ironic that the country that  
12 created Madison Avenue is now sort of trying to catch up in  
13 terms of influencing individuals through media. The  
14 Department of Defense has a role in this.

15 The first question is conceptionally I would think the  
16 Secretary of Defense is going to be very much involved in  
17 this. But do you see a role that you will play in terms of  
18 trying to coordinate all the different aspects just within  
19 DOD and then again reaching out to other agencies?

20 Mr. Shanahan: Sir, I do. I think the Deputy and the  
21 Chief Operating Officer role really needs to ensure that we  
22 have the right structures so that we are effective in  
23 interfacing with these other organizations and that we have  
24 the proper architectures so that the systems are cost  
25 effective, the proper architectures so that we can upgrade

1     them easily and evolve as technology changes.

2             Senator Reed:   Very good.

3             Again, thank you, Mr. Shanahan.  I think you are  
4     bringing significant experience to this very challenging  
5     job.  Thank you very much.

6             Thank you, Mr. Chairman.

7             Chairman McCain:  Senator Fischer?

8             Senator Fischer:  Thank you, Mr. Chairman.

9             Mr. Shanahan, I appreciated your comments in our  
10    meeting about the nuclear deterrent, and being a weapons  
11    system that we use every single day, this fact is overlooked  
12    but every day we have missileers who are in launch control  
13    centers, and we have submarines that are on alert defending  
14    our Nation.

15            Secretary Carter characterized our nuclear deterrent as  
16    the bedrock of our national security.  Do you agree with  
17    that statement?

18            Mr. Shanahan:  I do.

19            Senator Fischer:  I know the forthcoming NPR will lay  
20    out the particulars, but in general, do you support the  
21    modernization of our nuclear weapons, the associated  
22    delivery vehicles, command and control architecture, and the  
23    supporting infrastructure?

24            Mr. Shanahan:  I do.

25            Senator Fischer:  General Selva, the Vice Chair of the

1 Joint Chiefs of Staff, has testified that the Joint Staff  
2 puts our nuclear deterrent as the number one priority for  
3 modernization and recapitalization. And that is based on  
4 the fact in his words that we have squeezed about all the  
5 life we can out of the systems we currently possess. Do you  
6 agree with his assessment and the level of urgency and  
7 priority that this requires?

8 Mr. Shanahan: Senator, if confirmed, I will -- I have  
9 not had a review of the priorities of the Department. I  
10 understand the importance of the nuclear deterrent, and I  
11 will take advice from General Selva and make sure that he  
12 gets the proper support.

13 Senator Fischer: Thank you.

14 When you were in my office, we talked a little bit  
15 about technology and innovation, but one thing we did not  
16 touch on is the question of risk tolerance. Innovation is  
17 inherently risky and not all good ideas pan out. But the  
18 current environment seems to be very intolerant of risk. Do  
19 you believe the Department and the services need to be more  
20 tolerant of risk, and how do you think the Department can  
21 better navigate that tension between effectively using  
22 scarce resources and tolerating the amount of risk that is  
23 required if we are going to have any innovation take place?

24 Mr. Shanahan: My view on risk is that you have to  
25 manage risk. So out of the pointy end of the spear, we do

1 not want really any risk.

2 I think when it comes to innovation -- and this is the  
3 mindset I have developed working in the commercial world --  
4 innovation is messy, and if you try something and it fails,  
5 I think that is -- your point around risk -- we should not  
6 be afraid. And organizations that pride themselves on  
7 execution tend to be afraid of failure. So I am a proponent  
8 of failing, failing fast, learning quickly. I think the  
9 faster you do that, the more we end up training people. It  
10 is not about the technology. It is about our people  
11 learning how to develop the technology because they know how  
12 the users can apply it.

13 Senator Fischer: In your response to the committee  
14 advance policy questions regarding Russia's violation of the  
15 INF Treaty, you state, I understand that the administration  
16 is reviewing a number of potential responses as part of its  
17 ongoing review of this issue, and I will be keenly  
18 interested in making sure these are translated into action.

19 So to be clear for the record, do you believe a  
20 response is necessary beyond simply expressing concern  
21 through diplomatic channels, which has already been done?

22 Mr. Shanahan: I do.

23 Senator Fischer: Do you have any personal thoughts  
24 right now on what options would be available to be some of  
25 those responses?

1 Mr. Shanahan: I do not.

2 Senator Fischer: You also noted that Russia's action  
3 in violation of the INF Treaty, if it is unchecked, could  
4 lead to doubt in the stability of current and future arms  
5 control agreements and initiatives. Could you elaborate on  
6 that statement? Sometimes there is a view that is expressed  
7 that holding violators accountable for their behavior risk,  
8 deals collapse and that we should, therefore, suppress any  
9 suggestion that a violation has happened. I do not believe  
10 you agree with that view. Do you?

11 Mr. Shanahan: Senator, I think the Russians are  
12 adversarial. I think through the whole of government we  
13 need to deal with their -- whether we call it aggression or  
14 their disruption to our interests. I at this point do not  
15 have any specific recommendations. If confirmed, I will  
16 spend a significant amount of time dealing with Russia.

17 Senator Fischer: But would you be supportive of  
18 developing options to present to the President besides  
19 diplomatic or just making statements and then letting it go  
20 by?

21 Mr. Shanahan: I would be supportive.

22 Senator Fischer: Thank you.

23 Thank you, Mr. Chairman.

24 Chairman McCain: Mr. Shanahan, you are not making me  
25 happy. We expect straightforward answers, and you just

1 ducked basically every question that Senator Fischer asked  
2 you. I am telling you, Mr. Shanahan, I believe in the  
3 Constitution of the United States which says that the  
4 Congress of the United States shall provide advice and  
5 consent. I am not going to sit here and watch you duck  
6 every question and expect that everything is going to go  
7 smoothly. It is not.

8 Senator Hirono?

9 Senator Hirono: Thank you, Mr. Chairman.

10 And welcome, Mr. Shanahan.

11 Mr. Shanahan, you have limited institutional experience  
12 in the military, DOD, or the Pentagon. In my experience, I  
13 have seen the Deputy Secretary heavily involved with running  
14 the bureaucracy while the Secretary works closely with the  
15 President, NSC, Congress, allies, although I just heard you  
16 say that you would work closely regarding Russia.

17 So if confirmed and if you are tasked with running the  
18 inner workings of the Pentagon and its many internal and  
19 interagency structures, how will you overcome your lack of  
20 institutional experience to effectively operate in this  
21 environment?

22 Mr. Shanahan: Senator, I have worked in environments  
23 where we have very disparate organizations. They may not be  
24 DOD, but in the commercial world with many different  
25 suppliers and agency-like organizations. I believe that my



1 technical and management background will prepare me to be  
2 able to quickly assimilate the knowledge and the expertise  
3 to properly interface.

4 Senator Hirono: What would be one of the first things  
5 that you would do to get yourself to a position where you  
6 can hit the ground running, should you be confirmed?

7 Mr. Shanahan: I think the first place that I was going  
8 to hit the ground running was on the restructuring of R&E,  
9 the A&S organization, and then working the Chief Management  
10 Officer initiative. I think that will be a good way to  
11 begin to understand the inner workings of DOD. And then in  
12 the second phase of that, participating on the nuclear  
13 posture review and the national ballistic missile defense  
14 review will also begin to allow me to interface with some of  
15 these other organizations and structures.

16 Senator Hirono: While you have a lot of experience in  
17 the private sector, the DOD is an entirely different, I  
18 think, entity in order of probably complexity and all the  
19 people that you will be working with. So I assume that  
20 should you be confirmed, you will have a list of to-do's and  
21 people that you are going to meet with so that you can  
22 become quickly apprised of what your responsibilities will  
23 be in running, basically in running sort of the nuts and  
24 bolts of the DOD.

25 Mr. Shanahan: Yes, Senator.

1 Senator Hirono: Thank you.

2 Cost overruns and schedule delays on major system  
3 acquisition programs have plagued DOD for many decades. And  
4 this committee, under Senator McCain and previous chairmen,  
5 have tried to improve the defense acquisition system for  
6 better contracting outcomes for our military, as well as for  
7 our taxpayers. You have significant experience with one of  
8 our largest defense contractors. Based on your experience  
9 and perspectives from the industry side, what would you  
10 recommend in order to get better results from our  
11 contracting and acquisition processes?

12 Mr. Shanahan: You know, there are a number of tools  
13 from a contracting standpoint that are important. Firm  
14 fixed-price contracts is a very effective tool to drive  
15 supplier or contractor performance. Having the right  
16 incentive clauses is very important. But I also believe, if  
17 confirmed, when we work the audit, we will come up with a  
18 new cost accounting scheme so we can better understand what  
19 things should cost and understand to the degree how much we  
20 are overpaying. To me, really understanding the cost  
21 baseline that we have with the contractors is so important.  
22 And from that, we need to renegotiate.

23 Senator Hirono: I think with the kind of very specific  
24 experience you have in dealing with the acquisitions  
25 yourself, that you will be able to bring some very key

1 elements of why these overruns occur on a regular basis,  
2 much to our consternation. So I am going to be looking to  
3 you for those kinds of efforts.

4 Turning to the Indo-Asia-Pacific strategy -- I only  
5 have a little bit of time -- the Asia-Pacific area has some  
6 of the largest economies, many militaries representing 60 of  
7 GDP, et cetera. What are your thoughts on how we should  
8 move forward in the Asia-Pacific theater?

9 Mr. Shanahan: Well, I think the Chinese have been  
10 modernizing quite significantly in recent years, and that  
11 threatens our ability for freedom of movement. And it is  
12 really important that we find ways to maintain the security  
13 architecture of the Pacific Rim. It is very important that  
14 we support our allies and partners there and reassure them  
15 of our commitments.

16 Senator Hirono: Well, I would like to see a continuing  
17 focus on the Indo-Asia-Pacific area because as the rest of  
18 the world becomes even more unstable, at least if we can  
19 keep the Indo-Asia-Pacific area stable, even more stable,  
20 even with North Korea and China as major players there,  
21 through things like acquisition reform and other things that  
22 you could bring to the table, I hope that will release more  
23 resources for the Indo-Asia-Pacific arena.

24 Thank you, Mr. Chairman.

25 Chairman McCain: Senator Cotton?

1 Senator Cotton: Thank you.

2 And, Mr. Shanahan, congratulations on your nomination.

3 As we have discussed this morning, the Deputy Secretary  
4 plays a major role in managing the Department, while the  
5 Secretary is a member of the National Security Council and  
6 the public face of the armed forces to the American people  
7 and abroad. You have a long and distinguished career at  
8 Boeing. In particular, your reputation for turning around  
9 the Dreamliner program is probably something that a lot of  
10 military programs could use.

11 However, that long career at Boeing also raises some  
12 questions I think we should just address in a forthright  
13 manner upfront here at your hearing.

14 How do you plan to carry out your duties as the Deputy  
15 Secretary while avoiding any potential conflicts of interest  
16 based on your time at Boeing?

17 Mr. Shanahan: So I will divest all ties with Boeing  
18 with the exception of my executive retirement which is  
19 permitted under the ethics agreement. For the duration, if  
20 I am confirmed, I will not deal with any matters regarding  
21 Boeing unless cleared by the Office of Ethics. We will put  
22 in mechanisms so that my calendar, the meetings that I will  
23 participate in that we can screen to make sure that there  
24 are no matters related to Boeing that I will be exposed to.

25 Senator Cotton: Thank you for that.

1 Chairman McCain: Will that name specific programs?

2 Mr. Shanahan: Will the ethics agreement call out  
3 specific programs? It is all matters Boeing. So it would  
4 include all programs.

5 Senator Cotton: I think Chairman McCain was driving at  
6 the next question that I want to raise related to those  
7 precautions, which I think are prudent. Boeing, obviously,  
8 is one of our major defense contractors. They have many  
9 programs, some of which have some troubles of their own, the  
10 F-18, the KC-46 tanker, the V-22 Osprey, the F-15 Apaches  
11 and Chinooks in the Army. Do you think that recusing  
12 yourself from these Boeing-related issues could negatively  
13 impact the Department's decision-making process?

14 Mr. Shanahan: I do not believe so. In my view, I  
15 believe I can provide general guidance in terms of program  
16 execution and techniques to drive better performance without  
17 getting into the specifics of a particular program.

18 Senator Cotton: Thank you for that.

19 And in terms of your financial divestiture, you are or  
20 will soon be fully divested from all Boeing stock except for  
21 your retirement program. Is that correct?

22 Mr. Shanahan: If confirmed, I will divest.

23 Senator Cotton: Given your time at Boeing and your  
24 successes there, I presume it is safe to say that they have  
25 made you a very wealthy man over 30 years compared to most

1 Arkansans.

2 Mr. Shanahan: They have treated me well.

3 Senator Cotton: And at this point in your career, your  
4 focus and your loyalty is solely on the Department of  
5 Defense and the soldiers, sailors, airmen, and marines who  
6 are out on our front lines?

7 Mr. Shanahan: Yes, Senator. I am 1,000 percent  
8 committed to the Department and to delivering on the reforms  
9 that Senator McCain, Chairman McCain has outlined.

10 Senator Cotton: Well, that is what I expected, but as  
11 I said, I thought it was important to put upfront the steps  
12 you are taking to recuse yourself from Boeing decisions and  
13 to ensure that you are making the decision in the best  
14 interest of the men and women of the armed forces, to  
15 include men and women who are going to depend on some Boeing  
16 systems, and there will be systems in place to account for  
17 that.

18 I do want to turn to one other issue that has been  
19 raised here as well, and that is trying to work with more  
20 smaller firms that would like to be defense contractors. As  
21 Senator McCain says, something like 90 percent of all  
22 acquisition business goes to five firms. Some of this  
23 relates to the Department of Defense's own bureaucratic  
24 issues, but some relates to the culture that you see in the  
25 tech world. I have heard from many tech leaders and

1 entrepreneurs that they simply do not want to do business  
2 with the Department of Defense, even though they have very  
3 fine products and services, in part because they do not want  
4 to deal with, say, 7-year timeline development programs or  
5 they simply do not want to deal with all the red tape.

6 Have you given thought about how to conduct outreach to  
7 that world and make the acquisitions process more user  
8 friendly for smaller, more nimble firms and a firm like  
9 Boeing?

10 Mr. Shanahan: I have, and if confirmed, I think that  
11 is one of the more exciting aspects of the job is, you know,  
12 we are seeing a transformation of technology and this is the  
13 industrial base we need to grow. My experience at Boeing is  
14 on developing supply chains. So we really need to have a  
15 conscious focus on how to grow these new capabilities. I  
16 think we are onerous in terms of the requirements we put on  
17 these small organizations, whether it is demanding their  
18 intellectual property or to go through these complicated  
19 contractual mechanisms. So if confirmed, that is an area of  
20 importance to me.

21 Senator Cotton: Thank you.

22 Chairman McCain: Senator King?

23 Senator King: Thank you, Mr. Chairman.

24 I want to follow up on the question that Senator Cotton  
25 just asked. Procurement is one of the recurring issues that

1 comes before this committee. In fact, we had testimony from  
2 Silicon Valley firms that they just were not going to bother  
3 to even apply. And yet, as one of our generals testified  
4 last week, we do not want our soldiers in a fair fight. And  
5 that means maintaining a qualitative technical edge. And  
6 yet, the system that we have in place seems determined to  
7 not keep up with that.

8       Go a little deeper. How are we going to think through  
9 this procurement system that is so Byzantine -- I hesitate  
10 to even use that term. That is an insult to the Byzantium  
11 Empire -- that is so arcane and cumbersome that it is  
12 actually discouraging the importation into our defense  
13 system of advanced technology?

14       Mr. Shanahan: Senator, this is an area where I have  
15 had some fairly good success, and rather than trying to  
16 change the whole system, you have to change parts of the  
17 system. And I will give you an example.

18       We found technology that will fundamentally change how  
19 we do work, and what we would do is develop prototypes and  
20 we would operationalize those prototypes. And the process  
21 -- this is going a little bit a deeper. The intent was to  
22 flush out all the bureaucratic mechanisms that would say no.  
23 And so the idea is not can this technology work. It is that  
24 you run these prototypes. We called them "pathfinders," and  
25 the pathfinder was to find all the restrictions, all the



1 people that say no and take them out of the away. Once we  
2 had something that we could demonstrate works, then we  
3 replicate. And that is how we could get to scale. But it  
4 is in doing those prototypes that you can get a quick win  
5 and then you also find out where the real limitations in the  
6 system are.

7 Senator King: But one of the fundamental differences  
8 between Boeing and the United States Government is Boeing  
9 was in an exceedingly competitive situation where you had  
10 Airbus and other providers around the world trying to start  
11 to get into the airline business. So you had the whip of  
12 competition over your head. When we are talking about  
13 within the Defense Department, you do not have that, and  
14 that is why it has to be a major management focus and  
15 constant attention to sort of substitute for the pressure  
16 that competition creates.

17 Mr. Shanahan: Right. And I personally think the  
18 limits on the budget are the competition. It is the analog  
19 to the competition we had with Airbus. We have a  
20 competition for money in the Department. There is not  
21 enough to go around. We must find ways to generate savings  
22 so we can pay to go do these things.

23 Senator King: By the way, on procurement, not only is  
24 there an issue of cost, there is an issue of time. Senator  
25 Inhofe has presented graphs about the difference between the

1 private sector -- the time it takes Boeing to get a new  
2 aircraft from concept to flight is something like 7 years.  
3 In the military, it is 23 years. So time is an issue as  
4 well as money. And that has to be part of your focus.

5 Mr. Shanahan: Speed is everything. The shorter the  
6 time, the less the cost. In the commercial world,  
7 everything is fixed price development. So speed is the most  
8 important management element because it flushes out all the  
9 issues that prevent you from being able to perform.

10 Senator King: Well, I would suggest that in your  
11 position, it is not enough to simply say we are going to  
12 work harder at it. I hope that you will think about and  
13 perhaps convene a public-private group to think about how do  
14 we structure because I believe structure is ultimately  
15 policy, how do we structure the procurement system to  
16 produce at lower costs and at higher speed. And I urge that  
17 upon you as a possible initiative. I think just saying,  
18 well, we are going to try to do better is not going to be  
19 enough to change a system that is so thoroughly entrenched.

20 Secondly, in terms of costs, which is your area as the  
21 Chief Management Officer, is the growth of staff both within  
22 the Pentagon and within the services. And we have had lots  
23 of talk here, and there have been some cuts in staff. But I  
24 believe that is also an area that has to be looked at  
25 because every dollar that goes into tail does not go into

1 tooth. And when we are talking about scarce dollars for  
2 readiness and recapitalization of the nuclear deterrent,  
3 whatever it is, we need to find places. And there have been  
4 studies that indicate significant savings in the bureaucracy  
5 or the staff both in the Pentagon and in the services. I  
6 hope that is an area you will pay attention to.

7 Mr. Shanahan: It will be.

8 Senator King: And finally, we need to be able to audit  
9 the Department of Defense. I cannot keep going home to  
10 Maine and saying we are spending half a trillion dollars a  
11 year but it cannot be audited. Do you take that as one of  
12 your priorities? Because as I recall our hearings here over  
13 the last 4 years, 2017 or 2018 is supposed to be the target  
14 for the Department of Defense to be ready for an audit.

15 Mr. Shanahan: You have my commitment to start the  
16 audit in September, and it is one of the highest efforts in  
17 terms of priorities for me.

18 Chairman McCain: Could you repeat that?

19 Mr. Shanahan: The audit -- and I believe it is  
20 September or it could be October is when we will begin the  
21 audit for the Department of Defense.

22 Senator King: Thank you.

23 Thank you, Mr. Chairman.

24 Chairman McCain: Senator Ernst?

25 Senator Ernst: Thank you.

1 I appreciate that very much as well.

2 Last week, we had a hearing with the CNO, Secretary  
3 Stackley, and General Neller, and we talked a little bit --  
4 I just want to tag on to what Senator King was saying --  
5 about how we procure items and going through that process.  
6 And I asked if they needed additional authorities, and they  
7 stated that they believed they had all the authorities they  
8 needed to speed up the procurement process, but there were a  
9 lot of regulations that got in the way. So tagging onto his  
10 comments, will you make a commitment to go through those  
11 regulations, identify those that are unnecessary so that we  
12 can procure faster?

13 Mr. Shanahan: Senator, I am committed to unwinding the  
14 system that keeps our men and women from being able to  
15 perform.

16 The one thing I do know is that it is not our people  
17 that are the problem. It is the system that we have created  
18 over time, and dismantling that is the critical thing I need  
19 to do in this position.

20 Senator Ernst: Thank you. I appreciate that very  
21 much.

22 According to title 10, the Deputy Secretary of Defense  
23 is the Department's Chief Management Officer. Earlier you  
24 kind of called that the all of operations officer, which is  
25 a great description. It is clear that you are an

1 experienced manager. You have had great success with  
2 Boeing.

3 The law also requires you to serve in other roles in  
4 the Secretary's absence. So I would like to start with more  
5 of a policy question, policy discussion.

6 I have been calling attention to the increasing threat  
7 posed by violent extremist organizations in Southeast Asia  
8 for quite a while now. And as we speak, U.S. forces are  
9 assisting and liberating the Filipino City of Marawi from a  
10 terrorist siege. And Secretary Mattis had said that ending  
11 the named counterterrorism operation in the southern  
12 Philippines in 2014 was premature -- I agree with him -- and  
13 that doing so has made it difficult to resource our current  
14 efforts in that area. I personally think it is time to  
15 reestablish a named operation.

16 What are your opinions on that?

17 Mr. Shanahan: Well, the violent extremists -- I think  
18 this falls in line with our policy with ISIS where we can  
19 find them, by, with, and through others, we need to defeat  
20 them. If confirmed -- and this is an area where I will  
21 invest the time to understand our commitments in terms of  
22 resources and our ability to undertake those types of  
23 efforts.

24 Senator Ernst: I appreciate that because we have for a  
25 long while taken our eye off of that region, and they

1 continue to grow and develop in Southeast Asia. So I  
2 appreciate that.

3 As I am sure you know, our aircrews continue to  
4 experience physiological episodes in high-performance  
5 aircraft, the F-22, the T-45, F-18, and now the F-35. Yet,  
6 we still have not found a fix for that.

7 This morning, the Air Force announced it was testing  
8 sensors for the F-35 Alpha that actually monitor pilots'  
9 inhale/exhale gases and automatically activates emergency  
10 oxygen if there is a problem. And this is something that I  
11 have recommended to both the Air Force and Navy leaders in  
12 past hearings. So I am glad that they have actually taken  
13 action on this item.

14 And at Boeing, you were known as Mr. Fix-It. And I  
15 appreciate that title. If confirmed, how are you going to  
16 fix this particular problem? And more importantly, how will  
17 you guarantee that solutions are shared across aircraft and  
18 service branches so that we do not repeatedly see the same  
19 types of costly problems that have been undermining our  
20 warfighting readiness?

21 Mr. Shanahan: You know, the culture at Boeing is that  
22 safety and product integrity is the most important thing  
23 that we do. So issues such as the oxygen flow is -- if  
24 confirmed, those are the type of safety items that will  
25 receive my highest attention. That is how we have grown up.

1 We solve these problems, and then, to your point, they need  
2 to be implemented quickly. It is not good enough to have  
3 the answer. They have to be fully implemented. You have my  
4 assurance that I will support doing that.

5 Senator Ernst: And how will you communicate that  
6 between the branches and the services?

7 Mr. Shanahan: Well, I suspect -- and this goes kind of  
8 back to Senator Hirono -- there are many things I have to  
9 learn in terms of actually navigating the Department of  
10 Defense. It will either be through the technical leadership  
11 or through the service secretaries. I am quite confident  
12 that when we do have a solution, that we will be able to  
13 communicate it. It is going to be how quickly do we  
14 actually get the solution incorporated into the airplane.  
15 So that will be really about acquisition and getting these  
16 things on contract. That is the most important thing we  
17 have to do.

18 Senator Ernst: Okay. I appreciate it. Thank you for  
19 your time.

20 Thank you, Mr. Chair.

21 Chairman McCain: Senator Peters?

22 Senator Peters: Thank you, Mr. Chairman.

23 Mr. Shanahan, thank you for being here today.

24 My questions really relate to the future of warfare and  
25 how we will be preparing for a rapidly changing battle

1 space. Senator Reed asked you a question about the Third  
2 Offset Strategy, which, as you know, Secretary of Defense  
3 Ash Carter introduced in order to move the innovation  
4 process forward to take advantage of incredible advances  
5 being made in the commercial sector. And, in fact, I think  
6 that is something that has changed pretty dramatically in  
7 recent years is that most of the innovation that also has  
8 military applications is occurring in the commercial side  
9 from artificial intelligence to 3D printing to synthetic  
10 biology, I mean, go down the list of incredible  
11 advancements.

12 So my question for you, first off, is just a broad  
13 question. I mean, what is your opinion of the Third Offset  
14 Strategy?

15 Mr. Shanahan: The majority of the details are  
16 classified, so I have not received the classified brief.  
17 But from what Secretary Work was able to share with me, the  
18 domains of technology are very important. So I plan to  
19 continue to support those efforts. To me, it is about how  
20 do we validate that those capabilities are the right ones in  
21 terms of conducting warfare. This is the messy part about  
22 innovation. I mean, we are going to have to make some bets  
23 and then we are going to have to do some prototyping so we  
24 can test these concepts with the user, with the warfighters.

25 Senator Peters: Well, we do. And that leads to a



1 question as to whether or not the current model that we use  
2 where we have a few very large defense contractors that do  
3 the vast majority of the work, as Senator McCain has  
4 mentioned earlier in this hearing, versus an ecosystem of  
5 small companies that are doing incredible cutting edge  
6 research and perhaps in technologies not directly related to  
7 the military but have dual-use applications.

8           How do you work within that environment? Do we have to  
9 rethink some of the paradigms we have operated in the past  
10 as to where we procure and how we procure advanced  
11 technology?

12           Mr. Shanahan: I think the procurement -- Senator, I  
13 think the procurement -- this is how I tend to think about  
14 these things. The procurement is the second step. I think  
15 the first step is our technical approach. The technical  
16 approach is given these emerging capabilities, whether it is  
17 electrification, added manufacturing, like you mentioned,  
18 machine learning -- given these emerging capabilities, how  
19 will we scale, how we will use them? Based on that, we  
20 decide who are the suppliers we want to grow? Who are the  
21 new people that we want to scale up in our industry? So I  
22 think the Third Offset work will give us the foundation for  
23 those technologies, and that is where we decide how to grow  
24 the tech base.

25           Based on who we pick, I think it is very

1 straightforward to go and change the procurement portion,  
2 you know, how we give them money, how we fund them to do  
3 tests. You know, one of the best things about working with  
4 the Department of Defense is the resources, you know, when  
5 we think of the test ranges and the users. I mean, I think  
6 we have to draw them into how we do our business and having  
7 them outside the fence is a real limitation. They need to  
8 learn how we do business, and then they will inform us on  
9 what we need to change.

10 Senator Peters: Well, how do you see using some of  
11 those internal Defense assets that you mentioned? For  
12 example, TARDEC in Michigan, my State, does incredible  
13 research work in autonomous vehicles working also in  
14 partnership with some of the incredible work being done in  
15 the auto industry as well. But how do you see that model  
16 working where you have organizations like TARDEC, which is a  
17 Department of Army facility, working with private industry?  
18 How is that model working? Where do you see that going in  
19 the future under your leadership?

20 Mr. Shanahan: A big portion of being able to pull on  
21 that technology is educating the users inside the  
22 Department, not the procurement team but the warfighters who  
23 need to think differently about how to utilize this  
24 technology. There is a lot of education that needs to take  
25 place so they can understand the potential of this new

1 technology. It is remarkable what we will be able to do  
2 with autonomy. The people that shape the strategy, the  
3 people that help decide what capability or how we fight need  
4 to invest in educating them on what these capabilities are  
5 and what they can do.

6 Senator Peters: Thank you for your responses.  
7 Appreciate it.

8 Chairman McCain: Senator Perdue?

9 Senator Perdue: Thank you, Chair.

10 Mr. Shanahan, Vice President Pence once said you cannot  
11 fake great kids, and I think he is right. Thank you for  
12 bringing your children here. It looks like you were very  
13 successful.

14 I want to get to recapping the military because I think  
15 that is going to be the number one crisis you are going to  
16 have to deal with in this job.

17 I want to get at Boeing first, though, and your  
18 background there. Boeing revenue is about \$100 billion.  
19 Right?

20 Mr. Shanahan: Correct.

21 Senator Perdue: And just put it in perspective for the  
22 committee. We are dealing with a \$600 billion-plus budget  
23 here in DOD across a lot of different services and  
24 platforms. At Boeing, did you ever have a year where you  
25 missed supplying a reviewed audit?

1 Mr. Shanahan: No.

2 Senator Perdue: Have you ever known a Fortune 500  
3 company that ever missed an audit?

4 Mr. Shanahan: No.

5 Senator Perdue: So I want to make sure I understood  
6 your answer just a minute ago. You have been through that  
7 process. Audits require people at your level to deal with  
8 them. I know. I have been there. The question I have for  
9 you is this. I want to make sure I heard your answer  
10 earlier. You committed to the committee that you will start  
11 this audit in October. Is that correct?

12 Mr. Shanahan: Yes.

13 Senator Perdue: So my question is this -- we have been  
14 given testimony. We have been asking this for several  
15 years, obviously, since 1990 when the law was put in. So  
16 this is not a current question only.

17 My question is this. We have been given information  
18 from services that they are not ready, that the systems do  
19 not talk to each other, that the systems are not ready to be  
20 committed to support an overall audit. Is an audit possible  
21 to be started in October? And if so, how long would it take  
22 to complete that audit?

23 Mr. Shanahan: Senator, so I do not know exactly how  
24 long it will take to complete the audit.

25 Senator Perdue: That is fair.

1           Mr. Shanahan: But the commitment is to start, and we  
2 will start in October. You have my commitment to, if  
3 confirmed, get to the point where we can close the audit.  
4 To me, it is hygiene. If we are going to get after cost, if  
5 we are going to create a culture of affordability, we have  
6 to at least be able to do an audit. An audit does not get  
7 you to the place where you can actually do cost accounting,  
8 which then allows you to actually make affordability  
9 decisions. So my commitment to you is that we will get to a  
10 place where an audit is not something we are talking about.

11           Senator Perdue: Thank you. Where it becomes like  
12 breathing. Right?

13           Mr. Shanahan: Right.

14           Senator Perdue: I want to get at the recap because  
15 this is our biggest problem. We have got a budget problem,  
16 obviously. We are spending about 3 percent of our GDP on  
17 our military, and it is 100 basis points less than our 30-  
18 year average. It is about \$200 billion today. The last  
19 time we had an estimate was from Secretary Gates that it was  
20 over \$150 billion more than what we actually spent last  
21 year. So we have got a real issue in terms of trying to  
22 meet the recap requirements of all of our major platforms.  
23 The Navy alone says that they will need \$26 billion a year  
24 for the next 30 years. That is \$800 billion for rebuilding  
25 the surface fleet -- or rebuilding the fleet from 275 to

1 355.

2 The question is now just how do we make it quicker,  
3 shorter, better. It is how in the world are we going to  
4 find the money to do that. In your role as COO -- and that  
5 is what this job is -- what will you do to help us figure  
6 that out?

7 Mr. Shanahan: Two things. You know, the first is to  
8 be able to come back to the committee with a strategy that  
9 says here is our force construct, here are our capabilities,  
10 these are the assets that we need because I think that will  
11 be the baseline to determine what do we modernize, what do  
12 we recapitalize.

13 The second piece of this -- and then the strategy is so  
14 important because if we do not lock in a strategy and we  
15 just work to a budget, then we will never really be able to  
16 sustain constant investment.

17 Senator Perdue: Were you part of the strategic  
18 planning team at Boeing?

19 Mr. Shanahan: I was. I am steeped in --

20 Senator Perdue: I am sorry to interrupt. I believe  
21 that because you would not have gotten into your position as  
22 SVP of Operations.

23 Let me ask you about your position. You have supply  
24 chain and operations the way it reads officially. Is that  
25 basically the COO? You report to the CEO. Is that correct?

1 Mr. Shanahan: Correct.

2 Senator Perdue: Who else reports to the CEO?

3 Mr. Shanahan: The CEO? I mean, you have the  
4 traditional --

5 Senator Perdue: You have CFO, COO, which is you.

6 Mr. Shanahan: Right. So my role was all of operations  
7 and supply chain --

8 Senator Perdue: Help me just understand the  
9 perspective then. Who else reports to the CEO?

10 Mr. Shanahan: The CEO for commercial, the CEO for  
11 defense, the CEO for services, chief counsel, head of HR --

12 Senator Perdue: Do you run operations across all those  
13 divisions?

14 Mr. Shanahan: I have responsibility for operations  
15 across all those divisions.

16 Senator Perdue: Thank you.

17 The question I had was, as you look at this  
18 responsibility, it looks like you are going from a COO of a  
19 \$100 billion business to a COO of a \$600 billion business.  
20 That is done all the time, but I wanted to put it in  
21 perspective.

22 I appreciate your willingness to step up and be  
23 available for this service. Thank you.

24 Mr. Shanahan: Thank you.

25 Chairman McCain: Senator Blumenthal?

1 Senator Blumenthal: Thank you, Mr. Chairman.

2 Good morning and thank you for your willingness to  
3 serve and your family's support for your willingness to  
4 serve. And I am glad to see they made it down yesterday by  
5 train I understand.

6 I know that you have discussed briefly your commitment  
7 to recusing yourself from Boeing-related contracts and  
8 programs and the commitment also to notifying or to seeking  
9 a waiver in the event of any questions in that regard. Will  
10 you commit to make public the recusal waiver if one is  
11 necessary?

12 Mr. Shanahan: Yes.

13 Senator Blumenthal: Thank you.

14 Going to the issue of fair pay, as you may know, during  
15 last year's NDAA process, I led the fight -- it was  
16 successful -- to remove harmful provisions from the final  
17 bill that sought inappropriately to limit the fair pay and  
18 safe workplaces executive order from applying to the  
19 Department of Defense. Boeing lobbied in support of efforts  
20 to curb this executive order. It lobbied against having  
21 contractors disclose labor law violations to the government.  
22 I vehemently opposed the rollback of the fair pay executive  
23 order earlier this year, and I continue to feel strongly  
24 that we must do everything possible to continue defending  
25 American workers in this way.



1           Approximately one in five Americans are employed by  
2 companies that do business with the Federal Government.  
3 Every year, tens of thousands of American workers are denied  
4 overtime wages or unlawfully discriminated against in hiring  
5 or pay, have their health and safety put at risk by federal  
6 contractors who may cut corners, or are denied basic  
7 workplace protections. This is not to say Boeing engaged in  
8 any of these practices. It was not directed at Boeing.

9           But my question to you is, do you believe that we  
10 should ensure that taxpayer dollars go to defense companies  
11 who play by the rules and uphold existing laws?

12           Mr. Shanahan: I believe they should. I mean, we need  
13 to take care of our employees. We need to take care of the  
14 workforce. I think that is the fundamental responsibility  
15 of all companies.

16           Senator Blumenthal: Would you favor reinstatement of  
17 an executive order that protected minorities, people with  
18 disabilities, veterans from discrimination in the awarding  
19 of defense contracts?

20           Mr. Shanahan: Senator, I do not know the particulars  
21 of the changes that you are referring to, but I support  
22 providing the protections that people need. So if  
23 confirmed, I mean, that will be something that I would  
24 investigate and spend time to understand.

25           Senator Blumenthal: Would you commit to conduct a

1 review of the Defense Department policies so as to take  
2 action that prevents that kind of discrimination or denial  
3 of overtime pay and so forth on the part of defense  
4 contractors?

5 Mr. Shanahan: I would take that action to review that.

6 Senator Blumenthal: Thank you.

7 On the defense industrial base, you are probably more  
8 aware than any of us on the committee about the need for  
9 skill training and education to preserve and enhance and  
10 expand our defense industrial base. And you and I talked  
11 about it briefly when we met. Perhaps you can enlighten us  
12 as to what you would do as the Deputy Defense Secretary to  
13 make sure that we provide that kind of skill training in  
14 places like Electric Boat or Pratt & Whitney where we make  
15 some of the critical defense products.

16 Mr. Shanahan: Sure. Thank you, Senator.

17 Education is something I have a passion around. In  
18 Washington, we were able to work with the superintendent of  
19 public education for the State to get a math equivalency  
20 credit for high school students so that they could get  
21 training to allow them to go into either maritime,  
22 aerospace, or electrical work. We worked with the community  
23 colleges to set up standard programs to allow them to get  
24 certificates so that employers could literally meet them  
25 upon graduation and give them jobs, and they would step into

1 those new jobs without having to go through formal training.  
2 So it was a cost reduction to the companies. It was a  
3 benefit to the community colleges because people were taking  
4 courses that really led to high paying jobs.

5 I would use the position to start to -- this is  
6 something that I really believe at a national level we can  
7 effect. There are all of these jobs, due to demographics,  
8 where people are going to retire out, and they are high  
9 paying. So whether it is Electric Boat or the Boeing  
10 Company, the demographics are I think something like 80  
11 percent of the people can retire in the next 5 years. It is  
12 a huge opportunity.

13 Senator Blumenthal: I hope you will come to  
14 Connecticut and talk about this issue. Thank you.

15 Chairman McCain: Thank you.

16 Senator Blumenthal: Thanks, Mr. Chairman.

17 Chairman McCain: Senator Rounds?

18 Senator Rounds: Thank you, Mr. Chairman.

19 Good morning, Mr. Shanahan.

20 Mr. Shanahan: Good morning.

21 Senator Rounds: I am happy to see in your testimony  
22 that you focus on defense reform and innovation  
23 opportunities. I do not think anyone in this room would  
24 argue the fact that the Department of Defense has  
25 historically a poor track record in acquisitions. Since the

1 attacks on 9/11 through 2011, the DOD has spent \$46 billion  
2 on a dozen weapons systems that never even entered  
3 production. In fact, a 2014 poll of almost 400 DOD  
4 acquisitions employees revealed less than 30 percent were  
5 confident in the process to deliver weapons to warfighters.  
6 In a culture where "critical" means months, "urgent" means  
7 years, and requirements span decades, this is no surprise to  
8 those of us up here.

9 All the while, our adversaries are operating in  
10 smaller, more agile innovation and acquisition cycles, both  
11 of which are eroding the technological advantage that we  
12 have enjoyed for generations.

13 There is one aircraft system right now that seems to be  
14 kind of bucking that trend from what we are learning. I  
15 have been impressed with the progress and the speed of the  
16 current B-21 program. I understand that a large part of the  
17 program's efficiency is that it is not in the normal defense  
18 acquisitions pipeline. And you may or may not have any --  
19 you may have not done any research yet. Is there any  
20 opportunity to replicate some of the B-21 program practices  
21 in order to make the most efficient use of every taxpayer  
22 dollar that we have got? I am not sure how involved you  
23 have been or how much research you have done in terms of  
24 B-21 program as it sits right now, but if you would care to  
25 comment, great. If you do not have a background in it yet,

1 we will move on.

2 Mr. Shanahan: I do not have a background in the B-21.

3 Senator Rounds: Well, they have done some things in  
4 the B-21 that I think have kept them on time and on target,  
5 and I have been very pleased with the progress that we have  
6 seen. But it is an innovative approach which is a little  
7 bit different for the Department of Defense.

8 Let me continue on with another specific issue, and you  
9 may or may not have a background in it but at least I will  
10 share it with you and it might pique your interest as you  
11 move forward. Okay?

12 I understand that you rose through the ranks at Boeing  
13 as an engineer, a leading fabrication -- or that you have  
14 led fabrication divisions and that you have run aircraft  
15 assembly lines. So I think you will appreciate my final  
16 thought.

17 I think there is a third piece overlooking the  
18 conversation of how to buy and what to buy, and that piece  
19 is how to build. Maturing of innovative manufacturing  
20 techniques and capabilities are often overlooked. In fact,  
21 there is a company in California that has recently 3D  
22 printed a small house, and they did it in 24 hours.

23 Another incredible engineering breakthrough is called  
24 cold spray. I am not sure if you are familiar with cold  
25 spray or not. They have actually done some work in terms of

1 the B-1B's at Ellsworth Air Force Base using cold spray to  
2 make some very quick repairs or very efficiently saved a lot  
3 of time and a lot of money as well. It shoots metal  
4 particles through a heated gas stream at supersonic speed to  
5 create a cross between additive manufacturing and welding.  
6 It can be used to repair broken parts or reinforce them so  
7 they do not wear down. And I have seen estimates that this  
8 could save the Department of Defense over \$100 million a  
9 year in parts replacement alone.

10 Now, a large supporter of cold spray is the Army  
11 Research Lab where they are exploring ways to use it in  
12 ballistics and to manufacture or repair things faster,  
13 safer, and cheaper. As I was saying, it is kind of an ad  
14 here, but it was developed in South Dakota. I am looking  
15 forward to see you and your team look very seriously at the  
16 unique combination of opportunities this particular new  
17 product might very well offer to the Department of Defense.

18 I presume you have a background where you have looked  
19 at innovative new products and techniques. And part of the  
20 job is to move them on to the production lines in an  
21 efficient fashion. Can you share with us the background  
22 that you have got in that or success stories that you have  
23 got in that?

24 Mr. Shanahan: I was tracking very well with you around  
25 3D or additive manufacturing, which is really the future.

1 So when we think about satellites of the future, we are  
2 going to print them. When we think about unmanned vehicles  
3 of the future, just like your house example, we will print  
4 them. We will have modular payloads so that we can just  
5 stick them in. And the affordability of these new systems  
6 will allow us to lose them. I mean, it just changes  
7 everything about cost. I am enormously encouraged about all  
8 the new technology out there.

9 The issue that we are going to run into -- and this is  
10 some work that I was doing while I was at Boeing, and it  
11 manifests itself at like DLA. It is not that we cannot  
12 print the part that is structurally capable. Our processes  
13 will not allow us to use it.

14 Senator Rounds: Right.

15 Mr. Shanahan: And that is the work we have to do.

16 Senator Rounds: That is going to be your job.

17 Mr. Shanahan: Right, exactly, because the technology  
18 is there and the cost savings are there. We have prevented  
19 it.

20 Senator Rounds: Thank you.

21 Thank you, Mr. Chairman.

22 Chairman McCain: Senator Warren?

23 Senator Warren: Thank you, Mr. Chairman.

24 And thank you, Mr. Shanahan, for being here and for  
25 taking the time to meet with me last week in my office.

1 I want to pick up on a point made by Senator Reed on  
2 the Third Offset Strategy to invest in the advanced  
3 technologies that maintain superior capabilities against  
4 future threats. Many of these technologies, though, are in  
5 the development phase, and meanwhile, our near-peer  
6 competitors continue to improve their capabilities.

7 So I just wonder, Mr. Shanahan, if you could just say a  
8 word about the level of your commitment to a strong  
9 research, development, test, and evaluation account  
10 especially investments in basic and applied research.

11 Mr. Shanahan: Senator, the future is dependent on how  
12 well we innovate and integrate these new technologies  
13 because we are at another point in time where the world is  
14 going to change.

15 My biggest fear is that a threat will manifest itself  
16 more quickly than we have planned and we will not be ready.  
17 So we will rush to development and we will see all the risks  
18 of the past. So it is so important that we be making those  
19 investments now. It takes time, and so we have to have  
20 patience. We have to understand that not all the bets work.  
21 You know, it may be 3 percent in basic research, but that 3  
22 percent will be a game changer.

23 Senator Warren: That is right. Well, good. We need a  
24 strong commitment here.

25 When you visited my office, we talked about the



1 significant technological advances that are actually  
2 happening over in the commercial sector as well. And one  
3 way that DOD is tapping into those advancements is through  
4 the Defense Innovation Unit Experimental, or DIUx, which  
5 partners with nontraditional defense contractors with  
6 technology firms, with entrepreneurs to accelerate the  
7 delivery of advanced technologies into the hands of the  
8 warfighters.

9 Can you just say a word about your level of interest in  
10 investing in DIUx and strengthening the partnerships between  
11 DOD and the private sector that is driving this kind of  
12 innovation?

13 Mr. Shanahan: I think that is more of the type of work  
14 we will be doing because what these smaller companies do,  
15 they unlock the creativity of the warfighter. So they get  
16 exposed to some initial technology, and then they say to  
17 these companies, can you make these changes? And those  
18 companies can rapidly do that. They do not have all the  
19 bureaucracy. There is not the formal contracting  
20 mechanisms. So the development cycles are very, very quick.  
21 I am a big proponent of doing that, but there has to be some  
22 adult supervision. It cannot be everybody indiscriminately  
23 going to work with these different groups. But it is the  
24 fuel for the future.

25 Senator Warren: Good.

1 Well, we have an amazing DIUx facility in  
2 Massachusetts, and I am convinced that we need to continue  
3 to make these investments in both the commercial sector and  
4 in our own research enterprise to develop the kinds of game  
5 changing innovations that we are going to need.

6 Now, Mr. Shanahan, in your response to advance  
7 questions from this committee, you said -- and I am just  
8 going to quote what you said -- it will be difficult to  
9 regain superiority simultaneously in every warfighting  
10 domain. So I will prioritize technologies based on their  
11 maturity, potential, and ability to better advantage our  
12 warfighters.

13 Could you say a word about what areas of technology  
14 advancement you believe best meet those criteria and how you  
15 think about prioritizing those demands?

16 Mr. Shanahan: Yes. I do not have the specific  
17 domains. The comment there is really getting at the process  
18 that we must go through to make choices. It is kind of back  
19 to your comment about basic research. We will have to  
20 narrow the basic research. There is only so much finite  
21 funding. But the key to this is aligning it to a capability  
22 we want to mature. So my point there is that there are  
23 certain aspects of the Third Offset that we will say this is  
24 something we need to anchor around. This is the path we  
25 need to follow to achieve that.

1           Senator Warren: Good. Well, I think this is  
2 powerfully important that we sustain our investments in  
3 these leap-ahead technologies that our future will depend  
4 on. So thank you very much.

5           Thank you, Mr. Chairman.

6           Chairman McCain: Senator Tillis?

7           Senator Tillis: Thank you, Mr. Chairman.

8           Mr. Shanahan, thank you for being here and  
9 congratulations on your nomination.

10           I never miss a hearing like this to bring up my  
11 favorite prop when I talk about procurement. One thing that  
12 excites me about your nomination is your extensive work in  
13 supply chain operations transformation, and I want to get to  
14 that in the time allowed.

15           But I want to acquaint you to the organization that you  
16 are about to get confirmed to. It is an organization that  
17 can take 10 years and 680 pages to define the next  
18 generation handgun. I know that at Boeing, one of the  
19 things that you set out to improve and turn around the  
20 Dreamliner project was really looking at the fundamental  
21 supply chains and the operations process and trying better  
22 align it to address the issues so you could get into the  
23 minor things like availability of fasteners and a number of  
24 other things that you found, the flight control development  
25 life cycle.

1           But do you have any sense of the nature of the  
2 organization you are about to inherit in terms of its  
3 ability of having lean processes implemented and a culture  
4 of lean design in it?

5           Mr. Shanahan: I do.

6           Senator Tillis: And how would you assess it?

7           Mr. Shanahan: It is challenged, very challenged. Many  
8 people have worked to streamline it, and we have not seen  
9 the success we need.

10          Senator Tillis: By the way, I wanted to go back. I  
11 think what you are looking at are some of the foundational  
12 processes that have to change. I appreciated your answers  
13 to Senator Cotton and others about recusing yourself from  
14 potential programs. If you are doing your job, you are  
15 going to be far removed from the day-to-day decision-making  
16 process and recommendations on these programs, and you are  
17 fixing the underlying processes so that next generation  
18 handguns is probably 100 pages in a couple of years at the  
19 most. And in the more advanced weapons systems, you are  
20 going to scale the supply chains and the processes to the  
21 technological challenges of the product you are trying to  
22 produce.

23          So how do you go about actually -- your first year,  
24 what would you do to actually try to figure out where you  
25 could put your resources to have the greatest effect so that

1 we do not continue to have these hearings that I have  
2 participated in over the last 2 and a half years that are  
3 clearly just operational problems?

4 Mr. Shanahan: So at a first blush, the three things  
5 that I will focus on -- number one is really getting that  
6 strategy in place that gets at the future next generation  
7 capability so that we are seeding it properly.

8 The second is -- and this gets at the current business.  
9 I think it is a failed effort to try to fix it all. That is  
10 like boiling the ocean. To me, it is doing the value  
11 assessment. Where is the most money that can be saved? And  
12 what are the top 10 programs that we have to go capture real  
13 value tonight? From that, what will fall out are these are  
14 the six or 10 things we have to go fix if we want to prevent  
15 this going forward. But my management style is more you  
16 have to put points on the board. You cannot work a generic  
17 process improvement and say that 5 years from now we are  
18 going to be better. How are we doing that tonight?

19 The other area is then, you know, in all these business  
20 functions. How do we quickly work through all the  
21 governance and people not wanting to share and really get to  
22 consolidation and lower cost?

23 Senator Tillis: I think one of the challenges you are  
24 going to run into -- and I hope as you look at the  
25 transformation -- is having those who are in uniform that

1 are in the DOD. And then, of course, you have civilian and  
2 contractor content. But you really have to do a critical  
3 assessment of whether or not they have the core skills and  
4 education to do what you are attempting to do.

5 I met with a class that is about to graduate from the  
6 War College. The question I asked them, throughout your  
7 curriculum, how much has been focused on business process  
8 transformation, the operational side? It is not the  
9 warfighting side. I am confident that on the warfighting  
10 side they are well qualified for their jobs. But you really  
11 have to do a serious assessment about the inventory of  
12 people who have the discipline -- the experience I should  
13 say -- experience in the disciplines to really transform  
14 this organization.

15 How do you go about doing that?

16 Mr. Shanahan: I mean, my technique in the past has  
17 been find those big opportunities and understand who is  
18 leading the performance. Pretty soon you will find out  
19 where the leadership needs to be effected.

20 Senator Tillis: Well, the last thing -- I am out of  
21 time -- is that when you go through here, you need to very  
22 quickly identify the self-imposed impediments. There are  
23 things that are within your lanes that you can fix. And  
24 then you need to be prepared to come here and tell us the  
25 things that we have to change that are impediments to you

1 actually achieving the transformational results that we  
2 want. But there is no doubt in my mind that there are a lot  
3 of obstacles you will run into along the way that are going  
4 to require congressional action to get it right.

5 Thank you. I look forward to supporting your  
6 confirmation.

7 Mr. Shanahan: Thank you.

8 Chairman McCain: Senator Sullivan?

9 Senator Sullivan: Thank you, Mr. Chairman.

10 And, Mr. Shanahan, thank you again for your willingness  
11 to serve. I appreciate your family being here. I  
12 appreciated the meeting we had yesterday.

13 I am going to follow up on what I think you are seeing  
14 as a theme here, which is people believe that you have a lot  
15 of background in helping us address what is a very  
16 significant challenge.

17 So give me a sense. At Boeing, how many 787's are you  
18 producing a month there?

19 Mr. Shanahan: 12 a month.

20 Senator Sullivan: So we are trying to build one  
21 icebreaker for the United States, and one of the estimates  
22 that has come out of our services is it is going to take 10  
23 years a billion dollars.

24 So there is a lot of focus. The chairman mentioned in  
25 his opening statement about acquisition and acquisition

1 reform that we have tried to do here. But we also need  
2 people in the building who understand how to get to  
3 efficiencies.

4 When you think about this, how do we go from --  
5 obviously, we are not Boeing -- but 12 aircraft a month that  
6 Americans can do in our country to one ship, \$1 billion, 10  
7 years to develop? What are some of the things that you need  
8 to be focused on and we should be focused on to get us out  
9 of this sense where we cannot build anything on time or have  
10 a 600-page RFP for a handgun?

11 Mr. Shanahan: Sure. I think Senator Tillis was on  
12 this track. The leadership that has judgment that says 10  
13 years and a billion dollars seems like a long time.

14 Senator Sullivan: Do you think that seems like a long  
15 time?

16 Mr. Shanahan: It is a long time.

17 Senator Sullivan: Is it not that by the time you build  
18 a ship that the technology of 10 years is completely  
19 outdated -- the ship you just built?

20 Mr. Shanahan: I can only imagine that it would be and  
21 you would be spending another bunch of money to upgrade it.

22 Senator Sullivan: So what do we need to do? What  
23 experiences can you bring to help us with that, help the  
24 country with that? It is enormously important.

25 Mr. Shanahan: Yes. The two things that helped me the



1 most are you have got to get good leaders in place. They  
2 just have the judgment. It is like 300 pages. We do not  
3 need this for a handgun.

4 Senator Sullivan: I think it is 600, but nevertheless.  
5 680.

6 Mr. Shanahan: And then it gets back to why the audit  
7 is so important. We need to have an understanding of our  
8 cost baseline because whether you are in automotive or in  
9 aerospace, what should it cost? It is back to the ship one.  
10 What should this ship cost? And it is just physics to weld  
11 it up. We can run the math to say this is what it should  
12 cost in terms of commercial practices. That will inform us.  
13 Should cost tells you whether you are in the ball park or  
14 not, and if you are 2, 3, 5X, we need to stop the meeting  
15 and start over because that is just an unacceptable answer.

16 Senator Sullivan: So you think the audit process will  
17 help us have a much deeper understanding of why we have some  
18 of these processes that to any obvious observer seem  
19 outrageous?

20 Mr. Shanahan: I think, as I spend time on the audit,  
21 it is going to be where do we want to spend the money to  
22 make sure that the data is accurate, and then how do we use  
23 that data to inform us on our cost performance because there  
24 are things that we have to do in the audit to pass it that  
25 maybe do not add value, but there are other areas where it

1 really gives us an understanding of where we are inefficient  
2 or, in the case of acquisition, this should cost is really  
3 doing the qualitative analysis of what a similar ship --  
4 you can parametrically adjust anything, but what would a  
5 similar type of commercial vessel cost.

6       Senator Sullivan: Let me turn to another issue we  
7 talked about yesterday, and that is the laydown of our  
8 forces in the Pacific, which a number of us on the  
9 committee, the chairman, myself, and others, have taken a  
10 lot of interest in because we need to get this right. We  
11 have had a hard time getting it right in terms of cost, in  
12 terms of strategic location of our Marines and Air Force and  
13 other forces. Will you commit to work with this committee  
14 on making sure there is a united effort and kind of joint  
15 cooperation between the Congress and the Pentagon on making  
16 sure we get that correct?

17       Mr. Shanahan: I am committed to doing that.

18       Senator Sullivan: A final question. I noticed in your  
19 background you have a lot of technical expertise on missile  
20 defense. Just give me your sense on what you think our  
21 priorities -- I know you answered advance questions for this  
22 hearing that dealt with missile defense. A number of us are  
23 interested in it. What should be our priorities on homeland  
24 missile defense, not just missile defense for our allies in  
25 the Asia-Pacific or the Middle East? And where should the

1 priorities be? And do you see the threat to the homeland  
2 increasing? There has been a lot of testimony over the last  
3 year from the top military and intelligence officials that  
4 it is literally at our doorstep, that North Korea is on the  
5 verge of an intercontinental ballistic nuclear missile that  
6 can range the continental United States. Give us a sense of  
7 your thoughts, background, and priorities on missile  
8 defense.

9 Mr. Shanahan: Absolutely. My last time in the  
10 Department of Defense was over 10 years ago running the GMD  
11 program, ground-based midcourse defense, and  
12 operationalizing it to defeat a launch of an ICBM out of  
13 North Korea. And we emplaced all of the interceptors. I  
14 think there are 40 of them up in Alaska.

15 The North Koreans are learning quickly. I mean, 10  
16 missile tests this year is -- you know, they are going to  
17 continue to evolve their capability. We need to evolve our  
18 capability and make sure we have sufficient inventory in  
19 Alaska and other places to protect against a launch or a  
20 threat from the North Koreans.

21 Senator Sullivan: Thank you.

22 Thank you, Mr. Chairman.

23 Chairman McCain: Well, Mr. Shanahan, I want you to  
24 look at the answers that you gave, the standard answers that  
25 were proposed to you. Some of them were less than specific.

1 At least one of them and more were almost insulting.

2 I want to move forward as quickly as I can with your  
3 nomination. I am concerned that 90 percent of defense  
4 spending is in the hands of five corporations, of which you  
5 represent one. I have to have confidence that the fox is  
6 not going to be put back into the henhouse.

7 Mr. Shanahan, I think you are a fine man. You have an  
8 outstanding record. But when you answer a question about  
9 defensive weapons for Ukraine as something that needs to be  
10 examined before you reach a conclusion, that is not an  
11 informed answer. This is not a new issue.

12 So take a look at your responses that you sent to this  
13 committee. Take a look at the responses that you gave to  
14 some of these answers.

15 Somehow over the last several years, this committee  
16 seems to have been treated as sort of a rubber stamp. That  
17 is not the role. That is not what the Constitution of the  
18 United States says. The Constitution of the United States  
19 says that the United States Senate would provide advice and  
20 consent.

21 The answers that you gave to the questions, whether  
22 intentionally or unintentionally, were almost condescending.

23 Defensive weapons for Ukraine? Well, something we ought to  
24 discuss. I wish you could have been with me in Ukraine on  
25 New Year's Eve when President Poroshenko gave a medal to the

1 mother of a young man who had just been killed by a Russian  
2 sniper, and the tears coming down her face. I am not sure  
3 you would have given the same answer that you gave in  
4 response to those written questions, which were  
5 straightforward, standardized, no different from anyone  
6 else.

7         So I want to work with this administration. I want to  
8 work with this President. I want to work with the new  
9 Secretary of Defense, who I happened to be one of the most  
10 ardent admirers of. But I have to tell you in a couple  
11 weeks, we are going to mark up the defense authorization  
12 bill. The President has two choices: either give us a  
13 strategy or we will put a strategy that we develop into the  
14 defense authorization bill. We are talking about shooting  
15 down airplanes in Syria. We are talking about Afghanistan,  
16 that there is going to be X thousand of increase. And yet,  
17 no one has informed the American people and this committee.

18         So I have to say that I want some answers. I want some  
19 straightforward answers. And this town, you know very well,  
20 abhors a vacuum. If they do not give us a strategy from the  
21 people that I admire the most, we are going to put a  
22 strategy in. We are losing in Afghanistan. We just had  
23 three Americans killed in the last couple days. This is not  
24 an academic exercise.

25         Now, I understand the problems that they are facing.

1 They should be able to sort out those problems rather than  
2 say, hey, we are going to do the following four things, by  
3 the way, and we will expect the Congress to just rubber  
4 stamp it. We are not going to. We are not going to.

5 So your job is one of the most important and key  
6 elements. And frankly, I am not overjoyed that you came  
7 from one of the corporations -- five -- five corporations,  
8 90 percent -- 90 percent of the spending of the taxpayers'  
9 dollars comes out of five different corporations. That is  
10 not what our Founding Fathers had in mind.

11 So look at the answers that you gave us -- they were  
12 standard questions that we ask of every nominee. It was  
13 nothing unusual -- and see if you want to abridge some of  
14 them. I want to give the Secretary of Defense the team that  
15 he needs, but I am not going to give him a team that I think  
16 is business as usual of the last 8 years. Too many hundreds  
17 of thousands are refugees -- 6 million actually. 400,000  
18 are dead. We are not talking about academic exercises.

19 So, Mr. Shanahan, take a look at those answers you  
20 gave, get the answers back as quickly as you can. It is the  
21 desire of this committee to recommend you. It is the desire  
22 of us. It is also our desire and obligation to the  
23 Constitution of the United States which says advice and  
24 consent.

25 This hearing is concluded.

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[Whereupon, at 11:14 a.m., the hearing was adjourned.]