

**HEARING TO CONSIDER THE NOMINATIONS
OF: HONORABLE ALAN F. ESTEVEZ TO BE
PRINCIPAL DEPUTY UNDER SECRETARY OF
DEFENSE FOR ACQUISITION, TECHNOLOGY,
AND LOGISTICS; FREDERICK E. VOLLRATH
TO BE ASSISTANT SECRETARY OF DEFENSE
FOR READINESS AND FORCE MANAGEMENT;
AND ERIC K. FANNING TO BE UNDER SEC-
RETARY OF THE AIR FORCE**

THURSDAY, FEBRUARY 28, 2013

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

The committee met, pursuant to notice, at 9:35 a.m. in room SD-106, Dirksen Senate Office Building, Senator Carl Levin (chairman) presiding.

Committee members present: Senators Levin, Gillibrand, Blumenthal, Donnelly, Kaine, King, Inhofe, McCain, and Ayotte.

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

Majority staff members present: Jonathan D. Clark, counsel; Gabriella E. Fahrner, counsel; Gerald J. Leeling, counsel; Peter K. Levine, general counsel; Jason W. Maroney, counsel; John H. Quirk V, professional staff member; and Robie I. Samanta Roy, professional staff member.

Minority staff members present: John A. Bonsell, minority staff director; Steven M. Barney, minority counsel; William S. Castle, minority general counsel; Ambrose R. Hock, professional staff member; and Anthony J. Lazarski, professional staff member.

Staff assistants present: Jennifer R. Knowles, Mariah K. McNamara, and Lauren M. Gillis.

Committee members' assistants present: Jeff Fatora, assistant to Senator Nelson; David LaPorte, assistant to Senator Manchin; Elana Broitman, assistant to Senator Gillibrand; Marta McLellan Ross, assistant to Senator Donnelly; Karen Courington, assistant to Senator Kaine; Jim Catella and Steve Smith, assistants to Senator King; Paul C. Hutton IV, assistant to Senator McCain; Todd Harmer, assistant to Senator Chambliss; Robert Foster, assistant to Senator Wicker; and Brad Bowman, assistant to Senator Ayotte.

OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN

Chairman LEVIN. Good morning, everybody.

This morning the committee considers the nomination of Alan Estevez to be Principal Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics; Frederick Vollrath to be Assistant Secretary of Defense for Readiness and Force Management; and Eric Fanning to be Under Secretary of the Air Force.

Mr. Estevez, Mr. Vollrath, Mr. Fanning, we welcome you all. And all three of our nominees have demonstrated their commitment to public service throughout their careers. We appreciate your continuing willingness to serve, and we appreciate the support that your families provide which is so essential to your success, as you well know. And as is our custom, during your introductory remarks, your statements, please feel free to introduce any family members or friends that you have with you here today.

Our witnesses today are nominated for policy positions that deal with some of the most complex challenges confronting the Department of Defense.

The Principal Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics will be a key participant in major decisions affecting the hundreds of billions of dollars that the Department of Defense spends every year to acquire property and services. If confirmed, Mr. Estevez will share responsibility for a broad array of functions, including developmental testing, contract administration, logistics and materiel readiness, installations and environment, operational energy, the acquisition workforce, the defense industrial base, and efforts to increase the Department's buying power and improve the performance of the defense acquisition enterprise.

Mr. Vollrath has been nominated to be Assistant Secretary of Defense for Readiness and Force Management, responsible for developing policies, providing advice, and making recommendations to the Under Secretary of Defense for Personnel and Readiness in the areas of civilian and military personnel policy, readiness of the force, and military community and family policy. Additionally, the Assistant Secretary of Defense for Readiness and Force Management is responsible for allocating assigned resources and providing oversight of subordinate activities, including the overall day-to-day supervision of the Department of Defense Education Activity and the Defense Commissary Agency.

Mr. Fanning has been nominated to be Under Secretary of the Air Force, the second highest civilian position in the Air Force. The Under Secretary of the Air Force assists the Secretary of the Air Force in organizing, training, equipping, and providing for the welfare of its more than 333,000 active duty men and women, 178,000 Air National Guard and Air Force Reserve members, 182,000 civilians, and their families. He also oversees the Air Force's annual budget of more than \$110 billion and serves as acting Secretary of the Air Force in the Secretary's absence. As Under Secretary, Mr. Fanning would also serve as the Chief Management Officer of the Air Force.

These three nominations come before this committee at a time of unprecedented turbulence. Just last week, we held a hearing on the impacts of sequestration and a full-year continuing resolution. We

found that if these events come to pass, which looks more and more likely, the negative impact on the Department of Defense will be huge.

The Deputy Secretary of Defense, the Chairman of the Joint Chiefs, the Comptroller, and the Joint Chiefs of Staff all testified to the severe and significant issues that sequestration and a full-year continuing resolution will bring to each service. While we hope an eleventh hour solution can be found, we are pleased to see that individuals of the caliber of the witnesses and nominees before us today are willing to step into this maelstrom and serve in these important capacities. The challenges will be great and the tasks even more difficult than they are currently.

Over the next few weeks, the committee will hold a series of important hearings. Next Tuesday, we will hear from the commanders of CENTCOM and TRANSCOM. Next Thursday, a week from today, we will hear from AFRICOM and TRANSCOM. The following Tuesday, March 12th, we will hear from STRATCOM and CYBERCOM.

At the same time that we are doing this at a full committee level, our subcommittees are beginning to plan their hearing schedules for the year. In particular, the Personnel Subcommittee will hold a hearing on sexual assault in the military on March 13th. And I am very pleased that Senators Gillibrand and Graham are addressing this extraordinarily important issue. Our service members, men and women, deserve an environment where they are not subjected to sexual harassment and sexual assaults. And all members of our committee—and I just talked to Senator Gillibrand about this—whether they are members of that subcommittee or not are welcome to attend and participate, and I thank Senator Gillibrand for that.

All our witnesses this morning bring strong qualifications to the positions for which they have been nominated. I look forward to their testimony, to the answers that they provide to our members during questioning. I hope the committee can act promptly to confirm these nominees.

Senator Inhofe.

STATEMENT OF SENATOR JAMES INHOFE

Senator INHOFE. Thank you, Mr. Chairman. I join you in welcoming the nominees here this morning.

Overshadowing everything that is going on right now, as the chairman said is the sequestration thing, which we have had the chiefs in here and we have had everyone coming in and talking about the disastrous things that we are facing. Today is the day, however, that we will actually be voting on a couple of bills that will have to do with it.

And I would be remiss if I did not mention that one of the alternatives we have had began 5 weeks ago, Mr. Chairman. I contacted all the chiefs, all five chiefs of the services, and said, you know, if this becomes reality and we are going to be faced with this, how much could be mitigated. If you take the same top line and if you had the ability to make adjustments within each service, what could you do? And they said, well, it would put us light years in better shape than if we just had to take cuts across the board. I

did not think we would get to that point, but we are there today. That is one of the alternatives that we will be discussing.

Mr. Estevez, for too long, the way the Department has developed and procured weapons systems has been riddled with waste and inefficiency. We have talked about that for as many years as I have been up here. Recent legislative efforts such as the Weapons Systems Reform Act have put in place much needed reforms. Yet, given reductions in the defense budget and the threat of sequestration, it is more important now than ever that dollars used to equip our military is spent wisely. This will require the Department to define program risks. Risks are things that people do not like to talk about because risks translates into readiness and translates into deaths. So we need to be addressing these things now, and most importantly, the Department is going to have to develop a culture of accountability for all programs.

Mr. Vollrath, through our military forces, although they remain resilient, 11 years of sustained combat operations have left them battered. We talk about the suicide problems. I spent the better part of a day last week out at Bethesda at Walter Reed. I was just overwhelmed with the really good job that people are doing out there, and it may be the only place that is not impacted by the constraints that the rest of the military is under. I know that you will be interested in that and keeping the fine work going, as it has been.

Mr. Fanning, over the last 10 years, the Air Force has retired nearly 1,900 aircraft and reduced its active duty end strength to approximately 329,000 airmen, making it older and smaller than at any time since its inception in 1947. While service life extension programs and modifications have kept our Air Force flying, the cost to operate and sustain these aircraft continues to rise. It is something that we have been dealing with for as long as I have been on both the House Armed Services Committee and this committee.

So it is a challenge and I am sure that you are, all three, up to these challenges, and I look forward to working with you and to hearing your testimony.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Inhofe.

Now, we will first call then on Mr. Estevez.

STATEMENT OF HON. ALAN F. ESTEVEZ TO BE PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS

Mr. ESTEVEZ. Thank you and good morning, Chairman Levin.

Chairman LEVIN. And before you begin—excuse me for interrupting. I misspoke in my opening statement about the upcoming hearings. The hearing next Tuesday is—I said TRANSCOM. It should be SOCOM, our Special Operations Command. The hearing involving TRANSCOM is a week from today, and that will also include AFRICOM.

Now Mr. Estevez.

Mr. ESTEVEZ. Thank you and good morning, Chairman Levin, Ranking Member Inhofe, members of the committee.

I am grateful for the opportunity to appear before you today. I appreciate the great support that this committee provides to our military.

I am honored that the President has nominated me for the position of Principal Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics. I would like to thank President Obama for his trust and belief in my abilities to serve the Department.

I would also like to thank Secretary Panetta, Deputy Secretary Carter, and Under Secretary Kendall for their support of my nomination.

I am joined here today by my wife, Susan Pearson, and my sisters, Sue Ann and Pamela. I want to thank Susan for her continued support and sacrifice and her willingness to let me serve. As I noted in my confirmation hearing for my current position, without Susan's sage advice and counsel I would not be sitting here today. I am thrilled that my sisters were able to come down from New York and New Jersey to join me here today.

Chairman LEVIN. Well, we welcome them all. I am sure they are thrilled to be here.

Mr. ESTEVEZ. I hope so.

Chairman LEVIN. We will get a report from them in a couple hours. [Laughter.]

Mr. ESTEVEZ. As the Assistant Secretary of Defense for Logistics and Materiel Readiness, it has been my privilege to support the Nation's men and women in uniform by providing world-class logistics capabilities. In the last 2 years, our defense logistics system has surged and sustained forces in two wars, successfully completed the drawdown of our forces and equipment in Iraq, and is in the process of supporting the drawdown and transition phase in Afghanistan.

I have had the opportunity to take numerous trips to Afghanistan over the last 4 years, and I have witnessed firsthand the magnificent efforts of our deployed forces. They continue to inspire me and I will be honored to continue to support them if I am confirmed for this position.

While most citizens do not realize it, the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics makes an impact on the everyday lives of the citizens of the United States primarily by acquiring the best technology and capabilities to enable our warfighters to protect this Nation but also, as was recently shown, by aiding the American people in the aftermath of natural disasters such as Superstorm Sandy. If confirmed, I will execute my duties to make sure that the American people are continually supported by the Department of Defense.

I would again like to thank this committee for asking me here today, and I look forward to your questions.

[The prepared statement of Mr. Estevez follows:]

Chairman LEVIN. Thank you so much, Mr. Estevez.

And now Mr. Vollrath.

**STATEMENT OF FREDERICK E. VOLLRATH TO BE ASSISTANT
SECRETARY OF DEFENSE FOR READINESS AND FORCE MAN-
AGEMENT**

Mr. VOLLRATH. Good morning, Chairman Levin, Ranking Member Inhofe, and members of the committee.

I am honored to appear before you today.

I appreciate the confidence that President Obama has expressed in nominating me to be the Assistant Secretary of Defense for Readiness and Force Management, and I am grateful to Secretary Panetta for supporting that nomination.

It has been a great honor and privilege for me to have served our Nation in the United States Army wearing that uniform for 35 years and currently as the Principal Deputy Assistant Secretary of Defense for Readiness and Force Management.

The position of Assistant Secretary of Defense for Readiness and Force Management for which I have been nominated is a new position created by the Department pursuant to the authority provided in the National Defense Authorization Act for Fiscal Year 2010. It has also been my privilege to be the first individual nominated by the President to fill this very important role. During the past 11 months, I have also had the added responsibility of standing up the Office of the Assistant Secretary of Defense while serving as the Principal Deputy.

I have over 40 years of human resource management and executive leadership experience and bring with me the unique perspective of having both government and nongovernment human resource experience. During my career, I have seen many changes in our military and fully understand the importance of maintaining a ready force, especially during these critical fiscal uncertain times. If confirmed, I will use this experience to aggressively take on the challenges of this office.

I am grateful to the members of this committee and to all Members of Congress for the support they have given to our men and women in uniform and their families. If confirmed, I pledge to you that I will work diligently on behalf of our Nation's servicemembers, their families, and our civilian workforce that supports them. I am deeply honored to have the opportunity to continue my service to this great Nation.

And I look forward to your questions. Thank you.

[The prepared statement of Mr. Vollrath follows.]

Chairman LEVIN. Thank you so much, Mr. Vollrath.

Mr. Fanning.

**STATEMENT OF HON. ERIC K. FANNING TO BE UNDER
SECRETARY OF THE AIR FORCE**

Mr. FANNING. Thank you, Mr. Chairman, Senator Inhofe, members of the committee. It is an honor to appear before you today.

I would like to thank President Obama for nominating me and the Secretary of Defense for supporting this opportunity to serve. If confirmed, I greatly look forward to working with them and with this committee as well.

Nobody gets the opportunity to serve in positions like this without the help of many people over a very long period of time. I am fortunate to have many of them here with me today, dating all the

way back to college and including Larry Smith, who hired me out of college into my first job on the House Armed Services Committee, through my later work at the Pentagon and at Business Executives for National Security. He has been an important friend and mentor to me ever since. Thank you to them and all the others here today to support me.

My mother had planned on attending, but as of late is unable to travel. I know she is watching from Florida.

I come from a family with a long history of service in uniform. Two uncles graduated from West Point and made careers in the Army. Another uncle served a career in the Air Force. My cousin flew helicopters in the Marine Corps. I learned from an early age the importance of service and developed early on a deep respect and admiration for those who serve in uniform.

The Air Force faces many challenges well known by this committee but is a proud organization with a rich history. And its greatest strength, of course, is its people, almost 700,000 active duty, National Guard, Reserve, and civilians who make up the Air Force, along with their families. I have been immensely proud to serve these last 4 years with the men and women of the Navy and Marine Corps, and if confirmed, I very much look forward to becoming a part of the Air Force family. It would be my honor to play a role in making sure that the best men and women our country has to offer get all the support they need in undertaking the mission of defending our country, a mission for which they freely volunteered.

Thank you again for considering my nomination. Thank you for your service, and I look forward to your questions.

[The prepared statement of Mr. Fanning follows:]

Chairman LEVIN. Thank you so much.

Let me now ask you the standard questions, if I can find them, that we ask of all nominees. And you can answer together. This is a matter of exercising our legislative and our oversight responsibilities, and that is the reason for these questions.

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

Mr. ESTEVEZ. Yes.

Mr. VOLLRATH. Yes.

Mr. FANNING. Yes.

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

Mr. ESTEVEZ. No.

Mr. VOLLRATH. No.

Mr. FANNING. No.

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

Mr. ESTEVEZ. Yes.

Mr. VOLLRATH. Yes.

Mr. FANNING. Yes.

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

Mr. ESTEVEZ. Yes.

Mr. VOLLRATH. Yes.

Mr. FANNING. Yes.

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

Mr. ESTEVEZ. Yes.

Mr. VOLLRATH. Yes.

Mr. FANNING. Yes.

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

Mr. ESTEVEZ. Yes.

Mr. VOLLRATH. Yes.

Mr. FANNING. Yes.

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?

Mr. ESTEVEZ. Yes.

Mr. VOLLRATH. Yes.

Mr. FANNING. Yes.

Chairman LEVIN. Okay. We will have an 8-minute first round here, and let me start with you, Mr. Estevez.

We have got millions of pieces of equipment in Afghanistan, and we have got, as you know, a logistical challenge of great size as our forces draw down. And key to the ability to remove this equipment is whether we are going to have access to ground lines in Pakistan and along the Northern Distribution Network through Central Asia. Can you give us your assessment on the level of cooperation that we are getting now from Pakistan on the retrograde of military equipment through Pakistan?

Mr. ESTEVEZ. Yes, Senator. Right now we are getting excellent cooperation with Pakistan. We have a number of proof of principles, as we call them, to move equipment through Pakistan. They are ongoing right now. Two of them have been successfully completed. And the purpose of these is to hone out the processes with the Pakistanis, with their customs enforcement, with their port agencies, and with their trucking companies in order to facilitate an increased volume of those movements. But slow, steady progress.

Chairman LEVIN. All right. So it is not just a contract agreement or a written agreement to open up these lines. It is actually now happening. Is that correct?

Mr. ESTEVEZ. Yes, sir.

Chairman LEVIN. Okay. Mr. Estevez, in response to the committee's advance policy questions, you stated that you do not believe that fixed-price development contracts are appropriate because, quote, most major weapons systems deal with maturing designs and significant integration problems, and a fixed-price development contract imposes too much risk on industry. Close quote.

Now, we just adopted a defense authorization act which in section 818 says the following that, quote, the conferees believe that program risks should be reduced to the degree that the use of a fixed-price development contract for a major acquisition system may be appropriate. Our Senate committee report on this provision

explains that both the cost to the government in using cost reimbursement contracts too far into the development and the importance of reducing program risk prior to a milestone B decision by avoiding the incorporation of immature technologies is very, very important. We have got to do that.

Now, I am not going to ask you a question now, but I would ask you to reevaluate, when you are confirmed, the position that you took in response to our advance policy questions in light of our law which we have now passed, section 818 and the committee report on the provision, and then get back to us. Will you do that?

Mr. ESTEVEZ. I certainly will, Senator.

Chairman LEVIN. And will you also get back to us on the question of contract services? Because we are going to need to do a lot more to understand and control spending on contract services. Contract services cost us about \$200 billion a year, which is about as much as we spend on all products combined, including major weapons systems.

I would also ask you to—within the first, say, 60 days that you are in office, will you give us a report on the steps which you are going to take to address the question of controlling spending on contract services?

Mr. ESTEVEZ. Absolutely, Senator.

Chairman LEVIN. Mr. Vollrath, I would like to ask you about the threat of sequestration on personnel. Can you describe for us the impact of sequestration on, just to give one example, the services? transition assistance programs?

Mr. VOLLRATH. Certainly, Senator. The sequestration will result most likely in furloughs of the civilian workforce for a period of up to 22 days for the remainder of the year. The approximately 20 percent reduction in time from that civilian workforce will have an effect on the transition services that are required by the law, and we will have to do a significant job of scheduling to make sure that all service members get the required transition training and experience. Right now, it appears that that may be possible.

Chairman LEVIN. Well, we hope it is possible, but obviously there is going to be huge pressure. I mean, we cannot make cuts of that nature without an effect. Would you agree with that?

Mr. VOLLRATH. Yes, Senator, absolutely.

Chairman LEVIN. By the way, I want you to invite you to visit a college in Lansing, Michigan, the Lansing Community College, which has I think the most extraordinary program that I have seen to transition people into actual jobs which are available using the experience that they have and smoothing the way towards a civilian job by dealing with the regulatory agencies that exist on the civilian side. For instance, this program takes medics that come out of the military and has it all planned so that the State regulatory agencies with their certification requirements give credit for the service performed while in the service so that they can much more quickly become medical technicians, for instance, and then registered nurses. And I would like you to come and visit that program which I think may be unique in the country.

Mr. VOLLRATH. Senator, given the opportunity, I most certainly will do that because we have had a full court press on trying to

get the civilian sector particularly in all States to accept the credentials that service men and women acquire while on active duty.

Senator INHOFE. Thank you.

Now, Mr. Vollrath, Senator Gillibrand, as I mentioned before, is going to have a hearing in her subcommittee on sexual assaults. And I just want to let you know that when she does that at her subcommittee level, she and Senator Graham are going to be speaking for the full committee when that happens. This is something which is simply such an outrage for this to continue to occur that it must be at the top of the agenda when you take over responsibility.

For instance, the Air Force is currently addressing a number of sexual misconduct cases arising out of basic training at Lackland Air Force Base, and at last count, sexual misconduct allegations have been made against 32 military training instructors involving 62 victims. Can you give us your thoughts as to what must be done in this area?

Mr. FANNING. Thank you, Senator.

Any instance of sexual assault is too many, and I think that leadership across the Department of Defense has to remain committed to preventing this from happening in the first place. And I believe that we are seeing a marked increase in what the Department is trying to do to combat sexual assault. If confirmed into the Air Force, it would be an absolute priority of mine to continue those efforts and work with Secretary Donnelly and General Welsh in that regard.

I think we need, first and foremost, as I said, to focus on preventing these from ever happening, but if they do, we need to ensure that victims of sexual assault have a safe place to report those assaults and have all the assistance that they need, medically, mental health, legally. And finally, we need to make sure that perpetrators are held to account for their crimes.

Chairman LEVIN. Thank you.

Senator Inhofe.

Senator INHOFE. Thank you, Mr. Chairman.

Mr. Vollrath, you heard the comments that I made about my experience last week at Walter Reed. Have you had an opportunity to—I am sure you have over a period of time—to see the development, the progress, the magnificent results that we are getting over there? If you have seen that, what are your ideas on continuing that, and do you see that that is going to be threatened in any way by sequestration?

Mr. VOLLRATH. In the near term, Senator, I believe sequestration will have some impact on it. In my particular portfolio and position, we work closely with the health affairs side to leverage all of the capabilities that they have developed and reach out to the civilian community because the effort is not just and the solution is not just within the Department of Defense. We need to leverage all resources.

Senator INHOFE. Yes. When you say that it could affect it adversely now, do you have anything specific in mind? I am just wondering what areas it could be adversely affected.

Mr. VOLLRATH. To the degree that the civilian workforce is there for their support, given that the majority of the medical care is pro-

vided by the uniformed services, the support element will degrade some of that service.

Senator INHOFE. Okay.

The chairman asked you the question about the civilian employees, the furloughing. In my State alone, we are estimating about 24,000. It is a huge number and we are concerned about it. And you did respond. But if sequestration occurs, what would DOD and the Air Force do to minimize the impact on civilian employees? Is there anything, any ideas, you have had now to try to minimize the negative impact that we are having right now with people? In my State, just knowing it is going to happen is something that has been pretty critical.

Mr. VOLLRATH. Senator, we do not have any silver bullet to spend to minimize the impact on the civilian workforce. I wish we did. Potentially if we could move money around, that might assist. But what we have done is to make sure that we do not take out most of the sequestration or the reductions on the back of the civilian workforce.

Senator INHOFE. They were pretty optimistic out there in that they felt the good job they are doing—you know, and I like to stand behind them in minimizing any of the negative impact. So if you are confirmed, I would like to be kept up to date as to anything that might affect that.

Mr. Fanning, the Government Accounting Office—well, first of all, I was kind of wondering how you are juggling this thing, coming from the Navy and going into the Air Force. In your opening statement, I was very impressed. I mean, you have that close, intimate connection with both the Army, the Navy, and Marines, and the Air Force. So I guess you would fit in about any place.

There was something that I was interested in when the GAO recently released a report entitled “The Depot Maintenance Additional Information Needed to Meet DOD’s Core Capability Reporting Requirements.” The report cited the Air Force for not having an explanation for a sufficient plan organic—that is, internal—depot workload to meet these core requirements. The report specifically cited certain Air Force shortfalls and plans to mitigate them by assigning work to Air Force depots to support existing and new weapons systems such as unmanned aerial systems, munitions, and the F-35. Have you had a chance to look at that report and that particular area that I have just quoted?

Mr. FANNING. No, Senator. I have not yet seen that GAO report although I do appreciate the proper balance in depots between organic and contractor.

Senator INHOFE. Yes. Well, this actually goes a little bit further than that because it talks about the mix has not been quite as accurate as it should have been or equitable as it should have been in the past, and it makes specific recommendations.

So what I would like to have you do is kind of provide to me where the Air Force has identified depot work shortfalls and the specifics. I would like to ask you to read that in the next short period of time so that we could actually have a discussion as to what your feelings are going to be on that. Would you do that for us?

Mr. FANNING. Absolutely, Senator.

Senator INHOFE. Okay, good.

Mr. Estevez, as you may know, I have expressed concern that wide-ranging authorities contained in the Defense Production Act are being used by the Department of Defense to spend \$170 million for the design and construction of a commercial biofuels refinery. On February 6, 2013, the same day the Secretary of Defense announced that the Truman carrier group would not be deploying to the Middle East due to budget cuts, we received a letter from Frank Kendall, the Under Secretary for Acquisition, Technology, and Logistics, announcing the Department's intent to spend \$30 million on the advance drop-in biofuels production used by the Defense Production Act.

I am sure that you have heard a lot of this, including the Senator that was sitting to my left and myself talking about the concern that we have with the budget shortfalls, with the disasters that are taking place right now, how we could be experiencing in biofuels and even talk about the construction of refineries in terms of prioritizing. I would like to have your thoughts about that. Is that the best use of defense funds?

As I recall—and I remember when they started the Department of Energy, that is one of the things that they were supposed to be doing. Do you have any thoughts on that?

Mr. ESTEVEZ. I do, Senator. Thank you.

When you look across our energy investments, the vast majority, 96 percent of our energy investments, go to things like reducing—better engine technology, increasing range, increasing fuel capability on things like jets and tanks and the like so that we are decreasing our demand, decreasing the need to put fuel out onto the battlefield. A small amount of that resource does go towards what we would call increasing the flexibility, increasing the resources that we can draw on, increasing the supply. The \$30 million would go to that. We are assessing the responses we have got on our request for information from industry on that. Under the sequestration and budget environment that we are operating under, obviously every investment will have to be looked at, but we think that the small amount that we are putting into that is a prudent investment for the future.

Senator INHOFE. Well, we are talking about a lot more money than \$30 million. We are talking about the acquisition in the case of the Navy. And, Mr. Fanning, maybe you have some background on this too. The 450,000 gallons that were procured for, I think it was—I am going by memory right now—I think \$29 a gallon as opposed to \$3 a gallon. You start doing the math on that and what the Air Force is doing now, it comes up to considerably more.

Here is what I would like. I do not want to put you on the spot now. But I would like to have you, for the record, to kind of give me an evaluation, a justification as to those expenditures and relative to the other expenditures that directly affect our National defense, particularly in this time of sequestration. Would you do that?

Mr. ESTEVEZ. I would be happy to do that, Senator.

[The information referred to follows:]

[COMMITTEE INSERT]

Senator INHOFE. Thank you.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Inhofe.

Senator Gillibrand.

Senator GILLIBRAND. Thank you, Mr. Chairman, and thanks to each of our witnesses for their leadership and their service to our country. I am very grateful.

I am very concerned about the status and the well-being of the men and women who serve in our forces. I am very worried about the sexual assault rate estimated by the military at 19,000 a year. I am concerned about the suicide rate, almost one a day. I am concerned about hazing incidents. I am concerned about how we implement the repeal of Don't Ask/Don't Tell.

So with regard to these issues, I would like to first ask Mr. Vollrath what he thinks in terms of how will you provide leadership on these issues to protect the force from hazing, from sexual assault, prevent suicide. How do you look forward to addressing these policies?

Mr. VOLLRATH. Thank you, Senator.

First, to begin to resolve these issues in the long term, we need to ensure that we have reasonable policies in place, good communications over time that are effective so that all members of the service understand the rules and the capabilities that they have to resolve their problems.

Let me talk about a case in point in suicide. Clearly we have not broken the code on suicide and suicide prevention. Period. We have not. What should we do and what are we doing?

One, establishing an office to focus and coordinate all of the efforts that have been taking place across all of the services.

Two, ensure that we have a coordinated communication plan. That is different than just sending out notices or PSA's periodically. It is similar to advertising, frequency and reach. You need a consistent message and a constant message for people to understand so that they are willing to change their behavior and the stigma associated with seeking help is overcome. And so I will ensure, upon confirmation, that that takes place.

Third, in all areas, we need to make sure that we do a better job of educating our leaders all the way to the lowest level as to the responsibilities that they have to take care of their members of their organizations all the time. It is not just at the captain level, the lieutenant level, or the mid-grade sergeant level. It is at the corporate level.

And I believe that we can and will do a better job with the leadership and the communication and changing and reinforcing that culture of care. That same statement and that same thrust and strategic direction will be employed across all of those areas that you mentioned, Senator.

Senator GILLIBRAND. Thank you.

Another area that needs attention is the transition from active duty to veteran status because if you look at the indicators, suicide rates are even higher once they leave the military. And if you look at the front page of the New York Times today when a woman has been sexually assaulted or has trauma experience while serving, the likelihood of her being homeless increases greatly once veteran status kicks in. So I hope that you will also focus your attention on that transition, that very important time between transitioning

from active duty to veteran status, to make sure our men and women do not suffer even after they leave the military.

Mr. VOLLRATH. Senator, absolutely we will continue to do that.

Senator GILLIBRAND. And then one other personnel issue. We work very hard in this committee to ensure that children of our military men and women who have special needs, autism, among other special needs children, have the access to the resources they need for just the medical attention they need. We are seeing that the implementation of even that pilot program is not going smoothly. I would like your commitment that you will focus on this issue and make sure that those children receive the health care that they need.

Mr. VOLLRATH. Senator, you have my commitment.

Senator GILLIBRAND. Thank you.

An issue that has been challenging for all of us here in Congress has been the issue of cybersecurity. And I am concerned that we do not have the capability to recruit all of the best and brightest within the cyber world to do the work that we need for cyber defense and other missions related to that.

For Mr. Fanning, I was very pleased to read in your pre-prepared questions and answers that you plan to provide direction for Air Force science and technology that will focus on operation in space and cyberspace domains, but I am very disappointed that there are significant budget cuts. How will you deal with these budget cuts? And in particular, we have assets in New York at Rome Labs that will also see budget cuts. I do not see how you will meet your mission requirements with these kinds of cuts.

Mr. FANNING. Thank you, Senator.

Not having been confirmed, I am not fully briefed on what the Air Force's plans are in dealing with potential budget cuts. Difficult cuts will have to be made. Everything will have to be on the table. But cybersecurity, if confirmed, would be a priority of mine, both in making sure that we adequately resource cybersecurity needs but that we think creatively and with focus on how we build a cyber workforce. I agree with you. I think that is going to be a very difficult workforce to recruit and to retain once we have recruited and trained it. And it would be a priority of mine, if confirmed.

Senator GILLIBRAND. Secretary Estevez, as conventional warfare becomes more technology-based, how do you believe that we should retain the talent especially in the fields of information technology and cyber warfare that we are going to need, particularly when the private sector pays far more than the military can?

Mr. ESTEVEZ. Of course, personnel is not my area of focus other than for the acquisition workforce. But in general, what we find is that people serve the Department of Defense and our Government out of a feel for a greater good, as I would say the folks sitting up here, as yourselves. And so we have to draw on that and then we have to ensure that we treat our workforce properly.

Senator GILLIBRAND. Mr. Vollrath, one suggestion and one thing to consider is, obviously, we have great flexibility with our National Guard and Reserve to recruit talent who are expert in other fields and work in other fields as their day jobs. Will you consider how you could possibly recruit National Guard and Reserve cyber ex-

perts or a cyber corps which could leverage some of the training and hiring from the private sector?

Mr. VOLLRATH. Senator, absolutely. And as we have looked at trying to develop and grow the cyber community necessary to man the various different units, use of the Reserve components has been critical to the long-term strategy to make this effective. So we cannot do it without the Reserve Forces.

Senator GILLIBRAND. Moving to science and technical workforce issues, back to Mr. Estevez. What challenges do you see facing the DOD and R&D communities as they seek to attract entry, mid, and senior technical experts into their organizations?

Mr. ESTEVEZ. Again, you know, with our budget issues, it is going to become more difficult. It is an area of focus for us. There are some tools that we can use, including the use of IPA's, individual augmentees. We use that extensively at DARPA to attract people who want to come and serve the Government and serve the Department for periods of time before they go back to their universities. Plus we draw on university talent.

Senator GILLIBRAND. Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Gillibrand.

Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

And I thank the witnesses for being here and their continued willingness to serve the country.

Mr. Fanning, a few months ago, the Air Force decided to kill a huge logistics supply chain management business system called the Expeditionary Combat Support System after sinking about \$1 billion into the program, finding that another \$1.1 billion would be needed to field just 25 percent of the promised capability and extracting from the taxpayers? total of a \$1 billion investment less than \$150 million in useful hardware and software.

Some of us on this committee, including the chairman and I, have been doing everything that we can to prevent the sequestration which we believe is devastating to our Nation's security. And we believe our uniformed military, as well as the former Secretary of Defense who testified before this committee how devastating the effects would be.

How do I, Mr. Fanning, go tell the taxpayers of America in my State that the Air Force just wasted \$1 billion on a program that obviously was a miserable failure? And so far, do you know anybody who is responsible for that failure?

Mr. FANNING. I have not yet been briefed on the Air Force's lessons learned, but I have had an opportunity in my Navy position to watch the developments with this program. And I suspect—I approach all business IT systems with a great deal of skepticism in the Department of Defense, and in the Department of the Navy, in fact, we stopped the development of a major personnel and pay system because we thought it was on track to not deliver what was promised and waste taxpayer funds.

I think what I see in ECSS that I see in many other programs is a rush to a material solution before non-material solutions or business process—

Senator MCCAIN. Has anybody been held responsible that you know of, Mr. Fanning?

Mr. FANNING. Not that I know of, no.

Senator MCCAIN. Secretary Estevez, anybody fired? Anybody removed from their position? Anybody said this is the person in charge that made this \$1 billion—excuse me. We saved \$150 million out of \$1 billion.

Mr. ESTEVEZ. I believe, Senator, and I would have to confirm this, that the prior PEO and prior PM were removed from their positions. They were not the people who were there when we killed the program. They were the people who were there that led to the program restructuring and led to the recommendation to kill.

Senator MCCAIN. Well, I am sure you understand our frustration, which brings me to the F-35.

Lieutenant General Bogdan has a pretty good reputation before this committee. He was in charge of the tanker program which seems to be on track. And yet, recently—actually a couple or a few days ago he said, quote, what I see Lockheed Martin and Pratt & Whitney doing today is behaving as if they are getting ready to sell me the very last F-35 and the very last engine and are trying to squeeze every nickel of that last F-35 and that last engine. The general told reporters, quote, I want them both to start behaving like they want to be around for 40 years. I want them to take on some of the risk of this program. I want them to invest in cost reductions. I want them to do the things that will build a better relationship. I'm not getting all that love yet. And then he said—asked if he had seen some improvement from the companies, are they getting better at a rate that I want them to see them getting better? He said no, not yet. And of course, now we know that with massive failures, massive cost overruns that Lockheed has earned a 7 percent profit since the program began in 2001.

Do you have any justification for that?

Mr. ESTEVEZ. I cannot address the past. I can address where we are today.

Senator MCCAIN. You cannot address the past.

Mr. ESTEVEZ. I cannot address what happened from 2001 until where I am today.

Senator MCCAIN. You cannot address that at all.

Mr. ESTEVEZ. Well, Senator, we have put new structures around that program. We have a new contracting process for that program. We now have a firm, fixed-price contract, incentive fee, 12 percent share. Lockheed will also pay the concurrency problems on that contract. So we have restructured the program. As you know, we brought in Admiral Venlet and now General Bogdan to run that program, two excellent PEOs, and we are working closely with Lockheed and Pratt to work through the problems that General Bogdan referenced in that news article.

Senator MCCAIN. So since 2001—and we are in 2013—we are beginning to work through the problem. Is that what I can tell my constituents, Mr. Secretary?

Mr. ESTEVEZ. I believe you can over the last 4 or 5 years—5 years or so, we have restructured the program and we believe we are now on track to get a successful program.

Senator MCCAIN. Now, you are sitting here before this committee and you can tell us there will be no further cost overruns borne by the Federal Government.

Mr. ESTEVEZ. I could not possibly do that, Senator.

Senator MCCAIN. You know, why can you not? Why can we not penalize companies for failure to live up to the obligations of their contracts?

Mr. ESTEVEZ. It is important to get the right structure of contract. Senator Levin—

Senator MCCAIN. After 12 years.

Mr. ESTEVEZ. On this particular airplane, I believe we do have the right structure of contract now and we will continue to get better contracts as we move into future development or production of this airplane.

Senator MCCAIN. Mr. Fanning or Mr. Vollrath, do you have any comments on this situation? By the way, the plane is grounded again, as we know, because of a crack in the engine. It is grounded again. Do you have any comments, Mr. Vollrath?

Mr. VOLLRATH. Senator, I do not. I do not know enough to comment intelligently about it.

Senator MCCAIN. Well, if I sound frustrated, I say to the witnesses it is because I am. This committee has been tracking this program for many years. We have had witness after witness. We have had promise after promise. We have had commitment after commitment. And yet, the only thing that has remained constant is that Lockheed has earned a 7 percent profit since the program began in 2012. Excuse me. Since the program began in 2001, 12 years later.

So maybe you can help me out. What am I supposed to go back and tell my constituents about a \$1 billion program that the Air Force cancelled and, of course, the most now expensive weapons system in history that has now reached \$1 trillion and the aircraft is now grounded? Do you have any ideas for me, Mr. Secretary?

Mr. ESTEVEZ. Senator McCain, we are working very diligently, Secretary Carter, Secretary Kendall, myself, our leaders across the acquisition community to change the culture and change the processes by which we buy our programs. And I know that you have been briefed on what we call better buying power. That includes accountability for our PEO's and program managers. It includes managing affordability. It includes cost control so that we can change the way we do this.

Senator MCCAIN. Well, according to one of the people who is very highly regarded by this committee because of his previous performance, General Bogdan says, quote, are they getting better at a rate that I want to see them getting better? He said, no, not yet. I would say you have your work cut out for you.

And I can just say that as strong an advocate as many of us are for maintaining a strong national security, you cannot continue these kinds of incredible, total loss of the taxpayers' dollars without there being an understandable backlash on the part of the taxpayers of America, which I believe will harm our ability to defend this Nation.

I thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator McCain.

Before I call on Senator Donnelly, let me just tell you, Secretary Estevez, I share very deeply Senator McCain's frustration. And we need answers. We need answers in addition to what Senator

McCain pointed out. The folks who write the contracts, unless there is recoupment provided for from the contractors for failures, there is accountability lacking not just on the type of equipment itself, the production of that equipment, the failure of a contractor to produce something that works.

But there is also perhaps failure on our part in terms of did we write contracts which did not provide for recoupment, and if there is failure there, where is there accountability inside the Department or the agency which wrote the contract which let contractors off the hook? So there is a lack of accountability kind of up and down the line. This engine issue is just the most recent manifestation of it.

Senator McCain with his great initiative in this area is going to be—and I will be joining him—actively involved in this Expeditionary Combat Support System loss. Whether it is \$850 million or \$1 billion, it is just incredible. Where is the recoupment of that money? Why is that a loss to the Treasury instead of to the contractor? And we need answers on that. And it is in the middle of sequestration. It just dramatizes the problem, but this problem has been existing too long. Senator McCain and I and others on this committee and other committees have tried to rewrite laws. We have rewritten laws to provide more accountability. But we are going to be looking to you, Secretary Estevez, for answers.

Thank you.

Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman.

To all of you, thank you for your service to our country.

Mr. Fanning, with our National Guard and our Reserve members, they at times, obviously, are at home and are not part of serving at that point. What mental health resources does the Air Force have when they are at home, when they are not in the field and they are struggling with suicide and with mental health issues? Their alternative of going to see private care or going to talk to friends or whatever—how do we fill that hole so that they can still receive care, receive counseling when they are not on active duty pay status?

Mr. FANNING. Senator, I think the total force structure of the Air Force, which is something I am learning about now—it is different than what we were accustomed to in the Navy and Marine Corps—is a critical strategy for the Air Force. The Guard and Reserve are important partners with the active component. From what I am told by the Air Force in my briefings by the Surgeon General, there are a multitude of services available for people who are not on active duty or who are remotely located.

I think—and if confirmed, I will look into this much more closely. I think one of the problems is making sure that those Guard members, those Reserve members who are not activated are aware of the services that are available to them. I think communication is one of the critical gaps in what we have in making sure that those individuals know what services are available.

Senator DONNELLY. If you could get further details for us because, obviously, just because their pay status has changed, their problems do not go away and their need for help does not go away. And as you said, they may not know where to go for help or how

to get it. And so anything you can do in that process to let us know what the plans are, what the future plans are, we would appreciate.

Mr. FANNING. Absolutely.

Senator DONNELLY. Mr. Estevez, we have a case with our Indiana National Guard where they were working alongside a DOD contractor in Iraq in 2003 and exposed to sodium dichromate. These are our neighbors. These are our friends. These are men and women working at the local tire store who were now over in Iraq at that time serving our country. And the contractor they were working with had an indemnification provision. And so the question I have is what are your views of these indemnification contract provisions used by DOD and what protection do our service members have when those are in place.

Mr. ESTEVEZ. Senator, I am not familiar with the case, of course, but I would be more than happy to look into it. With regard to indemnification, of course, it depends on where you were operating and what backup the Department puts in. We are asking people to take risks when we put them out on the battlefield regardless of whether they are operating on a protected area of that battlefield. But I would be happy to look into that issue, sir.

Senator DONNELLY. Well, part of the risk should not be that when they are working next to a contractor. It was not the risk of insurgents. It was the risk of sodium dichromate. And so we want to try to make sure that when we tell our young men and women and take them from the community colleges and from working at the accounting firm, that they can expect a safe—obviously, as much as possible in the situation that they are placed in.

Mr. VOLLRATH, we are facing sequestration. It was noted that we lost more men and women to suicide in the last year than were killed in Afghanistan. And the challenges that we face with sequestration are great. But one of the things I would ask you in this position is to continue with the financial challenges we are facing to continue to see how can you squeeze every dollar out to try to make sure that we continue to make progress on this front. I know General Chirelli was extraordinarily focused on this effort. And it is going to take tremendous creativity in the years ahead. But I would ask, along with the other areas that my colleague, Senator Gillibrand, was talking about, to please keep a focus like a laser on how can we end this scourge.

Mr. VOLLRATH. Senator, you have my commitment, upon confirmation, that we will continue to keep a full court press to overcome what clearly is a tragic situation.

Senator DONNELLY. Mr. Estevez, we are, obviously, having troops come home now, and as we do, we are in the situation where we have more contractors in Afghanistan now than troops. So what are the expectations of contractor numbers as we move forward over the next year or 2?

Mr. ESTEVEZ. Right now, we have about 110,000 contractors in Afghanistan. A little more than a third, about 40 percent, are actually Afghans. So, of course, they will stay in Afghanistan. We are actively drawing down that number. In instances, as we draw down combat forces, there will actually be more contractors because they help close down bases rather than have our military. We want the

combat power there. But we have an active cell closing down contracts and bringing those contractors back.

Senator DONNELLY. What do you see as our footprint contractor-wise a year from now?

Mr. ESTEVEZ. It will be about one and a half higher, maybe two higher as we draw down. There is going to be a little higher spike as we draw down.

Senator DONNELLY. Than it is right now.

Mr. ESTEVEZ. No. It will be about the same ratio. Right now it is 68,000 troops, 110,000 contractors. I expect that to remain over the next—

Senator DONNELLY. The ratio of troops to contractors will remain in the same neighborhood.

Mr. ESTEVEZ. Yes.

Senator DONNELLY. Mr. Estevez, in an environment where countries like China are using cyber attacks to engage in theft of intellectual property across the board almost, what steps will you take to enhance DOD's collaboration with the defense industry to protect U.S. taxpayer-funded intellectual property? I was with one of our shipbuilding organizations the other day and they said they are subject to cyber attacks every single day for the technology they have. And so what do we do working forward on that?

Mr. ESTEVEZ. Senator, cyber is not exactly my area. However, I share the concern. And in fact, Secretary Kendall has asked me to lead a task force looking at exfiltration of data, not necessarily classified data but IP, things that we care about, working with the industry to do exactly what you are asking about. It is a very serious problem for us and for our industrial partners.

Senator DONNELLY. Gentlemen, thank you very much for your time.

Mr. Chairman, thank you.

Chairman LEVIN. Before I call on Senator Ayotte, let me just remind you, Secretary Estevez, we have a new law on cyber incidents involving defense contractors. It was in our defense authorization bill. They must report those incidents to us. So we insist that they do that, they comply with the law, but we also want to do that in the most cooperative and joint way we possibly can. We are on the same side of that issue, but there is now a law in place on defense contractors, now not on utilities and not on electric kind of utility issues and so forth, but on defense contractors there is. And we would expect that you would remind them of that and fully implement that law.

Mr. ESTEVEZ. Absolutely, Senator.

Chairman LEVIN. Thank you very much.

Senator Ayotte.

Senator AYOTTE. Thank you, Mr. Chairman.

I want to thank our witnesses for being here and your willingness to serve our country.

I wanted to ask, first of all, Mr. Fanning about the provisions that require the Air Force to produce a statement of the DOD's budgetary resources by September 30, 2014, so that the Department can be audit-ready. Are you committed to doing that?

Mr. FANNING. I am, Senator, yes.

Senator AYOTTE. Okay, good. I just wanted to be clear because the questions you were asked in the written questions made it seem like it was a goal. It is now the law as passed by the 2013 defense authorization, and so this is a very important issue. And I think that it is an important issue as we look at the fiscal challenges facing the country and also, in particular, the Department of Defense so that we can have the audit to have good financial information to make good decisions. So I appreciate your commitment to that important issue.

I wanted to ask Assistant Secretary Estevez about contracting, in particular, a concern that I have had. I had the privilege of visiting Afghanistan in January and meeting with Major General Longo and talking with him about contracting in Afghanistan. Previously I had worked with Senator Brown to introduce the no contracting with the enemy language that allowed us to cut off funds that were going to our enemies in Afghanistan. And in fact, I think the Wartime Contracting Commission found that as much as \$60 billion of U.S. Government contracting funds had either been wasted or misspent, if you combined Iraq and Afghanistan.

One of the things Major General Longo said to me when I was in Afghanistan is we need additional tools to be able to make this legislation even more effective. And it struck me also that this is legislation and tools that would allow DOD, when they are in contingency circumstances—should be able to cut off funds to enemies or to those who are cooperating against us.

So I wanted to ask you. I plan to work with Senator Blumenthal to introduce legislation to give you additional tools to cut off funds to our enemies and to cut off funds to those we are worried about going to corruption, other means that we would not want taxpayer dollars going. And I think this is an authority that should be expanded beyond Afghanistan, and I wanted to get your thoughts on that.

Mr. ESTEVEZ. I appreciate that, Senator Ayotte. First of all, I want to commend Major General Longo. I worked very closely with him and Task Force 2010 and what they are doing there.

We would love to work with you on expanding those capabilities and tools. We do want to make sure that we have due diligence for our contractors when we do that. Obviously, the authorities under A-41 use some extraordinary capabilities, using classified information, for example, to not contract with the enemy, and we want to make sure that we do not contract with the enemy worldwide. So I would be happy to work with you on expanding that.

Senator AYOTTE. Well, I appreciate it. And actually one of the problems that Major General Longo described to us was the fact that right now the way A-41 is working, we are only looking at unclassified information, and in fact that we need to actually come up with a smarter way because you may have classified information that tells you someone is an enemy. But if we are only relying on unclassified, we are actually not cutting off the full measure of people who are contracting with the enemy.

So I look forward to working with you on this. This is a way we can make sure that taxpayer dollars do not go in the wrong hands.

I also wanted to ask Mr. Vollrath. You had said a statement about sequestration. I believe that Senator Inhofe had asked you

a question about it, about the civilian impact as a result of sequestration. And you said that it would help to move the money around but it does not solve, as I understood what you were saying, the full problem.

Can you, everyone on this panel, help me understand? Even if we give you the authority to move the money around, does it solve the impact of what the Department of Defense is going to undergo in terms of sequestration? And I would particularly ask with regard to our readiness.

Mr. VOLLRATH. Senator, the way sequestration is currently configured, the cuts have to go basically equitably across all of the programs. And so when we are faced with a \$45 billion to \$46 billion reduction to take in 6 or at most 7 months—

Senator AYOTTE. As I understand it, OMB has estimated that equates to about 13 percent over the 2013 period.

Mr. VOLLRATH. I will accept that, certainly. I have not taken the time to focus on that. I have been focused on the impact on the personnel and the resultant impact, as you correctly point out, on readiness because when you furlough, of that \$46 billion-\$45 billion reduction, you have to take it somewhere. And as I mentioned earlier, we are trying, as best as possible, to not take it out on the backs of the workforce. So furloughing for up to 22 days, that is only about \$5 billion of that \$45 billion. So there is a lot more that needs to be done.

When you take that kind of reduction, particularly in the civilian workforce, of what amounts to about a 9 percent or for them a 20 percent reduction in their pay and furlough 1 day per week—that is basically what that amounts to—there will be an impact on readiness. You cannot get the same amount of work done that you would normally get done in 10 days in the equivalent of 8. It does not work that way unless you want to ask the civilian workforce to do things that they ought not to do. And so there is going to be an impact at the depot maintenance level. There will be an impact in the service level no matter how you slice it.

Now, could it be less? I think that is the point. It might be possible that it could be less. But I do not believe under any circumstances that we could not take some of that impact in our workforce.

Senator AYOTTE. Secretary Estevez, just to put the question to you, so if we give you—right now it is an across-the-board cut. Right? So you have got to cut everything. So if we give you the flexibility—you know, we have been hearing from the Department of Defense. This is the fundamental question. We have been hearing from them. Secretary Panetta, it is going to undermine our national security for generations. I had Chairman Dempsey here less than a week ago or roughly a week ago and he told me on a scale of 1 to 10, it was a 10 in terms of our National security.

So as someone who wants to resolve this and respects that the chairman wants to resolve this in a way that is consistent with protecting our country, if we gave you all the flexibility in the world—let us say we did not do it across the board—where does that leave you there? I think that is an important question to be answered.

Mr. ESTEVEZ. Thank you, Senator Ayotte. A couple things.

One, it is more than just sequestration. It is the continuing resolution that is causing much of the problem. So passing an appropriation bill or at least giving us the flexibilities in a CR is critical for us going forward. Number one.

Sequestration, the \$46 billion, I do not think at this point in the year additional flexibilities there give us what we need. We will get some of that within the CR, but at this point in the year to find that \$46 billion, I believe as Dr. Carter said when he was up here 2 weeks ago, we are going to be looking everywhere we can to get that money.

Senator AYOTTE. I mean, we have legislation pending that deals with flexibility, and so what I want to understand is if we pass this legislation, does that stop the impact on our National security or does that mitigate it so it is a manageable amount of impact on our National security. That is certainly what I would appreciate your advice on.

Mr. ESTEVEZ. It will not stop it. Taking \$46 billion again at this point in the year is not going to stop the impact on our National security. I think giving us the flexibilities or passing a 2013 budget for the Department of Defense and making sequestration go away for 2013 is the only way to really stop the impact on our National security. Obviously, past that, flexibilities may but we will be taking money from everything. So there is going to be a devastating impact to our security.

Senator AYOTTE. Thank you.

Chairman LEVIN. Thank you, Senator Ayotte.

Senator KAINE.

Senator KAINE. Thank you, Mr. Chair.

Congratulations on your nominations. It is good to be with each of you today.

Just a few questions, and I would like to start with Mr. Vollrath, please, on sort of some personnel issues that I am just interested in sort of the thought process now within DOD, particularly about use of Guard and Reserve.

I had an interesting experience last week visiting a Guard unit in Stanton called the Stonewall Brigade that is quite large. And I was interested when I found out that their first operations as a brigade were 20 years before the French and Indian wars. They go back to 1740 and they can trace the lineage back that far.

In my discussions with these guardsmen and women and many during the time I was governor and was commander of the Virginia Guard, it really struck me that the Guard and Reserve are quite different than they were 10 or 15 years ago, that the level of training, the level of operational experience has dramatically increased. And that made me start to think about forward-focused personnel planning and how much do we do with the Active Force, and there is a training cost to that. And how much do we do in terms of putting in training monies to keep the Guard at this new kind of elevated level of readiness. And I am just kind of interested in your discussion about that looking at personnel and the kind of overall manpower needs of our defense, how the Guard and Reserve are factoring in in a new way and how you factor that in going forward as you evaluate manpower needs.

Mr. VOLLRATH. Senator, the Guard and Reserve are critical to our projected readiness. The Guard and Reserve, as you know having served as Governor, are now an operational force. They are no longer that last resort, that strategic Reserve if you will. They are fundamental to how we fight. And so on a go-forward basis, it is critical that they be maintained and sustained for our long-term readiness.

Having said that, with their experience as an operational force, it is also key to readiness that we retain as many people that we can possibly in the Reserves that have that experience because once we lose that experience, then we significantly have to start ramping up retraining.

And so right now, I would tell you that is a national treasure and they are key to our National defense right now, far from being that old strategic reserve. And to the Reserve and Guard, give them credit. They have stepped up to the plate.

Senator KAINE. So going forward, there is no intent from a planning perspective that the Guard would revert back to just a pure Reserve function, but there is a thought that going forward we would make the investments in Guard and Reserve to keep them at an operational level of training and readiness.

Mr. VOLLRATH. That appears to be a prudent way forward. We have the Quadrennial Defense Review coming up in this next year, and in that process, we will sort out exactly how we are going to move forward. But I do not know how we do it without.

Senator KAINE. Just thinking forward, if as part of that QDR, the decision is made we want to keep Guard at sort of an operations and not just a pure Reserve asset and we want to put the training in to do that, then that would also affect other decisions about manpower levels in the active branches because, you know, to the extent that Guard is at operational level, those numbers can provide some of the function so that it does factor into manpower planning in the service branches as well.

Mr. VOLLRATH. Absolutely, Senator. It has to be a balanced approach to it. And as we shift from contingency operations to the more full-spectrum on a go-forward basis, then we are going to have to sort out very finitely exactly how that force is going to be structured to do that. That is different from the last 10 years, as you can appreciate.

Senator KAINE. And then in making sure that the Guard maintains that desired state going forward, that makes things like retention and the training of Guard and reservists—ongoing training—absolutely critical.

Mr. VOLLRATH. Absolutely, Senator.

Senator KAINE. In my discussions with the Stonewall Brigade—and I was asking them about sequester and some of these budgetary challenges—the one thing that they were most concerned about was effects on training, you know, the backing up of assigned training slots at various training facilities where they would go, oh, we are going to go next year, not this year or we are going to do it at home rather than go to the slot. And the commander said if I have to put people into an operational capacity, I want them to be 100 percent ready and not 85 percent ready. And the potential

degradation in training was what was cited as their greatest concern right now.

But anyway, it is helpful to hear your thoughts on that.

Let me ask Secretary Estevez, and forgive me if this has been asked. But in the acquisition space, I would assume that the combination of sequester and CR, anything short of appropriations bills and normal budgets, imposes some inefficiencies in the contracting process because you can find more efficiencies, the greater their predictability, you know, volume, multi-unit purchases, et cetera. And so I would suspect that some of the short-term savings we might be trying to obtain through something like sequester actually may work to our long-term disadvantage even on the savings side.

Mr. ESTEVEZ. That is true, Senator.

Senator KAINE. Could you give some examples of that?

Mr. ESTEVEZ. Well, the acquisition system is kind of seized up right now. In fact, the Department as a whole is seized up in all kinds of contracts. I will speak just for what we are doing inside the Office of the Secretary of Defense. We are not letting any contracts. That means contracts to service—you know, the SAIC types of the world or RAND or whoever. So they cannot plan their line.

Now, if we go to the industrial side—and you know what is going on in the shipyards as we cancel availabilities—when we start taking out of budget planned buys for things like the Joint Strike Fighter, that is going to increase the unit cost of those airplanes because you are not buying as many as you planned. And that is not just something like the Joint Strike Fighter that is in early production. That is things like Apaches and Chinooks and anything that we are buying as we start to take those dollars out. That does not mean that that decreases the need because we still need those airplanes. So we are going to pay more to get the same plane that we could have if we had moved along through our budget and dropped whatever that capability is. It is an inefficient way of doing business. Our industrial base cannot plan for what they are doing. So they are also making their own assessments. It is not a good way.

Senator KAINE. Let me just follow up with one question to follow up on Senator Ayotte's question about potential flexibility because you raised a point that I do not think everyone completely understands. Being already pretty far into a fiscal year, you at DOD have been planning around this kind of ugly, non-strategic, across-the-board cuts. Everybody would agree that is not the way we should do it, but nevertheless you have been planning around how to do it, and we are pretty far into the fiscal year.

If suddenly the rule were to change and you do not have to do that, you have the flexibility now and then you would get some time to come up with flexible cuts and now we are farther into the fiscal year, I gather that there would be some effort that those cuts would have to be presented from the White House back to Congress and have Congress look at them and decide, and now we are farther into a fiscal year. Time is of the essence in terms of managing cuts of this size by this time in the fiscal year. Is it not?

Mr. ESTEVEZ. Absolutely, Senator. And of course, there are differences within the investment accounts where we are buying things that Congress has asked us to buy or that we asked Con-

gress to help us authorize that you authorized in NDAA-13. In the O&M accounts, where we have to pay for the war, we are going to pay for what our forces need forward. It is just a complete freeze-up because you have to push money through those things. So giving us this flexibility, while we take the time to replan, essentially means you go along with the plan that you have.

Senator Kaine. Yes.

No further questions. Thank you, Mr. Chair.

Chairman LEVIN. Thank you very much, Senator Kaine.

Senator Blumenthal.

Senator BLUMENTHAL. Thank you, Mr. Chairman. And let me begin by thanking the chairman for having a hearing on March 13 concerning sexual assault in the military, and I expect and trust that all of you will cooperate and aid us in this very, very important hearing and the effort to further protect against this truly predatory, criminal action that is all too common still, even after some good faith efforts by the military to stop it.

And I want to also begin by thanking each of you and your families for your service to our Nation and for what you have done in the past and what you will do in the future and hope that this committee and I personally can be of assistance to you.

And on the issue of contracting with the enemy, I know Senator Ayotte has raised the issue already. She and I have been working on revisions to the current prohibitions to impose tougher penalties and also to streamline the potential investigation and prosecution and extend them to Departments other than Defense. So I appreciate your cooperation in that effort as well.

I want to begin on the Joint Strike Fighter, if I may. I know Senator McCain has raised it with you, and all of us are fully and passionately in favor of a better procurement process. I hope that we can work together on improving that process so as to cut costs and streamline the procurement and acquisition process.

But as to the Joint Strike Fighter, the F-35, do you agree with Lieutenant General Bogdan's remarks on that issue?

Mr. ESTEVEZ. I cannot speak for Lieutenant General Bogdan who has the daily relationship with Lockheed and Pratt on that contract. I can appreciate his frustration, and any PEO's frustration is that we are trying to get the best value, best buy for our dollar and best capability for the taxpayer. And that puts some tension in the relationship with any contractor. We do expect our contractors and want to hold them accountable and will hold them accountable to produce.

Senator BLUMENTHAL. And I agree completely that they should be held answerable and accountable for the quality of the product and costs and so forth.

There is no question in your mind that this Nation is committed to the F-35. Is there?

Mr. ESTEVEZ. No, there is not.

Senator BLUMENTHAL. And that the procurement and acquisition of that plane really require us to remain, as much as possible, on schedule in buying the airplane because that is the best way to reduce the cost per unit.

Mr. ESTEVEZ. That is correct, Senator, though we would also say we have flattened our buys as we work through some of the issues

that, to most extent, have resolved, but we do have some testing. A little less than 50 percent of the testing is completed. There are some issues that need to be worked, and before we ramp up production, we want to ensure that we are getting the plane that we are paying for.

Senator BLUMENTHAL. And the effort to test and improve the airplane really requires a close working relationship. Does it not?

Mr. ESTEVEZ. It does, Senator. And it is not just at the General Bogdan PEO level. So we are working that up to the Secretary level inside the Department.

Senator BLUMENTHAL. My hope is that Lieutenant General Bogdan's remarks do not reflect the general attitude in terms of what that relationship has been or should be because I know that American taxpayers would be disappointed if they believed that somehow these contractors were in some way being disingenuous, as I think those remarks imply. And I am not sure that the Department of Defense would agree with Lieutenant General Bogdan in that implication.

Mr. ESTEVEZ. Again, you know, I am not going to try to speak for General Bogdan. He and I have not talked about the remarks as reported in the newspaper. He is traveling in the world at the moment.

We need and we strive to have and I believe we do have a strong relationship with the defense industrial base to include Lockheed and Pratt.

Senator BLUMENTHAL. My own view, for what it is worth, is that that relationship perhaps could be improved, and I hope that you will endeavor to improve it, but that these remarks do not reflect even the relationship as it stands now because I think there are very complex and challenging issues related to the development of this new aircraft that we have a common interest in solving without the kind of tension that could be exacerbated by these remarks. And I have great respect for Lieutenant General Bogdan. I am not being critical of him. As you say, these remarks were reported in the newspaper, but I know that Pratt & Whitney is fully committed to solving the technical issues and to providing the best value to the Department of Defense and the American taxpayer.

Mr. ESTEVEZ. I appreciate that, and frankly I believe that Lieutenant General Bogdan would agree with you on that.

Senator BLUMENTHAL. Thank you.

If I may ask Mr. Fanning. I know that the issue of suicide in the military has been raised and I know that the Department of Defense is endeavoring to address these issues very responsibly.

You know, my understanding is that civilian insurance companies have the capability to look at lifestyle indicators, for lack of a better word, facts about a person's lifestyle that provide some indication about the possible tendency towards suicide. In light of the very alarming statistics—and I know that “epidemic” is a vastly over-used term in the Nation's capital, but certainly it is an alarming trend—I wonder whether the Air Force has been able to make use of practices in the civilian world by insurance companies to use those indicators to identify people who may be more at risk.

Mr. FANNING. Thank you, Senator.

I think across the Department of Defense, there has been an enterprise perspective or attempt to make use of those indicators. We know, for example, that financial issues, relationship issues, legal issues have a higher correlation to suicide than even deployment schedules. So I think the answer is yes, and if confirmed into the Air Force, taking care of the men and women who volunteered to serve would be the highest priority, I would think, of my job and that would be one of the things I would look at much more closely.

Senator BLUMENTHAL. I just want to say—and I thank you for that comment—you know, my own view is that our people are our greatest asset. As magnificent and amazing as the Joint Strike Fighter is and all of our hardware, all of our weapons systems, the people are still our greatest asset, and the more we can do to attract and retain the very best by showing that we not only care about them but we are willing to do something about it is, I think, one of the great challenges ahead. It is one of the reasons that I voted for Senator Hagel to be our next Secretary of Defense because I think he is truly committed and passionate about men and women in uniform and about our veterans. So I would just urge—you do not need my urging, but offer my help in any way possible in any of those personnel issues that you may face in your next job, assuming you will be confirmed as I expect you will be.

So thank you, gentlemen, for your service to the Nation.

And I thank you, Mr. Chairman. That concludes my questions.

Chairman LEVIN. Thank you, Senator Blumenthal.

Senator KING.

Senator KING. Thank you, Mr. Chairman.

A few quick questions to each of you, some fairly specific, and I will be submitting some questions for the record, Mr. Chairman.

Chairman LEVIN. That will be fine.

Senator KING. Mr. Fanning, we were disappointed and somewhat surprised when Bangor, Maine was not selected as even a potential base for the KC-46. What do you see for the future of refueling? Is the KC-135 fleet a part of the future? My concern is, obviously, that if the KC-46 is going to be the future of refueling, I wonder about the future of the 101st wing in Bangor. Can you talk to me about that?

Mr. FANNING. Not having been confirmed yet, Senator, I have not been a part of those deliberations or the process by which the Air Force decides its basing for the new tankers. But if confirmed, I would—just the timing of these announcements would make it a first priority for me, and I would get back with you and your staff to provide you more information on that.

Senator KING. Well, I hope you will because the 101st has done a spectacular job over the last 10 or 15 years, given the demands. And I would hope that that would be part of the future. Okay. There will be some other questions for the record.

Mr. Estevez, on procurement, one of the real problems that we are facing right now with the continuing resolution and the sequester is the loss of multiyear procurement contracts. And it is bad for the taxpayers because you lose the benefit of multiyear buys, and it is also terrible for the industrial base. Will you work with us on these? In the authorization bill, we have a multiyear procurement for the, for example, to take just—it pops into my head, the 10-year

DDG-51 procurement. How do you see this as we get through this budget situation?

Mr. ESTEVEZ. I would agree with you.

Senator KING. That was the right answer. [Laughter.]

Mr. ESTEVEZ. We have asked for those authorities to proceed with those multiyears.

Now, if there is no money, that presents a problem for any procurement, to tell you the truth, because we will have to look at what is available in those accounts. But we have asked for in our appropriation bill—and hopefully we will get one—authority to do those multiyears.

Senator KING. As I understand, the Appropriations Committee bill that is ready to go has the multiyear procurement in it. Is that your understanding? Out of the committee.

Mr. ESTEVEZ. The version that is out, yes.

Senator KING. Changing the subject slightly, what is your assessment of our logistical readiness for the drawdown in Iraq? It is not going to be easy to get all that materiel out of there. Where do we stand on that front?

Mr. ESTEVEZ. It is a fantastic challenge for the logistics system. It is absolutely executable. It is going to be much more difficult than the drawdown from Iraq. Afghanistan, just from a geography standpoint, is a landlocked country. It does not have the infrastructure that Iraq had. Nevertheless, our logistics system is up to the task and we will be able to execute the drawdown and remove our equipment from Afghanistan, as well as our people of course.

Senator KING. It certainly is going to be a challenge because there is no access by sea.

Mr. Vollrath, I had a colloquy with now Secretary Hagel. When I meet with veterans in Maine, particularly the recent people who have left the service, one of the biggest problems they find is the lack of information. It is a complicated system with the VA and Defense Department and all the different programs and what is available, what they can access, how they do it. You folks have an extensive network of recruiters who bring people in. I would like you to consider and suggest a similar reciprocal program to help people when they leave. Out-placement services is, in effect, what I am suggesting. That was the number one problem that the veterans brought to me when I was discussing this issue with them last summer.

Do you have any thoughts about this?

Mr. VOLLRATH. Yes, I do, Senator. First, let me say thank you to the Congress for a law that was passed called the Vow to Hire Heroes Act. That law stipulated that the Department of Defense would set up a very robust transition assistance program with the help of the Department of Labor and the Department of Veterans Affairs. And so that transition assistance program, as defined in law, has been put in place. Let me describe the depth of that.

First, the Department of Defense will set up 100 percent of every service member leaving active duty with a plan ahead.

Second, as part of that out-processing or that transition process, that service member will receive up to 4 days of transition assistance from the Department of Labor so that they understand how to create a resume, how they know to interview, and the Depart-

ment of Labor will then give what is now termed a warm hand-off to that service member to the community to which they say they are going so that they have the name of a person in the Department of Labor establishment in that locale that they, in effect, can report to get the help.

The third part is the Veterans Administration. The VA has up to 2 days with each of the persons separating to inform them as to what their benefits are that can be provided by the Veterans Administration in their totality, and probably most important, sign them up before they leave for those benefits and, like with the Department of Labor, create the warm hand-off for that service member with a name in the community for the Veterans Administration to which the service member intends to go.

In addition to that, we are instituting a three-pronged voluntary session that each service member may avail themselves of, if they wish. One is to help them apply for school fully, if they want to go to college or to some trade school. We will help them with the application and everything they need to get on board.

Second, if they want to go to a trade school and get that type of training, then the Veterans Administration, before they leave, will also give them that capability and provide them with a place to go and get that training that they desire.

The third has to do with the Small Business Administration. The SBA has stepped up to the plate and they also are providing to any service member that is departing a 4-day course on how to be an entrepreneur to start a small business. That is key, we believe and so does the SBA, because as you all know, most of the jobs are created by small business in America.

And so not only are we helping them transition, we are trying to provide them the full measure of transition back into the community. So your suggestion, Senator, I take fully and will definitely run with it.

Senator KING. Well, it sounds like all the thinking is there. I just hope that the execution matches the vision. Thank you very much.

I want to talk about rising personnel costs, but we will do that on questions on the record. My time has expired.

Thank you, gentlemen, for your answers.

Chairman LEVIN. Thank you very much, Senator King.

Just on that last question of Senator King, is there a simple brochure which lays out each of those five points?

Mr. VOLLRATH. I do not have a simple brochure that does that, but I have an information paper that does that.

Chairman LEVIN. Can you put together a brochure which you could get to all the Members of Congress and then hopefully to all the members who are leaving which describes what efforts are being made to help them transition so that at one place every one of our service members who is leaving can see this is what the Department of Defense is doing, this is what you can expect? Because I think that what Senator King has raised is something which is really very much on all of our minds. I think he has really targeted something which we hear an awful lot about.

And earlier today, Mr. Vollrath, I talked to you about what the VA program is in one community college in my home State which actually, apparently in a unique way, has a program which vet-

erans come to from around the country now that will help give them credit for the work that they have done, the skills that they picked up in the military and gaining early certification from States for that particular skill whether they are going to become a nurse or a medical assistant or a truck driver with skills, whatever it is, whatever the skills they gained in the military, that they do not have to duplicate them and go through a 2-year program or a 1-year program when a 3-month program is all they need in order to qualify and to smooth the way through the certification being done in advance for them through the State agencies which have to certify those skills before they can operate.

So that point which Senator King has gone through with you is really a very significant part of what all of us I hope and know are about. When you are confirmed or even before—but that should come pretty quickly—work on that very simple one-pager that could go on a website and can be printed out and handed to those of us who still read.

Mr. VOLLRATH. Will do, Senator.

Chairman LEVIN. The printed word I should say.

Do any of my colleagues have any additional questions?

Senator KING. My only comment, Mr. Chairman, based upon what you just said and I alluded to it—in my experience, execution is as important as vision. This is really how it is executed on the street with these guys, men and women, as they leave. And that is critically important because this is what we are hearing at home. Thank you.

Chairman LEVIN. Thank you all. And we thank you, our nominees. We look forward to your speedy confirmation and we thank you and your families and friends who are here for your service and their support of you in that endeavor. Congratulations.

And we will stand adjourned.

[Whereupon, at 11:17 a.m., the committee adjourned.]