

**NOMINATION OF HONORABLE ASHTON B.  
CARTER TO BE DEPUTY SECRETARY OF DE-  
FENSE**

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**TUESDAY, SEPTEMBER 13, 2011**

U.S. SENATE,  
COMMITTEE ON ARMED SERVICES,  
*Washington, DC.*

The committee met, pursuant to notice, at 9:33 a.m. in room SD-106, Dirksen Senate Office Building, Senator Carl Levin (chairman), presiding.

Committee members present: Senators Levin, Lieberman, Reed, Nelson, McCaskill, Hagan, Begich, Shaheen, Blumenthal, McCain, Inhofe, Sessions, Wicker, Brown, Portman, Ayotte, Graham, and Cornyn.

Committee staff members present: Richard D. DeBobes, staff director; and Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: Richard W. Fieldhouse, professional staff member; Creighton Greene, professional staff member; Jessica L. Kingston, research assistant; Peter K. Levine, general counsel; Jason W. Maroney, counsel; William G.P. Monahan, counsel; Robie I. Samanta Roy, professional staff member; Russell L. Shaffer, counsel; and William K. Sutey, professional staff member.

Minority staff members present: David M. Morriss, minority staff director; Adam J. Barker, professional staff member; Pablo E. Carrillo, minority investigative counsel; Paul C. Hutton IV, professional staff member; Daniel A. Lerner, professional staff member; Lucian L. Niemeyer, professional staff member; Michael J. Sistik, research assistant; and Richard F. Walsh, minority counsel.

Staff assistants present: Kathleen A. Kulenkampff, Hannah I. Lloyd, and Bradley S. Watson.

Committee members' assistants present: Christopher Griffin, assistant to Senator Lieberman; Carolyn Chuhta, assistant to Senator Reed; Nick Ikeda, assistant to Senator Akaka; Ann Premer, assistant to Senator Nelson; Gordon Peterson, assistant to Senator Webb; Maria Mahler-Haug, assistant to Senator McCaskill; Roger Pena, assistant to Senator Hagan; Lindsay Kavanaugh, assistant to Senator Begich; Brooke Jamison, assistant to Senator Gillibrand; Ethan Saxon, assistant to Senator Blumenthal; Anthony Lazarski, assistant to Senator Inhofe; Lenwood Landrum, assistant to Senator Sessions; Joseph Lai, assistant to Senator Wicker; Charles Prosch, assistant to Senator Brown; Brad Bowman, assistant to Senator Ayotte; Matthew Rimkunas and Sergio Sarkany, assistants

to Senator Graham; and Joshua Hodges, assistant to Senator Vitter.

**OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN**

Chairman LEVIN. This morning the committee meets to consider the nomination of Ashton Carter to be Deputy Secretary of Defense. We welcome the nominee and his family to today's hearing. We appreciate the long hours and other sacrifices that our nominees make to serve their country, and we know that these sacrifices would not be possible without the support of their families.

Senator Lieberman, who is going to be introducing Dr. Carter this morning, needs to chair another committee meeting. I know that firsthand because I'm supposed to be there later myself. In any event, what we're going to do now is call upon Chairman Lieberman, Senator Lieberman, who's a member of this committee, of course, as well, to introduce our nominee, and then we'll come back to the opening statements. And I've consulted with Senator McCain and he's perfectly happy to do it that way.

Senator Lieberman.

**STATEMENT OF SENATOR JOSEPH I. LIEBERMAN**

Senator LIEBERMAN. Thank you very much for your courtesy, Mr. Chairman, and for your skill at overcoming the obvious irascible reluctance of Senator McCain to allow me to speak first.

Chairman LEVIN. He's a soft touch, as you know. [Laughter.]

Senator LIEBERMAN. I am really grateful for the opportunity to appear before you now, not from my customary seat, in order to introduce Dr. Ash Carter, the President's nominee to be our 30th Deputy Secretary of Defense. Just slightly more than 2 years ago, I had the privilege of introducing and supporting Ash's nomination as Under Secretary of Defense for Acquisition, Technology, and Logistics. After that hearing, this committee in its wisdom endorsed the nomination, approved it by voice vote, and then the Senate did the same. I think that's—we have some momentum going here.

If anything, over the last 2 years I think Ash Carter has strengthened his case, the case for him to assume at this particular time this extraordinary position. I've known Ash for years and we've become personal friends, both during his time serving in the Defense Department under Bill Perry during the Clinton administration.

We've also had the opportunity to travel under the esteemed leadership of Senator McCain, with me in a supporting role, to the security conference in Munich every February, and it's been a great opportunity to get to know him both as a person and a public official.

His resume is quite impressive. I'll just state some of the highlights for me. He has, unusually, a Ph.D. in theoretical physics, has been a professor of international relations, security, and science and, going back to the Clinton administration, served as Assistant Secretary of Defense for International Security Policy.

Since then he's also served during the Bush administration on the Defense Science Board and the Defense Policy Board, and is widely recognized and respected, I think on a bipartisan basis, as

one of our country's leading thinkers and leaders, actors, on defense and national security issues.

For the last 2 years, as I've mentioned, Ash has served as Under Secretary of Defense for Acquisitions, Technology, and Logistics. In this position he has overseen billion-dollar military programs and procurement of critical equipment for our men and women in the Armed Forces. In this job, as so many others, I believe he has truly distinguished himself.

Of particular note, Ash has played a pivotal role in getting 6,500 MRAP ATVs to our troops in Afghanistan at really breakneck speed. Of course, we all know that these vehicles have saved countless lives. The success of the program I think speaks to Ash's fierce dedication to our men and women on the front lines, but also to the importance of the acquisition programs delivering equipment our troops need in a way that is not only timely, but cost effective.

When and I hope, of course, if Ash is confirmed, he will assume his new responsibilities at a time when the Pentagon faces the prospect of what I would call extreme, draconian budget cuts, so severe that Secretary of Defense Panetta has warned that they could, and I quote again, "hollow out the force and weaken our National defense." Of course, I totally agree and I know many members on both sides of the aisle on this committee agree.

In the face of this danger, I think Ash's considerable talents, his experience, his skill as an advocate, will be more necessary than ever. I have great confidence that he will work ceaselessly, first to make sure that every dollar entrusted to our Department of Defense is used as efficiently and effectively as possible, but also that he will be a determined advocate for the programs and the funding that are needed to ensure that our military stays what it is today, the best in the world, and that our Nation therefore, at a time when the world remains dangerous and unpredictable, remains as secure and free as we all want it to be.

So, Mr. Chairman, Senator McCain, I thank you again for your courtesy and I am proud to offer my wholehearted endorsement for this nomination and hope that my colleagues will give him the same unanimous support that he got the last time he appeared before the committee.

Thank you very much.

Chairman LEVIN. Thank you very much, Senator Lieberman.

While I'm thinking of it, Dr. Carter, can you put your—yes, thank you. Most of us know who you are. Thank you.

We just heard from Senator Lieberman and his support for you, much about your record, your career. I think most of us, perhaps all, are familiar with that. Your distinguished record of public service culminated in your current position as Under Secretary of Defense for Acquisition, Technology, and Logistics. If you're confirmed as Deputy Secretary, you're going to be the number two official in the Department of Defense, and in that capacity you're going to play a key role in determining how our country addresses an extraordinarily complex set of challenges that face our armed forces.

For example, how can we reduce the stress of repeated deployments on our men and women in uniform and their families after 10 years of non-stop military operations in Iraq and Afghanistan? How will we complete the drawdown of U.S. forces in Iraq, and

what continuing role, if any, is the U.S. military willing to play after the December 31st withdrawal deadline if there is a request from Iraq? How can we most effectively contribute to the success of the mission in Afghanistan by keeping the focus on transitioning security responsibility to Afghan forces, including continuing the drawdown of U.S. forces in that country?

How can we reduce our force posture around the world to bring down the huge costs we're facing, while at the same time maintaining a strong forward presence in key areas?

Now, at the same time all that's on your plate, the next Deputy Secretary is going to play a key role in implementing ongoing efficiency initiatives and achieving the additional savings that are needed in the current fiscal climate. Last year then-Secretary Gates approved roughly \$180 billion in cuts to defense programs over the FYDP. The recent legislation on the debt ceiling calls for an additional \$400 billion in reductions in security spending over a 10-year period, with the possibility of far deeper cuts if the joint committee is unable to reach agreement and a sequester is triggered.

Now, just the reductions required so far, required by the legislation on the debt ceiling, just those reductions are going to require an extremely careful review of every program and expenditure in the defense budget and tough decisions to be made to balance the requirements of today's force and current military missions against investment in needed preparations for the threats of tomorrow.

I know that Dr. Carter agrees that Department of Defense budget reductions must contribute to overall deficit reduction, but must do so without compromising our current or our future security. And unless we impose much greater discipline on our acquisition process and unless we bring down the costs of our weapons programs, we are unlikely to achieve that objective.

Finally, the Deputy Secretary has traditionally handled a wide array of management duties, a role that was enhanced by recent legislation formally designating the Deputy Secretary as chief management officer of the Department of Defense. Virtually every area of Department of Defense management is included in the annual list that we get of high risk areas prepared by the Government Accountability Office. Those high risk areas have not changed much over the years.

Dr. Carter, as Deputy Secretary you're going to be responsible for addressing each of those high risk problem areas, including: DOD business transformation, DOD business systems modernization, DOD support infrastructure management, DOD financial management, DOD supply chain management, DOD weapons systems acquisition, DOD contract management, management of inter-agency contracting, strategic human capital management, and management of real property.

Dr. Carter has demonstrated in his current position that he can be a strong manager and a decisive leader. We particularly appreciate the efforts that you have made to implement the Weapons System Acquisition Reform Act and the Better Buying Power Initiative and to begin the process of bringing some of our largest acquisition programs under control.

Now, I emphasize that you've helped to begin the process of bringing some of our largest acquisition programs under control, but we have a long way to go. Secretary Carter in his new capacity is going to need to speed up the process to help that speed-up effort, to speed up the process of controlling costs of acquisition.

Senator McCain.

#### STATEMENT OF SENATOR JOHN MCCAIN

Senator MCCAIN. Thank you, Mr. Chairman.

Dr. Carter, thank you for your service as Under Secretary of State for Acquisition, Technology, and Logistics and for your willingness to continue to serve as the Deputy Secretary of Defense. Your willingness and ability to bear the burden of senior leadership is both noteworthy and highly commendable.

The position of Deputy Secretary of Defense is as challenging today as it's ever been. On the one hand, the Department is being confronted by daunting challenges to its ability to ensure the Nation's defense. On the other hand, there's the specter of dramatic cuts in defense spending. Against that backdrop, the Department must find ways to operate more efficiently and effectively than ever before. If confirmed as Deputy Secretary of Defense, you must be prepared to lead both these efforts and succeed in doing so.

Providing for our national defense is the most important responsibility that our or any government has. It's our Nation's insurance policy and in a world that is more complex and threatening as I have ever seen, we cannot allow arbitrary budget arithmetic to drive our defense strategy and spending. Some of the defense cuts being discussed would do grave harm to our military and our Nation's security. Defense spending is not what is sinking this country into fiscal crisis and if Congress and the President act on that flawed assumption they will create a situation that is truly unaffordable, the decline of U.S. military power.

Do not misunderstand me. Real defense cuts are coming and for that reason it's now more essential than ever for the Department of Defense to efficiently manage the taxpayers' money. But I will be blunt. This will require not just good leadership; it will require a change in culture at the Department of Defense. By that I mean an end to the Department's systemic tendency to spend the taxpayers' money in a manner that is far too often disconnected from what the warfighter actually needs and what is in the taxpayers' best interests.

Particularly over the last 10 years, senior Defense management has been inclined to lose sight of affordability as a goal and has just reached for more money as a solution to most problems. Today I see evidence of this cultural problem all too frequently and it must be changed.

Every few weeks I get reports about huge cost overruns on the Pentagon's biggest weapons programs, like the recent projection of a \$1.1 billion cost overrun in the cost of the first 28 production-quality jets in the Joint Strike Fighter program, a program that is now in its tenth year of development and the recipient of about \$56 billion of taxpayer investment to date, or the estimated \$560 million estimated cost overruns, or roughly 11 percent growth in cost, in the program to build the USS *Gerald Ford*.

Then there are the Defense Department's recent "programming requests." 4 times, 4 times over the last 2 months, the Department has asked this committee to let it shift a total of over \$10 billion amongst its spending accounts. In doing so, it asks only the chairman and ranking members of the defense committees in the Senate and the House to let it reallocate billions of dollars to, among other things, pay hundreds of millions of dollars for the cost overrun in the Joint Strike Fighter program and provide authority to start dozens of new programs never before presented to Congress.

Authorizing funding in this way, outside of regular order, subverts transparent congressional oversight, undermines accountability in how defense programs are managed, and actually encourages underperformance.

Just a few days ago, the Bipartisan Commission on Wartime Contracting reported that at least \$30 billion has been wasted on ill-conceived and poorly overseen contracts and grants in Iraq and Afghanistan. Earlier this year, a study of Army procurement showed that between \$3.3 billion and \$3.8 billion had been wasted by the Army every year since 2004 in developing new weapons programs that were cancelled without providing any new capability to the troops risking their lives fighting two wars.

A culture that has allowed massive waste of taxpayers' dollars has become business as usual at the Department of Defense. Particularly in today's fiscal environment, this cannot be tolerated. If this is not corrected, the Department's ability to continue defending the Nation and to provide for its national security will be compromised. Taxpayers simply will not tolerate the continuing waste of their resources in light of the debt we face and our competing budgetary needs.

I also want to know if you share my concern that solving this problem may be hindered by the revolving door of retired flag and general officers, top Pentagon civilian officials, and mid-level bureaucrats who had overseen weapons procurement programs before leaving government to join private sector defense industry. With the defense contracting pie expected to get smaller in the future, this problem may get worse than before. I hope you are as sensitive to this as I am.

Notably, as the Deputy Secretary you would also serve as the Department's chief management officer. You'd be responsible for ensuring, among other things, the Defense Department becomes fully auditable by 2017, as required under law. I strongly support the requirement for the Department to pass a clean audit. So I'd like to hear from you on this issue.

Finally, I've been told that the Defense Department's comprehensive strategic review of military roles, missions, and requirements that underpins how it intends to carry out the President's direction for a \$400 billion reduction in defense spending over the next 12 years may not come out before next year. If true, this review would not be available to inform the deliberations of the Joint Select Committee on Deficit Reduction or Congress generally on how the currently proposed defense spending cuts will affect national security. This is unacceptable.

The efforts of the Department or Congress cannot be conducted in a vacuum. Any major budget review, whether conducted by the

administration or Congress, must be accompanied by an open, honest, and comprehensive review of requirements and set priorities based on sound strategy.

Dr. Carter, I have come to know you as a hardworking, honest and committed public servant. But if confirmed you would face major challenges in confronting the cultural impediments to proper fiscal stewardship at the Defense Department, which I trust you have come to understand. This culture needs to change. The Defense Department needs to change and it must do so in order to be the best provider it can be of our Nation's most essential service, our National defense.

On all these vital matters, failure truly is not an option, and as the Department's senior leadership applies itself to this urgent and critical task you should know that you will have the support of your friends in Congress. The challenge ahead is daunting, yes, but I have confidence in our men and women in uniform that, given the task ahead, they will rise to the challenges and indeed do more with less. Your leadership and that of Secretary Panetta will be more crucial than ever.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator McCain.

Now let me call on you, Dr. Carter. We know you're accompanied by your family here, so please feel free to introduce them.

**STATEMENT OF HON. ASHTON CARTER, Ph.D., NOMINATED TO BE DEPUTY SECRETARY OF DEFENSE**

Dr. CARTER. Thank you, Mr. Chairman, and to you, Ranking Member McCain. If I may, I'd like to make a brief statement, and then a number of questions have been raised already and I'll take them at whatever time it's convenient to you.

Chairman Levin, Ranking Member McCain, all the distinguished members of this committee: It's a privilege and a deep honor to appear before you as the President's nominee for Deputy Secretary of Defense. If confirmed, I look forward to the opportunity to continue to serve President Obama and Secretary Panetta in a new role and to continue to work with the Chairman and Joint Chiefs of Staff and with this committee to protect this great country, to serve the troops who serve us, and to leave a more secure world for our children.

I'd like to thank my wife Stephanie, son Will, daughter Ava for being here today and for their support. I'd also like to thank Senator Lieberman for the kindness and honor of his introduction, for all he's done for this country, and for all he's taught me.

If confirmed, I will step into large shoes and I would like to take this moment to express my admiration for the job Bill Lynn has done as Deputy. It has been a privilege to serve him.

I have served, in one way or another, almost every Secretary of Defense since Caspar Weinberger, and I feel fortunate to have been a member of the Pentagon team led over these past years by Secretary Gates, Secretary Panetta, and Secretary Lynn.

As Under Secretary of Defense for Acquisition, Technology, and Logistics, I have had two overriding priorities. The first has been to wake up every morning and ask myself what my office can do to support our troops in Afghanistan, Iraq, or anywhere else in the

world they are deployed, whether with better protection against improvised explosive devices, better reconnaissance and surveillance, or better logistics, and on their timetable and not on the timetable of the Pentagon's frequently ponderous acquisition and budgeting process.

My second priority has been to deliver better buying power to the taxpayers and the warfighters for their defense dollars, working closely with our acquisition professionals, our industry partners, and the Congress. It's an effort, as has been noted, that this committee began in its 2009 Weapons Systems Acquisition Reform Act, and I began with Secretary Gates, all well before the current budget crunch.

But the performance of the system is in my judgment still not acceptable. I think Senator McCain used the word "intolerable" and I would agree with that. I believe that there are some additional actions we're going to need to take to get better value for the defense dollar. This is something the American taxpayer should expect no matter what the defense budget is, but it becomes even more urgent in the serious budget predicament that faces us.

Like Secretary Panetta, I do not believe we need to choose between strong fiscal discipline and strong national defense. If confirmed as Deputy Secretary of Defense, these two priorities will continue, but many others will be added. Secretary Panetta has made it clear to me that he expects his Deputy to be prepared to act and speak in his stead at all times. He expects the deputy to shape an orderly deliberative process for him, so that he can make decisions and advise the President based on careful consideration of accurate management information and a full range of options. And he expects his deputy to manage the budget down to a finite number of key issues that he needs to decide and to manage other department-wide matters that require his attention only for final decisions of greatest consequence.

Finally, Secretary Panetta expects all this to be done with the same heart, the same integrity, and the same dedication to our soldiers, sailors, airmen, and marines that he brings to the job.

In all these tasks, I pledge to Secretary Panetta and to this committee, if confirmed, my most earnest efforts. Thank you once again for the opportunity to appear before you.

[The prepared statement of Dr. Carter follows:]

Chairman LEVIN. Thank you, Dr. Carter.

We start, as we always do with nominees, with the standard questions. You've answered them before, but we'll be asking you to answer them again.

In order to exercise our legislative and our oversight responsibilities, we've got to receive testimony, briefings, and other communications of information in a timely way. The first question is: Have you adhered to all of the applicable laws and regulations governing conflicts of interest?

Dr. CARTER. Yes.

Chairman LEVIN. Have you assumed any duties or undertaken any actions which would appear to presume the outcome of the confirmation process?

Dr. CARTER. No.



Chairman LEVIN. Will you ensure your staff complies with deadlines established for requested communications, including questions for the record in hearings?

Dr. CARTER. I will.

Chairman LEVIN. Will you cooperate in providing witnesses and briefers in response to Congressional requests?

Dr. CARTER. Yes.

Chairman LEVIN. Will those witnesses be protected from reprisal for their testimony or briefings?

Dr. CARTER. Yes.

Chairman LEVIN. Do you agree, if confirmed, to appear and testify upon request before this committee?

Dr. CARTER. I do.

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

Dr. CARTER. Yes.

Chairman LEVIN. Let's try a 8-minute first round.

First on the budget. It is very clear that substantial cuts to the defense budget are on their way. We've already made cuts in our authorization bill. There's already cuts that we're working on for a possible modification of that bill so that the committee could consider a committee modernization before the bill comes to the floor.

The recent legislation on the debt ceiling calls for \$400 billion of reductions in security spending. That's a slightly larger item than just defense spending, but it's mainly defense spending. So it's \$400 billion in reductions in security spending over 10 years. And if the joint committee which has been appointed cannot reach agreement and if a sequester is triggered, then there could be additional cuts approaching \$600 billion over 10 years.

Now, the joint committee has requested this committee and other standing committees for input. They need our input by mid-October, recommendations to them for reductions. It is a critically important review by them and by us. Now, we're going to need the Department to give us recommendations, data, detail, before we consider our input that we would recommend to that new committee.

So my first question is: Will you immediately upon confirmation work to ensure that this committee gets the views of the Department on two things: one, steps that you recommend that we recommend to achieve reductions and to help avoid sequestration; and two, your views on the consequences of sequestration if it occurred?

Dr. CARTER. I do. Secretary Panetta's made it quite clear that this is a circumstance that's unprecedented and we can't get through it and do the right thing unless we are in close consultation with the Congress, and that means that the way we would normally do budget business we're going to have to change this year. So I certainly pledge to you, if confirmed, that close consultation. But the important thing is Secretary Panetta has made that quite clear.

Chairman LEVIN. Well, consultation is important, but we also need recommendations. What we will need from you, I would say

probably immediately upon confirmation, is a timetable for when you will be giving us the Department's recommendations for reductions to meet the legislation which has been adopted. Will you give us that timetable promptly upon confirmation?

Dr. CARTER. If confirmed, absolutely, Mr. Chairman.

Chairman LEVIN. Now, do you believe that we also as part of that need to reexamine military personnel costs, including health care, compensation, retirement benefits, the things which we obviously are reluctant to impact, nonetheless we've got to at least look at for possibilities? Do you agree with that?

Dr. CARTER. I do. Secretary Panetta has—the phrase he used is “everything on the table.” He says “everything on the table.” However, that is subject to one proviso and that is that, as he puts it, he doesn't want us to do anything that breaks faith with those who are serving or have served and therefore have an understanding about those matters that you just named. He doesn't want us to break faith with those understandings. But subject to that limitation, compensation, like acquisition, like operations and maintenance, like everything else, he says has to be on the table, given the magnitude of the task in front of us.

Chairman LEVIN. That's a limitation which I think every member of this committee would share.

Now, given the budget pressures under which the Department's going to be operating, one of the things that some of us believe we have to do is to take a look at the stationing and restationing of and the location of our military forces overseas, where we've got a large number of bases, and to consider both relocation and the restationing possibly of some of those military forces from overseas back to the United States. Is that on the table?

Dr. CARTER. On the table.

Chairman LEVIN. One of the areas where a number of us have focused, particularly Senator Webb, who along with Senator McCain and I have proposed changes to basing plans on Okinawa and Guam, and also urged a review of the plans that we have in Korea relative to stationing of forces and their normalization. Is that all on the table?

Dr. CARTER. On the table.

Chairman LEVIN. By the way, the Government Accountability Office reviewed that Okinawa-Guam issue and concluded that the total cost of the Okinawa-Guam realignment would be over \$27 billion and that the Guam buildup alone would cost more than \$17 billion, with the U.S. share being \$11 billion, which is much more than originally projected, and in our current fiscal environment I believe that we simply cannot continue with such massive restructuring and surely we can't do that until we have reliable cost and schedule data.

Now, we may not be able to get that data in time for this review, but we're going to have to do the best that we can, and I'm glad to know that you are going to be working with us.

Now, that also would include, I hope, stationing forces in Europe and their location. Is that included?

Dr. CARTER. Yes, it is.

Chairman LEVIN. Okay.

On acquisition issues: We've got these huge cost overruns and, while there's been some efforts, and we applaud the efforts which have been made, to try to bring them under control, and we've got our Acquisition Reform Act now which is in place, which hopefully is going to avoid these kind of cost overruns in the future, nonetheless we must act. One of the things that we have to do is take a look at the JSF program, the Joint Strike Fighter program. I'm wondering whether you believe that, for example, it is important that that program look at the possibility of competing subsystems on the JSF or to compete logistics support to help reduce this year's estimate that the life cycle costs of the JSF are going to exceed a trillion dollars. Are you willing to look at all that?

Dr. CARTER. I am, Mr. Chairman, absolutely. If I can just say—  
Chairman LEVIN. Please just expand on that.

Dr. CARTER. Well, you mentioned the sustainment costs of the Joint Strike Fighter. Senator McCain was referencing the production cost of the Joint Strike Fighter. Joint Strike Fighter isn't alone among our programs and activities which have exhibited, as Secretary McCain said—I'm sorry—as Senator McCain said, intolerable cost growth. We are working on both the production and the sustainment part of JSF and others.

On the sustainment part in particular, Admiral Venlet and I are just beginning work on that this fall. That's a project that the program office hadn't really taken on before, managing that very large sustainment cost. I've seen the estimates for the costs of sustainment for JSF and they're unacceptable high. At the same time, we have not begun to manage them yet, and when we do so I'm expecting that they will come down.

But in all of these matters, on all of our programs, we have a lot of work to do. WSARA was a fundamental foundation for us. We have tried to implement it in each and every one of our programs. But as I indicated to Senator McCain, we have more to do and there are some new chapters I think we need to open in our acquisition efforts to get even better.

Chairman LEVIN. And WSARA is the Weapons System Acquisition and Reform Act—

Dr. CARTER. Reform Act.

Chairman LEVIN.—is the acronym you used for that.  
Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

Mr. Secretary, if deficit reduction negotiations fail, triggering sequestration, Secretary Panetta has said that bigger defense cuts would have a “devastating effect on the Nation's security.” Do you agree with Secretary Panetta?

Dr. CARTER. I absolutely do.

Senator MCCAIN. It would be devastating?

Dr. CARTER. Devastating, and I say “devastating” not lightly, but in light of two things. One is the scale. Chairman Levin already alluded to the scale, 600-ish billion dollars on top of what we're facing already, which would take us to a total reduction over the next 10 years of in the neighborhood of a trillion dollars. So just the scale of it alone would lead us to have to consider truly draconian things—abandoning major weapons systems, furloughing civilian

employees, and abruptly curtailing training because we couldn't pay for fuel, and so forth. That's the scale.

The other thing about the sequester provision is that it's arbitrary. It's across the board, meaning it deprives us of the opportunity for choice, strategic choice. It puts a haircut across everything. So you get yourself in a circumstance where, for example, you can't execute. You can't buy three-quarters of an aircraft carrier or three-quarters of a building.

So both in the size and in the nature of the sequester, I think that word applies.

Senator MCCAIN. Thank you. I hope that all of our members and the American people pay attention to what you and Secretary Pannetta are saying.

I want to be a little more specific. In your answer to Chairman Levin's statement, you said, do I understand you correctly, you will be sending us over recommendations as to what reductions need to be made to comply with the \$20 billion reduction in authorization that is going to be appropriated? Is that correct, you will be sending us recommendations?

Dr. CARTER. That is. I think the shape they'll be in as they come across is not they're final recommendations, but the options that we're considering. Decisions haven't been made. The comprehensive review is surfacing those options, so I would say even before decisions are being made—

Senator MCCAIN. Are you going to send us the recommendations?

Dr. CARTER. Absolutely.

Senator MCCAIN. Now, are you going to be sending us a comprehensive strategic review before we act, in other words before the end of this year?

Dr. CARTER. Yes, the comprehensive review will provide those recommendations before the end of the year.

Senator MCCAIN. Will we receive them—

Dr. CARTER. Yes.

Senator MCCAIN.—before 2013?

Dr. CARTER. Yes.

Senator MCCAIN. Thank you.

Do you agree there's a systemic cultural problem in how the Department does its acquisition business?

Dr. CARTER. I do.

Senator MCCAIN. What is your assessment of the enduring security needs of Iraq and of U.S. national security interests there?

Dr. CARTER. Well, we have spent a lot of time, blood, and treasure in Iraq and have gotten ourselves to a point now where in my judgment we have created a future of stability for Iraq, and I think we all want to act at this juncture to make sure that that's preserved. So as we reach the end of the year and look forward to what happens after the end of the year, preserving those gains is the objective.

Senator MCCAIN. Have you formed your own opinion of the number of U.S. troops that would be needed and how to ensure their security?

Dr. CARTER. I have not. That is not one of my current responsibilities.

Senator MCCAIN. Do you know whether any military officer recommended to the President that troops be withdrawn from Afghanistan at the size and pace his plan dictates?

Dr. CARTER. I do not, no.

Senator MCCAIN. And your view of that decision you have not formed yet?

Dr. CARTER. No. I can't—if your reference is to the 3,000 number that's been in the press, that's not a number that I can validate at all. No decision has been made. No decision could have been made because, as I understand it, we're in discussions with the Iraqis about the mission and what goes forward.

Senator MCCAIN. No one has—this is probably not the subject of this hearing, but no one has denied that number, Dr. Carter. It's been published in the press and the media and no one in the Pentagon has said: No, that's not the number.

Dr. CARTER. I'm not familiar with the number.

Senator MCCAIN. On the Joint Strike Fighter program, over the last year and a half you restructured the program twice by adding \$7.4 billion and 33 months to the development part of the program. If by the end of the year and under a fixed price contract the program is not on track, what should we do?

Dr. CARTER. I think the Joint Strike Fighter program—we have put in place a progressive step and we're going to continue to do that.

Senator MCCAIN. But let's assume that they do not reach the fixed price contract and the program is not on track.

Dr. CARTER. The contract is very clear about the penalty paid. We do not bear the cost this time, unlike the cost overruns you referred to earlier. Because we have a fixed price contract, the government's liability is not open-ended, as it was in the past. So if it overruns past the ceiling price on this FPIF contract, that's entirely on those performing the work and the taxpayer does not share in that liability.

Senator MCCAIN. Well, I'd like to believe that, but that hasn't happened yet and the program has been in the making for, what, 10 years now? And how much has it cost, \$56 billion? And we have 18 airplanes.

Dr. CARTER. The development contract, the STD contract, so-called—I'm sorry, I thought you were referring to the low rate production contract—it's total value is about \$56 billion, yes.

Senator MCCAIN. Have you seen the report that says that "The study paints bleak picture of billions sunk into incomplete Army programs. Cancelled programs have eaten up between \$3.3 billion and \$3.8 billion since 2004. Numbers represent an average of 35 percent to 45 percent of the Army's annual budget for development, testing, and engineering." Are you familiar with that?

Dr. CARTER. I have, and it's unbelievable and as far as I can see, true. There were so many programs that were begun with optimistic assumptions or with an extravagant expectation. And then they get halfway built, it's like a bridge to nowhere, you can't complete them. That's why now—and this is something that you had in your Weapons System Acquisition Reform Act. Now as we start new starts—and we do have some new starts even in this budget climate, for example the OHIO-class submarine—we're not going to

let them start until and unless we see affordability and a target for affordability set early in the program, so that we don't have these bridges to nowhere.

Senator MCCAIN. Well, Mr. Secretary, I hope that that's the case. We continue to be reassured that things are changing and somehow they don't.

I guess finally, are you confident that we can have the Department of Defense fully auditable by the year 2017? That's another moving target that we have been watching for many years.

Dr. CARTER. It's not moving any longer, as near as I can tell. Secretary Panetta made it clear that 2017, he means it. In fact, he said sooner if possible.

Senator MCCAIN. I thank you.

I thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator McCain.

Senator REED.

Senator REED. Thank you, Mr. Chairman.

First let me welcome Dr. Carter, who I've had the privilege of knowing and working with for many years. I can't think of anyone who is better prepared, not just intellectually and academically, but through the last several years of experience of dealing with these challenges we're talking about. So I welcome your nomination and look forward to your confirmation.

I also want to recognize your family and thank them for all they've done to allow you to serve the Nation.

Let me say, I associate myself with the remarks of Senator McCain. I don't think I've heard it as insightfully or thoughtfully put in terms of the cultural challenges facing the Department, the issue specifically of the revolving door, of auditing issues, and the, frankly, poor performance over the last not several years, but many, many years of acquisition and procurement programs.

I think one of the issues is that, looking back now over 4 decades or so of involvement with the military, sometimes it's a contractor-driven environment, no longer strategic, even budgetary, and certainly not sort of uniformed military advice, but a contractor-driven environment. That's something you're going to have to face.

But let me focus on two issues. One was raised by Senator McCain. It's the auditing. In order to fully audit the Department of Defense, you need auditors. We've had this discussion before. One of the reasons that literally we have seen millions and millions of dollars disappear in places like Afghanistan and Iraq is that you have not been able to put on the ground adequate number of auditors; is that correct?

Dr. CARTER. That is correct.

Senator REED. What are we doing to fix that?

Dr. CARTER. Trying to put more on the ground, that's just one of the things we're trying to do. We are increasing the number of investigators so that the investigations and prosecution of transgressions is strengthened. Dave Petraeus when he was commander over there established a number of task forces to do that, that have made a lot of progress and that we support.

Of course, you don't want to get to the point where you're investigating and prosecuting. You want to prevent in the first place. That is, you don't want to have the conditions where it's even pos-

sible to defraud us on a contract. That means having contracting officers, contracting officer representatives, construction engineers, all the things associated with the programs that we're contracting for in Afghanistan and Iraq, in adequate numbers and with adequate skills.

It means having commanders who are contractor-aware and proficient and know how to do this in their area of responsibility. In this and all of these areas, we have to improve our performance in contingency contracting. I fully recognize that.

The Commission on Wartime Contracting has made a number of recommendations, the great bulk of which I agree with and we are actually implementing. But we have a ways to go.

Senator REED. In that context, too, I think this is one of those areas, too, which is the first to be thrown overboard when the budget gets done in terms of auditors, professional auditors, career personnel. I think we've learned to our disappointment that contracting out some of these procedures doesn't help, either. So you are challenged to rebuild, essentially, a professional DOD auditor corps and service-connected auditor corps. Is that going to be one of your commitments?

Dr. CARTER. It is, absolutely, and it actually began in this committee before I took office. It affects the acquisition workforce as a whole. We need to have within the government the expertise and the controls. That is not something that we can outsource. That is something that we need to have within the walls of government, and that's why we've been working so hard to increase the strength of the overall acquisition workforce, which includes the auditing workforce.

It's not just a numbers thing. It's skills, it's giving them opportunities for professional development, adequate training and accreditation. All of that we are doing.

Senator REED. Let me also raise an issue that Senator McCain raised, which I concur in, and that is this revolving door phenomenon. We've had discussions about this also. My sense is that that's obviously a challenge to you and Secretary Panetta, but I think it also has to begin or it has to be substantially embraced by the professional uniformed officers and noncommissioned officers in terms of their expectations of what they will do when they leave and the expectations of their relationship to the Department after they leave.

I would urge you—I've done this privately to General Dempsey—to begin thinking very seriously about, is there, not a law, but sort of a code or a reevaluation of the ethical dimensions of service after retirement in relation to the Department of Defense, because unless you have that you won't have the, one, I think the best guide or the buy-in by those people who are affected by this.

Do you have any thoughts on that?

Dr. CARTER. Just I share the thought. I think Senator McCain began it. I will say this. It is a huge help to—I travel all around the country to the places where the real work is done. These are our systems command, our logistics centers, and so forth, where the folks actually do the work of contracting and program management, this tremendous workforce, mixed military and civilian.

They know what the right thing to do is. The overwhelming majority of them know what the right thing to do is. They hear what I'm saying and they know what the right thing to do is. It is a huge source of support to them in doing the right thing when they hear from you, from you here, that you are behind us and the leadership in the Pentagon in supporting them. They're supposed to be acting in the warfighters' and the taxpayers' interest and we just need to stand behind them, give them the tools to do the right thing and then support them.

It's great for me. I go out all the time, I talk to them, and they say: I appreciate what you're saying because it sounds like if I make a hard decision and drive a hard bargain on behalf of the taxpayer and the warfighter you'll stand behind me. And I will, but that's only half the action. It's important that they know that the Congress stands behind them, too.

So I just wanted to say I appreciate the support. I understand the frustration that you feel over the performance of the acquisition system, but I don't mind the pressure because it's right and it sends the right signal to our people.

Senator REED. Let me just, a quick postscript. I can't think collectively of a more ethical group of people than professional military officers and noncommissioned officers who served the Nation and retired. But the context has changed over the last several decades, and I think you're right, we do have to send a message about obligations to the taxpayers, to the servicemen and women who continue to serve. Again, I think what we do and what you do is going to be critical. But without enlisting the senior retired and the currently senior members of the military in this thoughtful discussion, we won't be as successful as we must.

My time has expired, but again, Dr. Carter, for your remarkable service to the Nation let me thank you and wish you well.

Dr. CARTER. Thank you, Senator.

Chairman LEVIN. Thank you, Senator Reed.

Senator Inhofe.

Senator INHOFE. Thank you, Mr. Chairman.

Thank you, Dr. Carter, for being responsive and coming by and talking to us, not just in preparation for this particular position, but in years in the past. So I appreciate that very much.

I have six things real quickly, two of which will be something for the record I'd like to get back from you, but they're more specific than some of the general things that were talked about by the other questioners on this panel. One would be—and I have to go back historically and look at this—one of the deficiencies that we have had for a long period of time has been in our Non-Line of Sight Cannon, our NLOS Cannon.

I can remember back when I was in the House Armed Services Committee many years ago and we talked about that. Then along came the Crusader. We developed that over a period of time and it was—I hate to say this as a Republican about a Republican President, but it was President Bush in 2002 with just no warning at all, at least to me, terminated that program.

General Shinseki came along and started working on a Future Combat System that would go farther than just an NLOS Cannon. But nonetheless, we're still operating, it had been up until recently,



where there are five countries, including South Africa, that have a better NLOS cannon than we do. This isn't what the American people expect.

So on this particular program, I disagreed with all those. However, the PIM program now that you and I talked about, the Paladin Integrated Management, is now the Army's lead fire support modernization effort and I think it's moving along well now. But judging from the past when we had our programs, the Crusader, the FCS, all moving along fine, all of a sudden something happened.

So I'd just like to have you make any comments that you might have concerning this program, seeing it through, and its significance?

Dr. CARTER. Well, it certainly is significant, Senator, and I'm personally involved in the acquisition strategy for Paladin, PIM. So I'm very familiar with it. We're crafting that acquisition strategy now. The Army acquisition executive has that ball. She's doing a really good job of it and I think it's a well managed activity.

Senator INHOFE. All right. Several up here have talked about the F-35. It's one that certainly is a great concern. The Pentagon recently sent a report to Congress on the Chinese military warning—and I'm quoting now. It said: "China's military has benefited from robust investment in modern hardware and technology. Many modern systems have reached maturity and others will become operational in the next few years."

One of those investments that they have been talking about is their new J-20 stealth fighter. You say the same thing about Russia with its fifth generation fighter, the T-50. The F-35 being our only fifth generation fighter, I am more concerned now about it than I was before, back when the termination of the F-22 came along.

But I understand the missions of both of them and what can be done with the F-35. But when you stop and think about the need, as I recall when this program first came it was 2001. They were anticipating 2,852 copies. That's what they talked about at that time. Now, since that time reports such as the two that I just mentioned from Russia and China have—to me, if our amount, the number that we should have had was 2800 back in 2001, it would be actually more now.

But you are now looking at 2,443 of the F-35s that would be required by our Air Force, Navy, and Marines. I've often wondered why it's fewer now, in the absence of the F-22 and with the developments that are taking place in Russia and China. Do you feel that number is adequate? I know that you're involved in that, but also I know that you might have a different opinion.

Dr. CARTER. No, that is the joint requirement right now, 2443 for the U.S. force, and then of course there are additional F-35s that are going to be built for the partner nations. I did do a Nunn-McCurdy certification this past summer, as required by law, of the F-35 program, and in the course of that our independent cost analysis and program evaluation shop did an assessment of the need for the Joint Strike Fighter, because as part of certifying a program that is in Nunn-McCurdy breach, as JSF is, I have to ascertain whether there are alternatives that could replace it.

We did not find alternatives to the Joint Strike Fighter, no other alternative that met the joint requirement that exists, “joint” meaning there’s an Air Force variant, a Navy variant, and a Marine Corps variant.

Senator INHOFE. Why don’t you give me some detail for the record, concentrating on the figure that was used in ’01, the developments in Russia and China, and then that reduced figure today, just for the record.

Dr. CARTER. Will do.

[The information referred to follows:]

[COMMITTEE INSERT]

Senator INHOFE. Now, you were in my office. You gave me this cute little thing here to carry around and I have done it. No one understands it. I don’t understand it. I don’t think you understand it. But it is very, very complicated.

What I’ve done is blow this up for my colleagues up here. Let me tell them what we’re talking about here. This is the “Federal Acquisition Rule.” This is how we do business. I look at this and I feel a little bit like Kit Bond, although he’s not here with us any more, but he used to carry these around.

When you look at the complications that are there—and Senator McCain referred to this also—there are 1680 policy documents and 91 laws affecting FARs. Here they are right here. Now, we know it can be done faster. We’ve made exceptions. We have developed alternative procedures and working groups and organizations, such as JIEDO, as I mentioned to you. That’s the IED technology that’s coming along. I’m very proud of Mike Barbero, Lieutenant General Mike Barbero, who brought his team in and looked at what we can do. I just sat there and I thought, this is something that’s happening today; we’re responding; we can come up with something and have it in the field almost in a week.

If that’s possible, I get the impression that, as complicated as this is, the FAR Council is made up of the administrator of the Federal procurement policy, Secretary of Defense, administrator of National Aeronautics and Space, and administrator of the General Services. I think they’re just kind of too busy to get into this thing and get their hands dirty and fix it.

Do you have any alternatives to overcome this process if we’re not able to do it by getting those four entities in one room until it’s done?

Dr. CARTER. First of all, for those who haven’t had the joy of contemplating that chart, that shows the budgeting process, the acquisition process, and the requirements process in one big chart, and I was in an earlier conversation joking with a Senator that anybody who could master all of that probably would get pretty frustrated with how ponderous is.

Mike Barbero, the really superb Director of JIEDO, with whom I work every day, does things differently, and we can do things differently. I said in my opening statement that I have two priorities now. One is supporting the warfighter in the here and now and the other is managing all our programs and activities. When we do things like MRAP or JIEDO, we can’t follow that because the battlefield changes too quickly and we can’t wait.

Senator INHOFE. Exactly.

Dr. CARTER. So one of the things—also, in response to Senator McCain, who was saying, can't we turn yet more pages and do things differently, one of the things I think we have ahead of us now is to try to take the experience of the wars and apply that to our usual FAR-driven acquisition system and see if we can't take some of the lessons of what I call the fast lane and apply them to the FAR and review the FAR.

Senator INHOFE. Okay, that's good. And it has worked, and I ask unanimous consent that this be made a part of the record at this point in the record.

[The information referred to follows:]

[COMMITTEE INSERT]

Chairman LEVIN. It will be made part of the record.

Senator INHOFE. I know my time has expired, and I was going to get into the Army Ground Vehicle. Almost everything that I've said about the NLOS Cannon would apply to that, too. This is a system and it was—in 2009, General Thompson said the Army has to modernize those 16,000 fighting vehicles for the future or we are going to put soldiers in harm's way. That was 2009.

For the record, I'd like to have you address that, as well as, in Afghanistan I know our Oklahoma 45th, we've lost now ten people already, and one I've been very, very close to is Specialist Chris Horton. I look at these results coming in and I look at the question of reducing our numbers and how we're going about it. So I'd like for the record to have you evaluate that for both Iraq and Afghanistan.

Thank you, Mr. Chairman.

[The information referred to follows:]

[COMMITTEE INSERT]

Chairman LEVIN. Thank you, Senator Inhofe.

Senator Blumenthal.

Senator BLUMENTHAL. Thank you, Mr. Chairman, and thank you, Dr. Carter. Sorry that you're going to have to strain your neck looking over in this direction. But I want to thank you for being here, your extraordinary service to our Nation over many years, your teaching at Harvard and other institutions, and helping to develop a new cadre of public servants. And thank you also to your family for their support over those many years.

You and I talked briefly about the Strike Fighter and about the two sub-building programs, both very important to our National security, and I'm gratified that you will continue to support those two programs, as we discussed, and thank you for that support.

We talked as well a little bit about the IED roadside bomb problem, which is so heinous and pernicious a cause of injury and death to our troops, in fact I think responsible for more than 85 percent of all our casualties, deaths and wounds to our warfighters abroad. I wonder if you could reaffirm for me your commitment, which you stated so eloquently in our meeting, to continuing and enhancing the effort to provide better body armor and better protection to our troops who are fighting right now.

Dr. CARTER. I absolutely do. It's what I wake up to every morning. Secretary Gates gave me the responsibility for the counter-IED fight 2½ years ago and then expanded that to all of our fast lane activities, and it's job one.

Senator BLUMENTHAL. Thank you.

As you know, I recently visited both Afghanistan and Pakistan in a trip led by Senator Casey, also joined by Senator Whitehouse and Senator Bennett. We spoke with a number of the leaders of Pakistan, the highest ranking leaders, including Army Chief of Staff Kayani, the prime minister, the president. They have a plan. It still needs to be judged in whether in fact it's implemented, let alone implemented effectively.

But if resources are necessary to help to stop and stem the flow of fertilizer and the substances used by terrorists to make those roadside bombs, would you consider using some of the \$800 million now going to the task force for that purpose?

Dr. CARTER. I would. Just let me say that I appreciate that you have keyed in on this as an important part of the IED fight. The ammonium nitrate that originates in Pakistan and that shows up—originates as calcium ammonium nitrate fertilizer in Pakistan and then shows up as homemade explosives in Pakistan, other chemicals—potassium chlorate, which is a favorite of the enemy in the east, as HME is a favorite of the enemy in the south—we have to attack this IED problem in every single possible way we can, and you can't just wait for it to come and get you. You have to go back into the supply chain.

Part of that supply chain traces back into Pakistan. We need to get back and get at that. I know that we've been working with Pakistan to that effect, but really just in a preliminary way, and a lot more needs to be done.

Senator BLUMENTHAL. I would like to pledge to you—I know that many, many of my colleagues would join me in this commitment to persuading, cajoling, whatever we can do to put pressure, very simply, very bluntly, on the Pakistanis to face their responsibility, not only to their allies, but to their own people, who are often the victims of the devastating effects of these roadside bombs and suicide bombs made with those materials.

I understand also that you are very much on top of the program to provide body armor, better body armor, and other protection to our warfighters from these roadside bombs, and that the growing protective armament, as well as the so-called biker shorts, are likely to be fully delivered by next month or within that time period; is that correct?

Dr. CARTER. That's correct. We are procuring large quantities of ballistic underwear, several different variants of it that offer differing levels of protection, both male and female. Obviously, this is a critically important effort, so we're sparing no effort in that regard. We have a number of suppliers to make sure that we're not dependent upon any single supplier who might have a production interruption or something like that and people wouldn't get to have the protection.

We want to, within limits, provide folks with some choice, so we'd like to make several different variants, because it's obviously an issue of personal sensitivity. But, like all our armor issues, with vehicles, body armor, and so forth, there's nothing more important than this. So we're all over it.

Senator BLUMENTHAL. I'm hopeful that we'll continue the effort—I know of your very distinguished scientific background in areas of

physics and so forth, as well as in public policy—continue the effort to develop even more effective protective devices for our troops there.

Dr. CARTER. We are, absolutely.

Senator BLUMENTHAL. One last area before my time expires. While many of these horrific wounds are visible in loss of limb and other kinds of very destructive internal wounds, some of them are invisible—the post-traumatic stress and chronic brain injury. I wonder what efforts you envision—I know there are a lot of ongoing efforts—to address these kinds of invisible wounds that are often undiagnosed and therefore completely untreated?

Dr. CARTER. I think that one of the—we look back in history and one of the good things that will come out of what is otherwise not a good thing—that is, a decade of war—will be the progress we have made in recognizing the unseen injuries of war, and not only recognizing them, but treating them.

I'll just make one comment. If you go up, as I'm sure many of you had, up to Bethesda to the Intrepid Center there, that particular Intrepid Center focuses on post-traumatic stress and traumatic brain injury in the same way that the one in San Antonio, for example, focuses on amputation and prosthesis. It's just amazing what is being done to bring together the—I probably won't use the right words here; I'm not a medical doctor—the psychological and social aspects of the treatment with the neurophysiological. So that you can now see as people re-experience an injury, they can track the pathways, neuronal pathways. It's just truly remarkable.

That's something we bring to our warfighters and that they deserve, certainly in my heart. But it's something that's going to be good for society as a whole going forward. So as I said, it's one of the few good things you can say about what is otherwise a shame, to have been at war for a decade.

Senator BLUMENTHAL. Thank you very much for those responses to my questions, and I just want to say in closing that there are other areas that I would have explored if I had more time, such as cyber security. I know others on the panel may mention those areas, but I would like very much to follow up with you on the IED and roadside bomb issue, as well as cyber security, and say in closing that I agree very much with the comments made by Senators Reed and McCain and very much welcome your receptivity to those areas as well.

So thank you very much. I don't want to give you bad luck by congratulating you in advance, but I look forward to working with you once you're confirmed. Thank you.

Dr. CARTER. Thank you, Senator.

Chairman LEVIN. Thank you, Senator Blumenthal.

Senator Sessions.

Senator SESSIONS. Thank you, Mr. Chairman.

Congratulations, Dr. Carter, on this important nomination. I've observed your work over the years. I think you are capable and would make a fine Deputy Secretary. Based on what I know today, I tend to believe that I intend to support your nomination.

You are taking lead in a very important time. You've had questions about spending. As the ranking member of the Budget Com-

mittee, I know just how dangerous our debt situation is. So we are going to be working with you.

I guess I'll ask you one thing: Will you speak up and point out dangers and risks that might be incurred by certain reductions in spending that may be proposed? In other words, we need the best advice we can get from the Defense Department, and some things may sound good to us in Congress, but in reality, as the professional, it could be dangerous.

Are you willing to defend the legitimate programs and policies that are necessary for a healthy Defense Department?

Dr. CARTER. Absolutely, and I will, Senator, absolutely.

Senator SESSIONS. I believe Senator Levin asked you about deployments in Europe. It's just a matter that's come up again recently. I am of the belief it's difficult to justify 40,000 troops in Europe at this point in time. For our economy it's better for those troops to be in the United States spending their wealth and creating tax growth for the local communities and jobs.

Will you examine our force levels in areas like Europe and maintain the levels we need, but not maintain them at higher amounts than necessary?

Dr. CARTER. Absolutely. Secretary Panetta says everything on the table.

Senator SESSIONS. That's important to me.

As you go about looking to defend the reasonable defense budget, we ought to ask ourselves how much the base budget has been increased over the last several years. It's about 2 percent, is that correct? Do you have the numbers offhand, about how much increases the Department of Defense has had over the last 2, 3, 4 years?

Dr. CARTER. It's a few percent in real terms, yes, has been the pattern over the decade or so.

Senator SESSIONS. And that was proposed in the President's budget, I believe, a little less than around 2 percent over a decade each year growth.

Dr. CARTER. Correct.

Senator SESSIONS. So we need to ask ourselves a few things. All of us want to contain spending, but I would point out—and maybe you could use this when you defend the Department of Defense—the non-defense discretionary spending in the last 2 years has gone up 24 percent, not 4 percent like the Defense Department.

And as we talk about the Defense Department, I'm talking about the base budget, not the OCO, the overseas contingency operations, which is the war cost. That's projected to drop from \$158 billion this fiscal year to \$118 billion, I believe, next fiscal year; is that right?

Dr. CARTER. Correct.

Senator SESSIONS. And then have another drop, perhaps even larger, the next year.

Dr. CARTER. Correct.

Senator SESSIONS. But the base defense budget that we rely on to defend America has to be examined and not unnecessarily weakened, in my opinion.

In fact, the stimulus package of a couple of years ago alone spent more money than the entire cost of the Iraq war, almost \$850 billion. It's more than that. We look at the new proposal for a stim-

ulus package, \$450 billion; that would provide a nice increase for the Defense Department over the next number of years. It's a lot of money.

So I guess what I say is if we set priorities for America, don't you think we need to know that the war costs are coming down significantly, but we need to focus on how much you can bring down the base defense budget, and there is a difference between the two?

Dr. CARTER. That's true. To your larger point, Secretary Panetta has said that we can't deal with the deficit situation solely by looking at discretionary spending, period. Certainly as we look at things in the defense budget, as I noted earlier, for the Budget Control Act target that we're given we're going to have to make some—we're facing and will share with you some very, very difficult choices, all these things that we've been saying that are now on the table that haven't been on the table for a decade. That's going to be hard enough. When you get to the levels of the sequester and the manner of the sequester, it's just devastating.

Senator SESSIONS. Well, thank you for saying that. I believe it's the responsibility of Congress to reduce spending. We're going to have to do that. But we need to be—we need not to see the Defense Department as an easy place to take our savings. We've got to have it smartly done and throughout our government.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Sessions.

Senator Begich.

Senator BEGICH. Thank you very much, Mr. Chairman.

Dr. Carter, thank you for coming to see me a few days ago. I appreciate the opportunity to have a conversation with you. I want to just make sure of a couple things. With all due respect to my colleague from Alabama, actually, the 40,000 troops in Europe, we are on the same page here. We want to see some reassessment, not only in Europe, but kind of around the globe, of where we have our resources and so forth.

I want to make sure we put all the numbers on the table. \$800 billion or so in Iraq, \$400 plus billion in Afghanistan, but the real cost comes later, not in your Department, but in the Veterans Affairs, which will be in the trillions. The numbers, what I hear is 3, 4, \$5 trillion over time, money that we will have to pay for these brave soldiers who served our country and have now needs and services through the Veterans Administration.

So the real cost of the war is in the trillions, not in the billions, in the trillions. I want to make sure we—we're here in Armed Services, but when I walk down the hall going to another meeting, which will be the Veterans Committee, we'll have this discussion and then we will blame the Defense Department for \$800 billion. So I want to make sure as people watch this, it's the big number here.

And there are going to be—and I agree with my colleague—there are no easy places in the Defense Department. There's no easy places in the overall budget. We sit on the Budget Committee together and we are struggling, I would say, on a lot of fronts of how to resolve this. We have some tough calls.

I hope as we sit down and work on the defense budget—I think you're going to find, as we've talked on the MIADS issue, on this

European issue, there's a lot of opportunity, I think, for us to have good conversation about how to manage the Defense Department budget. But we've got to not keep it in isolation of the other pieces to the equation, because when we go to war there are multiple components, because once we leave at some point Afghanistan, whatever remains in Iraq, State Department's going to be spending who knows what, because in Afghanistan they can't support their military. They have no capacity monetarily. Is that a fair statement? They can't write a check and pay for the defense that we're trying to build for them; is that fair?

Dr. CARTER. That is correct. At the moment we are bearing the lion's share of the cost for the Afghan National Security Forces as they are built up.

Senator BEGICH. And you define the lion's share, probably—I don't know what the percentage is—80 percent?

Dr. CARTER. The United States—that's about right, because the other partners are paying a share of it as well.

Senator BEGICH. They're light on their commitments, that's my view, and that's a personal view. I just think we spend a lot in helping all these countries and some of these others need to lean up a little bit more.

But let me leave that off to the side. First a couple quick questions. Law of the Sea Convention. Do you support that we need to be a signatory to the Law of the Sea Convention in order to put our place on the map?

Dr. CARTER. I do.

Senator BEGICH. We talked about the Ground-Based Midcourse Defense System and the importance of it. If confirmed, will you support the 2010 ballistic missile defense review, which established the GMD as a priority and ensures the program is resourced appropriately?

Dr. CARTER. Yes.

Senator BEGICH. As you know, I think it's important from the National and international, but also I'm biased—it's located in Alaska and we need to make sure the resources are there to keep it moving forward.

What is your understanding of the Failure Review Board's conclusions and recommendations on the GMD at this point? I know there's been some current reviews.

Dr. CARTER. The Failure Review Board did take up the matter, I think has a pretty good idea of both what happened and what the path to rectification is for that flight test failure.

Senator BEGICH. Isn't it fair to say—I know we're on the first stage of this. You're always going to have failures at a higher percentage in the first stages of testing on anything, because you're trying to test it to determine how it works and you're going to have some failure. And as you move the testing forward, you get a higher level of accuracy and competency. Is that fair?

Dr. CARTER. It is. In missile defense, it's particularly important because of the nature of the mission. I mean, it's the defense of the country against long-range missiles. You want to make sure things work the way they're supposed to. So I work very hard with General O'Reilly, who runs the Missile Defense Agency, works for me on missile defense, on the test program to make sure we have tests



that are realistic, that they're numerous enough, by the way that they're affordable enough, because testing's very expensive also, so that when we say the system performs at a given level we have some basis for saying that.

Senator BEGICH. Very good. And it's fair to say that—and this is my simplistic way to look at it—when we did the first kind of testing, it was hitting the missiles on the side; now we're testing it straight on. The missiles on the side had low accuracy at the beginning, but now they're very accurate in the sense of their capacity.

Dr. CARTER. Right.

Senator BEGICH. Through testing and development over time; is that fair?

Dr. CARTER. It is. We changed the kinematics and geometry of the end game to make that more and more stressing.

Senator BEGICH. And now we're trying to shoot head-on and that takes a little more accuracy and more testing. And as we move forward we'll improve on that. Is that fair?

Dr. CARTER. That's right.

Senator BEGICH. On energy security—and this is one that—actually, there's a good story—I can't remember which newscast had it yesterday—in regards to our dependency on foreign oil and where we're engaged, especially in the Middle East, in defense activity. My argument is the issue of a national energy plan is not—I know a lot of people want to argue and debate over clean energy issues, cap and trade and all that. My issue is national security and economic security.

Do you see the issue of energy from the Defense Department's perspective as an important piece of the equation, trying to figure out how to become more energy efficient? Because I know I think Defense runs about \$2 billion over budget because the price of fuel has gone up. But also, a lot of our casualties and fatalities are about moving fuel to the front line and defending that. Is that a priority, or where would you kind of rank that as a priority?

Dr. CARTER. It has to be a priority, for all the three reasons you described. It costs money. It costs lives in a war if you are, for example, trucking fuel around. You put lives at risk to do that. And then of course, it's a national necessity to strengthen our energy security. So for all those reasons, it's a big deal for the Department of Defense.

I will say that we established a post—and this was an initiative that originated in the Congress—a director of operational energy at the assistant Secretary of Defense level. She reports to me. She's superb. She has made a big difference just in the short time she's been in office. And she's looking at operational energy, which is the fuel efficiency of vehicles, the insulation of buildings in the field, and things like that.

We also are the largest real property owner in the world, as has been mentioned earlier, and therefore our installations and our buildings and their energy security are a big deal for us also. So in all these ways it's got to be a priority for the Department.

Senator BEGICH. Great. And I appreciate the new staffing that you have in this area, because I think you're right on, that DOD has a huge role here, not only during times of war, but also, as you

said, you're a large consumer of energy and how you can tweak that can make a big deal on the consumption.

We briefly talked in our meeting, and I know you're working on it, and that's an updated commentary regarding the report on rare earths, rare earth minerals. So we'll look forward to seeing that.

Last, because my time is up, is at some point, and maybe it can be down the road—I know we'll have some more discussions in regards to this, and that's on Afghanistan and Pakistan and kind of your assessment. I've heard some already, but I know we'll have some more discussion, so I'll just leave that and I may send you some additional questions on that. Is that okay?

Dr. CARTER. I look forward to answering them, sir.

Senator BEGICH. Congratulations. Thank you very much for spending the time with me a few days ago.

Dr. CARTER. Thank you, Senator, and thank you.

Chairman LEVIN. Thank you, Senator Begich.

Senator Ayotte.

Senator AYOTTE. Thank you, Mr. Chairman.

Thank you very much, Dr. Carter, for your prior service. You're very well qualified to take over this position.

I want to ask you—on Sunday we all remembered September 11th, the 10-year anniversary of a horrible day in our Nation's history. Do you believe it's an accident that we haven't had another major incident on our soil, and would you agree with what former Secretary Gates said, which is that the ultimate guarantee against the success of aggressors, dictators, and terrorists in the 21st century, as in the 20th, is hard power, the size, strength, and global reach of the United States military?

Dr. CARTER. It's no accident, and I absolutely agree with what Secretary Gates said.

Senator AYOTTE. Well, to echo what some of my colleagues have already said to you, if we fail to have the political courage in Congress to make the difficult decisions and look at the entire breadth of Federal spending, including reforming our entitlement programs, allowing the Defense Department sequestration to occur, do you think this will make us less safe as we look forward?

Dr. CARTER. Absolutely. When we say disastrous, that's exactly the disaster we mean.

Senator AYOTTE. I appreciate that. I do not believe that we should subjugate our National security for our failure to have political courage here in Washington and to address the fundamental drivers of our spending.

I wanted to ask you about what Senator McCain asked you about with respect to Iraq. Have you spoken to Secretary Panetta at all about troop levels in Iraq?

Dr. CARTER. I have not, I mean except casually, because in my current responsibilities that is not a subject that I have responsibility for. The piece of it that I work on is the implementation. So when decisions are made about that, I will be involved in the implementation of it, the logistics associated with whatever is decided.

Senator AYOTTE. Dr. Carter, as I understand your position you will be Secretary Panetta's right-hand man; is that right?

Dr. CARTER. If confirmed as deputy, yes.

Senator AYOTTE. If confirmed. And in that capacity, you will be making recommendations to him based on your best assessment of what should be done on all major areas in the Department of Defense?

Dr. CARTER. Yes, absolutely.

Senator AYOTTE. So I would ask you, with respect to the troop levels in Iraq, to make a pledge to this committee that you will give very serious and due weight and consideration to what our commanders in the military are saying on troop levels that we need to make sure that our troops are protected, that we do not undermine the security that we have—the hard-fought security we've gotten through Iraq, with many who have sacrificed for that security, based on political considerations? Will you make that assurance to this committee?

Dr. CARTER. Absolutely.

Senator AYOTTE. Because I'm very deeply concerned with what I heard about the 3,000 level of troops, just for the security of those who will remain, for our assets, for securing our embassy in Baghdad, when you look what happened, obviously, the other day in Afghanistan to our embassy. These are all missions that these troops will be tasked with. So I appreciate that, and I remain concerned from what we're hearing in the press and I hope that it's not true.

I wanted to ask you—I appreciate your spending time in my office to meet with me prior to this hearing. One of the issues that you and I talked about and also you've been asked about today is acquisition costs and how we go about acquisition in the Department of Defense. My view, which I think I shared with you in my office, but I'll share again, is that from the limited time that I've spent on the Armed Services Committee that I think a third year law student could negotiate better terms for the United States of America than we have been negotiating at the Department of Defense on behalf of the taxpayers of this country.

What can we do to make sure that we are negotiating better terms for our country, better results, particularly when we are asking—we're going to be asking you to have to implement these cuts, which will be very difficult?

Dr. CARTER. I remember that conversation. I appreciate the opportunity to have been with you. And I remember that phrase as well. There's so much we can do to do better. I think the place I'd start, Senator, is with the people—we were talking about this earlier—our acquisition workforce, uniformed and civilian, who does this kind of work. I really meant it when I said it earlier: When we back them and we say, we expect you to negotiate a better deal than a third year law student could negotiate, they want to hear that. They want to do the right thing. They want to be backed up by us, and they know that the power of the purse resides ultimately in the Congress. So when they hear you asking for the same thing, it helps us.

I said there are some new pages I think we need to turn in the acquisition picture, and I'll just mention a few of them. One is to try to create on a lasting basis a fast lane, learn the lessons of Afghanistan and Iraq for acquisition.

Another one is in acquisition of services. You and I talked about this. We spend a lot for services, not just planes, ships, and tanks,

but services as well. We are looking at the requirements system, which is what do you ask for in the first place and is that reasonable, is there feedback between the acquisition system and the requirements system.

In all of these ways, I think—and this is something that Senator McCain was asking about—we need to keep turning the page here. There's a lot more we can do.

Senator AYOTTE. How can we ensure that we only Reserve cost-plus contracts for the limited situations where they're warranted?

Dr. CARTER. That's my direction to our contracting people and they have to have a reason for deviating from that expectation. There are reasonable reasons for deviating from that, but we have gotten into a habit of doing way too many things on a cost-plus basis that it wasn't necessary to do on that basis.

Senator AYOTTE. How do we end the end-of-the-year spendfest? Because we have all heard, end of the fiscal year, people buying things we don't need just because they want to make sure that they spend all the money we have. I'm interested in creating incentives, whether it's through legislation here, I'd like you to create incentives, to make sure that that does not continue, because with limited dollars we just can't continue to buy things we don't need.

Dr. CARTER. I agree with you 100 percent, and it is really about incentives, creating the right incentives, so the incentive is not to spend it all by the end of September.

Senator AYOTTE. Do you have any ideas about what incentives you think would be effective?

Dr. CARTER. Yes, there are a number of things. First and foremost—and I had this discussion very directly with our program managers and program executive officers, and I say: You will be judged by the value you deliver to the taxpayer, not by the size of the budget you're able to secure through the budget process. So we will consider you a good program manager and not a failed program manager if you're returning budget to the Treasury at the end of the year.

The other thing you have to do is say to the manager of a portfolio of programs, say a program executive officer: If you manage to be efficient in one area of your spend and you're having troubles in another, we'll give you a break where you're having trouble and you can reallocate some of that funding to where it would make another program more efficient, or if you save money in this way we'll help you buy more of something else, buy more capability.

You have to make people understand that by saving money in one area they can serve their service better, fix a broken program, and so in that sense they're sharing in the proceeds of good management.

Senator AYOTTE. Thank you, Dr. Carter. I look forward to working with you on these issues and I know many others who serve on the committee, so we can improve this process.

My time is up, but I also wanted to mention the Commission on Wartime Contracting: half of our money going to insurgents. Senator Brown and I have a piece of legislation I hope you'll support, to cut off funding as soon as possible when our money goes into enemy hands.

So thank you so much for testifying today and we very much appreciate your service.

Dr. CARTER. Thank you, Senator.

Senator McCASKILL [presiding]. Dr. Carter, I'm sitting in briefly for the chairman while he's away, and I love it that Senator Ayotte ended with the Commission on Wartime Contracting. You are well aware from many conversations we've had over the last 4-1/2 years how high up on the priority list this has been for my term on this committee.

Have you had a chance to read the report from the Commission on Wartime Contracting yet?

Dr. CARTER. I have, and I've talked to the commissioners on a number of occasions about the report. My general impression is it's extremely well done. We've been working with them side by side. I think we were trying to work off the same list of recommendations that they have. It points to a problem that is a very serious one, and I thought it was a good piece of work, with great benefits to us, insights that we could use.

Senator McCASKILL. Is there anything in the report that you disagree with? Is there anything that you took issue with?

Dr. CARTER. There are a few of the recommendations—we haven't finished assessing this final report, which contains so-called strategic recommendations, which are more general. We haven't really had a chance to assess them. We did, and I personally—in fact, I testified before the commission with respect to their two interim reports.

Senator McCASKILL. Right.

Dr. CARTER. There I forget what the numbers are, but they had in the neighborhood of 70 to 80 specific recommendations, and I think we adopted somewhere, I want to say, between 60—I'll get you the specific numbers and the details at any level you want. But almost all of their recommendations made a lot of sense and were things that we either were doing or should have been doing.

Senator McCASKILL. Well, I will look forward to any, particularly any issues that you don't completely agree with, because I think it's important that we figure out whether we all are on the same page going forward with the commission's work. This is going to be a subject of a hearing in the full Committee of Homeland Security and Government Affairs Committee next week, and then the Contracting Subcommittee—or Readiness, I guess the Readiness Subcommittee, we're going to do some work on it, too, and perhaps the Contracting Subcommittee also.

So there's going to be several follow-up opportunities to work on these recommendations over the coming weeks, and I would really like to know if there's anything there that you are not completely comfortable with, because if there is I think we've got to sort that out at the beginning, because my job now is to hold you accountable to make this work of this Contracting Commission be real to our military.

I think that we have two problems on contracting. One is contracting within the big Pentagon picture and the other is contingency contracting. They have different sets of problems. Now, many of them are kissing cousins, but they are different sets of problems.

The biggest problem with the contingency contracting is an over-reliance on contractors in order to meet the mission and the supremacy of the mission in terms of shortcutting good contracting practices and a culture that is all about that. You know: I want what I want when I need it in theater; I don't want to listen to any acquisition personnel tell me I can't have it.

It is anecdotal, but it is true that one of the major generals over contracting in Kuwait when I visited there—and a member of your staff was with us—actually said to me: I wanted three kinds of ice cream in the mess hall yesterday and I didn't care what it cost.

Now, that is obviously problematic. We all want our soldiers in theater to get ice cream. We want them to get a variety of kinds of ice cream. But we've got to care what it costs. It's that culture that I think your leadership at the very top is going to be absolutely essential on. So I wanted to make sure we find out if there is any place that we disagree.

The other big issue about contingency contracting is sustainability. I am very uncomfortable with the analysis that's going on in theater about sustainability of the money we're spending. Then I'm even more concerned that, for the first time, we have now morphed CERP. CERP began as something that was supposed to be for the on-the-ground commanders to be able to use to win hearts and minds in small projects. We now have an Afghanistan Infrastructure Fund in the Department of Defense budget for the first time.

So now we are actually going beyond what CERP was ever intended to be and we're building infrastructure in the Department of Defense. I'm not aware that we ever had a policy debate about whether that was a good idea or not. I would love to know why we think that's a good idea, and is this just going to be in contingencies or are we going to start taking this responsibility away from the State Department and AID? I would love your follow-up thoughts on that.

Also, Dr. Carter, about this Iraq Infrastructure Fund, it's \$400 million. That's not a huge amount of money now, but neither was CERP when we started. Neither was CERP, and it obviously has grown significantly.

Can you illuminate for me why they felt that had a need to create an infrastructure fund in addition to the CERP funds that were being used for projects, road-building and community redevelopment?

Dr. CARTER. I would be pleased to, Senator. I'd like to get back to you on that particular issue in some detail—

Senator MCCASKILL. Okay.

Dr. CARTER.—because it's partly a policy issue as well. But if I could just comment on your general point, you're absolutely right, contingency contracting and all the rest of the contracting we've been talking about, Joint Strike Fighter and so forth, present a different set of challenges. You have it in a nutshell that it's war, so people want to move quickly, and very understandably.

What we need to do is not make it a choice between appropriate controls and contracting discipline and responsiveness to the warfighter. That's where I think the Commission on Wartime Con-

tracting said we've fallen down over the last decade. We're getting better. We're trying to get better.

With respect to the commission, I absolutely will get back to you on it on anything we disagree with. I know they have some numbers in there that we're trying to look at. I can't validate their numbers, but I can validate the overall accuracy of the report in the sense that any level of waste, fraud, and abuse is unacceptable, and all of the recommendations they've made, as I said, we're working off the same list.

Senator MCCASKILL. Well, we built a \$300 million power plant in Kabul that is not fully operational and it's too expensive for them to use. If anybody tries to tell me there was a sustainability analysis done before we spent \$300 million, I'd like to know who takes ownership of that, because I find it incredibly hard to believe that anybody looked at the long-term sustainability of a high tech, dual fuel power plant that's too expensive and, frankly, beyond the capability of the Afghan people actually using it in a way that it was intended.

That's a lot of money, and that's just one example, and unfortunately I could list too many. So I would like you to address the sustainability analysis. I would like to see that in war colleges throughout the training of our amazing leaders in our military we begin to embrace contracting as part of that training, because we are never going to be able to get away from contingency contracting. The sooner these leaders know that that's very important, the better.

Let me very briefly, because I'm out of time. If you're going to contrast two acquisition programs, we've got the poster child of bad with the Joint Strike Fighter and the poster child of good with the Super Hornet. Now, factually that's great for me because I happen to care a lot about the Super Hornet in some of this, obviously. It would be obvious to point out that some of this is parochial.

But there's no better example, we've never had a program more out of control, more over cost, than the JSF. Meanwhile, the Super Hornet has always delivered, on time, and now we're down to a cost of \$52.7 million fly-away, and today's estimate on the JSF is \$113 million, so half the cost.

I just have one simple question: Given the Navy has publicly stated that the Super Hornet can undertake virtually any combat mission, is it your opinion that the Super Hornet remains a viable alternative based on the Navy's tactical needs?

Dr. CARTER. You're right that the performance of the Super Hornet program is commendable. Obviously, we're trying to manage in a direction so that JSF will one day replicate that kind of performance. I said in the Nunn-McCurdy certification this summer that no alternative meets the joint requirement as it is now spelled out for a fifth generation fighter but the Joint Strike Fighter.

Finally, we have in the last couple of years procured additional Super Hornets as we have been forced to delay the onset of production ramp-up for the Joint Strike Fighter.

Senator MCCASKILL. Well, I would—I have some more specific questions about the Super Hornet versus the JSF and I will get those for the record for you.

Thank you very much, Dr. Carter. My time has expired.

Chairman LEVIN [presiding]. Thank you very much, Senator McCaskill.

Senator Graham.

Senator GRAHAM. I'd like to associate myself with Senator McCaskill's comments about the Super Hornet. I have some questions for you, too. I think it is a viable airplane at a good price and we ought to make sure we have an adequate inventory until we get the Joint Strike Fighter in a better situation.

Let's see if I can summarize your testimony when it comes to defense spending. Is your understanding and your belief and that of Secretary Panetta that if the Congress were to follow through with the \$400 billion cuts that are being asked by the administration, President Obama, to the defense budget and we took \$600 billion more if the super committee fails to do their job, a trillion dollars, it would be devastating to the Defense Department? Is that correct?

Dr. CARTER. That's correct.

Senator GRAHAM. So we would take the finest military in the history of mankind and gut it, is that right?

Dr. CARTER. Yes. The word Secretary Panetta uses is—

Senator GRAHAM. Do you have any idea why we would do that in Congress? What were we thinking? I mean, I don't know. I'm asking you because I can't think of a good reason to do that. Is the world that safe?

Dr. CARTER. The world's not that safe. We still are looking in our defense strategy to be ready for this very wide range of threats and contingencies that the world presents to us. We don't see that ending at any time in the future. We don't see anyone else in the world being able to assume the leadership role that the United States has. We never ever again want to have a hollow military.

Senator GRAHAM. And we're on the path to do all those things if we follow through with this potential proposal?

Dr. CARTER. I think that's what Secretary Panetta means when he used the word "disastrous."

Senator GRAHAM. I think it's just completely brain-dead for us even to consider this, and we're not going to let it happen. You just tell the men and women in uniform we're going to wake up and get some good common sense here pretty soon.

Iraq. Does it matter how it ends in Iraq in terms of our national security interest?

Dr. CARTER. Absolutely.

Senator GRAHAM. On a scale of one to ten, how important is it for Iraq to end well, become stable, and not be a satellite state of Iran?

Dr. CARTER. It's a 10, after all we've put into it.

Senator GRAHAM. Well, if it's a 10—and I couldn't agree with you more—we ought to be looking at resourcing it as a ten. Do you agree with that?

Dr. CARTER. Well, the decisions haven't been made about resourcing—

Senator GRAHAM. Do you agree with the concept that if it's a ten we ought to resource it consistently?

Dr. CARTER. Absolutely.



Senator GRAHAM. Let's talk about Afghanistan. Does it matter how that ends?

Dr. CARTER. It does.

Senator GRAHAM. It does. It matters a lot, because that's the place where the attacks of 9-11 were planned; is that correct?

Dr. CARTER. Absolutely.

Senator GRAHAM. What would happen after all of these years and all these blood and treasure and mistakes we made, if the Taliban were somehow able to come back? What would it mean to our National security interests down the road?

Dr. CARTER. It would be very serious.

Senator GRAHAM. Do you believe we can prevent that?

Dr. CARTER. I do.

Senator GRAHAM. I think we have a plan to prevent it. The only thing I worry about is that we're going to be penny wise and pound foolish.

I know you very well, and I know that you and Secretary Panetta are going to give us the unvarnished truth. And as we transition to Afghan control, please realize, to the committee and those who are listening, that how it end does matter.

The strategic partnership agreement that's being negotiated with the Afghan government, are you familiar with the concept?

Dr. CARTER. I am.

Senator GRAHAM. Do you support the idea that past 2014, post-2014, we would have an enduring relationship with the Afghan government and people?

Dr. CARTER. Yes, I do.

Senator GRAHAM. It is in our National security interest to have a political relationship with the Afghan government and people; do you agree with that?

Dr. CARTER. Sure.

Senator GRAHAM. Do you agree that it would be in our National security interest to have an economic relationship with the Afghan people?

Dr. CARTER. Yes.

Senator GRAHAM. Do you agree it's in our National security interest to have a military relationship with the Afghan government, security forces, and people post-2014?

Dr. CARTER. I do.

Senator GRAHAM. Do you agree with me that training of the Afghan army will be a need that goes past 2014?

Dr. CARTER. I will.

Senator GRAHAM. Do you agree with me that General Caldwell is one of the unsung heroes of this war by creating a training regime that is more efficient and more productive?

Dr. CARTER. Double yes.

Senator GRAHAM. Do you agree with me that the counterterrorism component that exists today will be needed past 2014 to make sure Al-Qaeda and Taliban do not regenerate?

Dr. CARTER. Yes.

Senator GRAHAM. Do you agree with me that the Afghan government has virtually no air force and they will need some air capability?

Dr. CARTER. Yes, and that's part of—

Senator GRAHAM. Do you agree with me that the intelligence-gathering capability of the United States is second to none?

Dr. CARTER. Yes.

Senator GRAHAM. And that the Afghan government and the Afghan security forces would benefit from that assistance?

Dr. CARTER. Yes.

Senator GRAHAM. Do you agree with me that we need to embed some American soldiers in the future to make sure the Afghan army develops in a mature professional fashion?

Dr. CARTER. If Afghanistan agrees to that, of course.

Senator GRAHAM. All of this is contingent on them asking.

Dr. CARTER. You bet.

Senator GRAHAM. Do you agree with me it would be in our National security interest to leave behind a military footprint that would have American air power available to the Afghan security forces and counterterrorism units to suppress the Taliban as far as the eye could see?

Dr. CARTER. I think that's desirable, but of course we haven't begun to address the issue—

Senator GRAHAM. But if the Afghan people through their government would ask, it would be in our National security interest to say yes?

Dr. CARTER. It would.

Senator GRAHAM. Would you agree with me that if we did such an enduring—if we had such an enduring relationship, it would be a signal to Iran that needs to be sent?

Dr. CARTER. Yes.

Senator GRAHAM. Do you agree with me that the Iranians are trying to develop a nuclear program, not for peaceful purposes?

Dr. CARTER. That's my understanding, yes.

Senator GRAHAM. Do you agree with me that it would change the world as we know it if they were successful?

Dr. CARTER. It's very undesirable to let Iran go nuclear.

Senator GRAHAM. Do you believe that we're on a collision course with Pakistan?

Dr. CARTER. I can't say that. We work very closely with Pakistan in some areas. Obviously, there is great frustration in some other areas on both sides.

Senator GRAHAM. Would you agree that the relationship is in a new phase, very problematic?

Dr. CARTER. It is certainly problematic.

Senator GRAHAM. Do you agree that a lot of the IEDs coming into Afghanistan are made from products in Pakistan?

Dr. CARTER. They are.

Senator GRAHAM. And do you agree that it is now time for the Pakistan government to step up and make a decision as to who they are and what they want to be?

Dr. CARTER. Certainly as regards terrorism and as regards weapons crossing the border from Pakistan to Afghanistan, we need their help. I mentioned that earlier with respect to ammonium nitrate, but it's across the board. They need to step up.

Senator GRAHAM. Would it be in our National security interest to open up transportation routes in the north to get supplies and

equipment into Afghanistan without having to send everything through Pakistan?

Dr. CARTER. It is and we are.

Senator GRAHAM. The Uzbekistan Government, I met with them. They're willing to expand the relationship with the United States. Do you think that is in our National security interest to do so?

Dr. CARTER. It is. They have been part of that northern resupply system and—

Senator GRAHAM. It's my understanding that the administration is negotiating with the Uzbekistan Government to dramatically expand that supply capability and that we would need some waivers from this committee to support the Uzbekistan security forces. Secretary Panetta has written me a letter suggesting he supports that. Would you support that?

Dr. CARTER. Certainly if Secretary Panetta supports it, I would. And I understand enough about the northern distribution network to understand its importance.

Senator GRAHAM. So this is a critical area for us regarding Afghanistan. So I just want to let the committee know, Mr. Chairman, that we're on the verge of a major breakthrough in terms of northern supply and the committee will need to come up with a consensus about how we can help the Uzbekistan government. Some waivers would be necessary to sell them equipment, monitoring their human rights problems in the past.

I think you're an ideal candidate for this job. Most of the personnel—most of the defense budget is personnel costs. When you want to reform retirement, count me in. I want to do it in a humane, generous way, but it needs to change. When you want to adjust TRICARE premiums for people like myself who are going to be a retired colonel one day, count me in, because even though you serve and you sacrifice you still have, I think, the ability to serve in retirement. So we're not going to ask more of the retired force than they can give, but change has to come.

I think you're an ideal choice to be Deputy Secretary of Defense and I look forward to supporting you.

Dr. CARTER. Thank you, Senator.

Senator CORNYN. Mr. Chairman, may I make a brief UC request?

Chairman LEVIN. You certainly can. Before you do that, I want to just—this retirement announcement as a colonel, this precludes the possibility, which is there apparently, of you being promoted to a general.

Senator GRAHAM. We have enough challenges in the world. [Laughter.]

Chairman LEVIN. Senator Cornyn.

Senator CORNYN. I'm grateful, Mr. Chairman. I want to say to Dr. Carter how much I appreciated him visiting with me. I support his nomination.

I'd like to make a unanimous consent request that two letters that I have written to him and two letters he's written back to me relating to the Joint Strike Fighter be made part of the record.

Chairman LEVIN. They will be made part of the record.

[The information referred to follows:]

[COMMITTEE INSERT]

Senator CORNYN. I'm grateful to you. I have a conflicting appointment, so I won't be able to stay. But the you for that.

Chairman LEVIN. Thank you, Senator Cornyn.

Senator Hagan.

Senator HAGAN. Thank you, Mr. Chairman.

Dr. Carter, thanks for taking the time to come visit with me recently. I appreciated our discussion. In that discussion, as we discussed, you know that I am a strong supporter of the F-35B. It does provide the Marine Corps with the capability to launch from the large-deck amphibious ships, refuel in forward operating sites. As the Commandant of the Marine Corps, General Amos, has said, if we lose the F-35B there is no plan B for fixed wing aircraft on large-deck amphibious ships, and this would drastically cut our Nation's capability to project power in the remote environments.

Recently, when the F-15 airplane crashed in Benghazi, Libya, the AV-8B fighter jets conducted a tactical recovery of aircraft and personnel mission in Libya. The rescue forces took off from two amphibious assault ships in the Mediterranean. When the aircraft went down, there were no aircraft carriers in the area.

So I want to work with you to get the F-35B off probation and resolve the engineering issues inside the weight limits and financial boundaries. The term "probation" has a negative connotation. What kind of—my question is, what kind of effect does the F-35B being on probation have on the Marine Corps's ability to transition to a fifth generation fighter? And does it affect the industrial base by putting suppliers on notice and increasing production costs?

Dr. CARTER. The F-35B is everything you said. Namely, there is a firm requirement for it; the attractiveness of the STOVL variant of the F-35 is the ability to take off from the smaller decked amphib ships; and General Amos has indicated that that's a capability that he very much wants to have. And that's why Secretary Gates, who originated the fact of and also the term "probation" for F-35, the instructions he gave us were to be success-oriented, and as the managers of the program we are. That is, we are trying to work through the engineering issues from which the concept of probation arose.

Just to recap them briefly, it's a complicated variant because of its short takeoff and vertical landing nature, and therefore does present some engineering issues that the other variants don't. Those surfaced in flight tests and we know what they are and we're working through the engineering fixes to them. Can't rule out that additional ones will arise in flight tests. You can never say that. But we know what they are and we have a schedule for resolving them.

What Secretary Gates said at the time was: Resolve those issues and then we'll look at the cost impact and the weight impact associated with those engineering fixes and decide where we go with STOVL from that point. So my focus has been on resolving those issues. That's where Admiral Venlet's focus is. We are success-oriented. We will work through those engineering issues and get to that point.

Senator HAGAN. The F-35B I understand has performed very well in operational testing so far this year, and I think there's quite a few number of tests taking place next month. If the variant per-

forms successfully during these sea trials next month, would you consider lifting the program from probation?

Dr. CARTER. I said—and General Amos and I talk about this all the time—probation is—I'll borrow a phrase from elsewhere—conditions-based. In other words, we told Secretary Gates that it would take us around 2 years to work through the engineering issues to which I referred, and we're on schedule to do that within those 2 years. And if we resolve them within the 2 years, then we have done what he said probation was supposed to do.

There's nothing magic about 2 years. There is something magic about resolving the issues.

Senator HAGAN. I agree with that. But if they get resolved—I think it's been a year now. If they get resolved, I think it would be important to the industrial base to be sure that that probation would be removed as quickly as those issues are taken care of.

I wanted to talk about the science and technical talent. The Department of Defense and the defense industry are facing challenges seeking new graduates with advanced degrees in scientific and technical fields to help develop complex military systems. Some of these challenges include Federal hiring and-or pay freezes, budgetary pressures leading to declining numbers of new defense programs, recruiting issues stemming from graduates being more interested in the commercial sectors related to information technology and energy versus the traditional defense industrial sector, such as aerospace or naval shipbuilding.

What is the Department doing to ensure that it as well as the defense industrial base is able to have access to future scientific and technical talent, and what is the Department doing to recruit and retain the best and the brightest scientists and engineers, and how do you measure the effectiveness of these efforts? I just think it's critically important that we focus on this at the Department of Defense as well as, obviously, in our education system with science, technology, engineering, and math, the STEM curriculum that is so critically important in our country today.

Dr. CARTER. It's critically important. Other than—or next to and after the superb nature of the men and women we have in uniform, the thing that makes our military the greatest in the world is the technology within it. There is a challenge associated with the globalization of the technology base for defense. It's no longer the case that all new technologies emerge in this country or in association with the defense technology base.

So we need to reach out and gather those ideas and those people who might otherwise end up not in defense and attract them into defense. So we're doing a lot to strengthen the science and technology workforce.

I think another point I'd make is that as we go into the budget situation that we're facing, we've talked about difficult choices; one of the difficult choices is between the present and the future, how much you invest in the present and how much you invest in the future. I think one of the things that we're going to need to do is make sure that we don't—that we protect those investments in science and technology that will allow us 10 years from now, 20 years from now, to have the skill base and the new ideas that will

constitute the military of the future and make sure that we don't mortgage the future.

So that's the kind of balancing that we're trying to do in the comprehensive review, present versus future, even as we're trying to balance different kinds of threats. So it's a very big effort within the acquisition, technology, and logistics department.

Senator HAGAN. You said that you're doing quite a bit in this area, especially from recruiting. Can you give me any concrete examples?

Dr. CARTER. Yes. Let's see. I'll take DARPA for example, our Defense Advanced Research Projects Agency. We've made a lot of progress there in the last few years, and I credit the current director for doing that, in making it more attractive for people who are first-rate technical people to come in, spend some time in DARPA, make their contributions, get the feel of the excitement and the commitment of national defense as a place to apply their scientific talents. We've made a lot of progress there, but all of our technical managers are doing that.

Senator HAGAN. Thank you. I've worked quite closely with Dr. Duke and I think she is definitely doing a very good job at that example.

Dr. Carter, thank you and thank you for your family, for your participation in I know what's going to be a nominee that will be confirmed very swiftly. So thank you for doing this.

Dr. CARTER. Thank you, Senator.

Senator HAGAN. Thank you.

Chairman LEVIN. Thank you, Senator Hagan.

Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

Thank you also for taking time to come and visit with me. I appreciate it. I know we briefly talked about your thoughts about the Department's willingness to invest in the Reserve component, Guard and Reserve, to see how we can maximize those valuable dollars and maybe shift some of the responsibilities in training and resources to the Guard and Reserves. What's your position on that?

Dr. CARTER. The guard and Reserve, we couldn't have done what we've done over the last 10 years without the contribution of the Guard and Reserve. I know that they've been asked to do things that were not foreseen at the time that many of them joined the Guard and Reserve. You can go, and I do, to theater and visit a unit and you can't tell whether that's an active duty unit or a guard or Reserve unit. So they're a critical part of the total force and their continuing vitality, like everything else that we're trying to protect, is an important part of this comprehensive review we're conducting.

Senator BROWN. I know you have some real economic and financial challenges, obviously, with the dollars that are so valuable. I'd like to just follow up with Senator McCain and Senator Levin's comments regarding the cost growth and delays on the JSF program, which are not limited to the airframe only, as you know. They also relate to the engine, which has increased from \$385 million to \$2.3 billion. That's nearly a 500 percent increase.

Yet the DOD continues to say it's happy with the engine it has. I'm wondering, do you remain pleased with the cost, development, testing, and performance of the F135 engine?

Dr. CARTER. I monitor the F135 engine closely. No, I can't say I'm completely satisfied with that. I'm not completely satisfied with any part of the F-35 that's showing cost growth and the F135 engine has. I will say that, like with everything else on the JSF, we are working very hard to manage to a better result, and those performing the work on the engine, like those performing the work on the airframe, are joining us in trying to restore affordability.

Senator BROWN. I noted in your testimony that you indicated that competing subsystems and support would be put on the table. Does that include the self-funding proposal being put forth on the engines?

Dr. CARTER. The self-funding proposal by GE and Rolls-Royce for the F136 engine, I understand that a meeting was scheduled between GE and the Deputy Secretary, Deputy Secretary Lynn, and also the Air Force acquisition executive, to get more insight into that concept. Those meetings haven't occurred or haven't been scheduled.

But if I'm confirmed as Deputy Secretary, I'd be happy to have those meetings and to learn more about the so-called "self-funding" proposal. I do have to say I have real concerns about that proposal on the basis of what I've heard so far. But again, if confirmed, if that meeting hasn't been held by the time that Secretary Lynn would leave, I'd be happy to have that meeting, because any time one of our industry partners has an idea on affordability I'm very open to ideas on affordability and would be willing to listen to that.

Senator BROWN. Well, I noted in some of the letters I received from other Senators to you and in our conversation, you indicated that you would keep an open mind and you would meet with that leadership team to discuss all options. Is that still your position?

Dr. CARTER. It is. And by the way, I've got to meet with them on other things that they do for us also. GE does a lot for us—a number of different engine types, sustainment, R and D. So we value their contribution to the military aircraft engine business.

Senator BROWN. If confirmed, will you have the authority to permit the self-funding to go forward, and obviously as a result will they be allowed to have access so they can in fact move forward with it?

Dr. CARTER. Until I know more about it, I don't know what authorities would be required and whether they would require additional legislative authority.

Senator BROWN. With regard to—I had the honor of being able to go over to Afghanistan on duty and serve for a short time. One of the—the most talked-about issue was the proposed cut in military pensions among current service members. Could you maybe talk about that a little bit and say what your position is, not only for the people that are presently serving and have already done their 20 years and are eligible, but as to how it affects active, guard and reservists?

Dr. CARTER. I think two critical things on that that Secretary Panetta's made clear. Thing one is that, like everything else, compensation and benefits has to be on the table, but—this is the only

“but” he’s made to that general guidance to us—don’t break faith with the force. That would mean that significant, abrupt changes that would affect the understanding and the bond or deal made between service people and us when they entered service, that is not somewhere he wants to go. So he has taken that off the table. He calls it “breaking faith.”

Senator BROWN. Well, it’s interesting you say that, because before people knew I was a Senator, I was just there as a lieutenant colonel and we were just talking as soldiers, and without even blinking, sir, Mr. Chairman, that was the talk in every breakfast, lunch, and dinner that I sat down with the troops. Then when they found out I was a Senator, it was even like—boy, just groups of people coming up and saying: What are you guys trying to do? And I’m like, I’m not trying to do anything; I’ll speak to the Secretary and, obviously, you, because I agree with you, there is a real dependency on, obviously, them doing their job and them depending on getting their fair share once they’ve done their job and having that commitment honored. So I appreciate that.

One final question. I’m just trying to figure out the numbers a little bit. On the MIADS program, the development of this program is governed by, obviously, the international memorandum which everybody has been talking about for months and months. It specifies a maximum national commitment limit of \$2.3 billion. Our appropriated funds from fiscal year 2004 to fiscal ’11, however, total \$2.98 billion, and that number exceeds the MIADS maximum national commitment limit of \$2.3 billion.

Can you help me understand the numbers, what the difference is?

Dr. CARTER. I will have to get back to you on those specific numbers.

Senator BROWN. That’s fine.

Dr. CARTER. But I am—because I’m not familiar with those specific numbers. But I will say some that I am familiar with that may be helpful. The memorandum of understanding, which is the extant international agreement that you referred to, would under our proposal which is before you take about another \$800 million to complete the proof of concept part of that program.

Senator BROWN. Yes, to get out of the deal, basically, we’ve got to pay \$800 million.

Dr. CARTER. The alternative would be to terminate, which costs a comparable amount. And given those alternatives, we have asked for the funding to complete the proof of concept.

Senator BROWN. So maybe we can follow up, Mr. Chairman, with a question for the record which we’ll submit to you, and just see where that discrepancy is. Maybe we don’t have the right numbers. I just want to make sure I understand it.

Thank you for your time and good luck.

Dr. CARTER. Thank you.

Chairman LEVIN. Thank you, Senator Brown.

Just a few additional quick questions from me. On cyber security, there was a commitment by General Alexander when he was confirmed to command the newly created Cyber Command that there would be a major effort to address a whole host of cyber security issues, and it was under way or to be completed by the end of cal-



endar year 2010. The National Defense Authorization Act for fiscal year 2011, already law, required a report from the Secretary by March of this year. So we don't have the report that we're owed on cyber security issues. Are you aware of that and will you commit to get us that report promptly?

Dr. CARTER. Mr. Chairman, I'm not aware of the status of that report, but I certainly commit to you that, if confirmed, I'll make sure it's completed.

Chairman LEVIN. Promptly?

Dr. CARTER. Promptly.

Chairman LEVIN. Do you support the President's decision to withdraw 30,000 U.S. surge forces from Afghanistan by next summer?

Dr. CARTER. I do.

Chairman LEVIN. Do you support the—well, how important is it to the success of the counterinsurgency campaign in Afghanistan that we maintain the process of transitioning responsibility to the Afghan Security Forces for their own security?

Dr. CARTER. Very important.

Chairman LEVIN. Do you also agree it's essential for the Afghan government to provide services for their people in order for the mission to prevent Taliban reconrol of Afghanistan to succeed?

Dr. CARTER. Yes.

Chairman LEVIN. Do you agree that it's in the security interest of the Afghans that their government end corruption?

Dr. CARTER. Yes.

Chairman LEVIN. Do you agree that the reconciliation or the reintegration of lower level Taliban be continued and that it is an important part of success of the mission?

Dr. CARTER. Yes.

Chairman LEVIN. Now, relative to Pakistan, do you agree that it's important that Pakistan address the Haqqani Network's use of their soil as a safe haven to attack us?

Dr. CARTER. Yes.

Chairman LEVIN. Relative to Iraq, General Odierno said yesterday or the day before that we must avoid the appearance of leaving a large occupation force in Iraq. Do you agree with General Odierno?

Dr. CARTER. I do.

Chairman LEVIN. Well, Secretary Carter, to you, your family, your wife, your two children who are here—I don't think they probably learned anything new because they know you very well. They know your competence, they know your steadiness, and we've learned that, too, over the years, all of us on this committee. We look forward to a prompt confirmation, and we will stand adjourned.

[Whereupon, at 11:52 a.m., the committee adjourned.]