

HEARING TO RECEIVE TESTIMONY ON THE DEPARTMENT OF DEFENSE EFFICIENCIES INITIATIVES

TUESDAY, SEPTEMBER 28, 2010

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

The committee met, pursuant to notice, at 10:03 a.m., in room SD-G50, Dirksen Senate Office Building, Senator Carl Levin (chairman) presiding.

Committee members present: Senators Levin, Lieberman, Reed, E. Benjamin Nelson, Webb, McCaskill, Udall, Hagan, Begich, Goodwin, McCain, Thune, LeMieux, Brown, and Collins.

Committee staff member present: Richard D. DeBobes, staff director.

Majority staff members present: Joseph M. Bryan, professional staff member; Richard W. Fieldhouse, professional staff member; Creighton Greene, professional staff member; Peter K. Levine, General Counsel, Jason W. Maroney, Counsel, Roy F. Phillips, professional staff member; John H. Quirk V, professional staff member; Robie I. Samanta Roy, professional staff member; and William K. Sutey, professional staff member.

Minority staff members present: Joseph W. Bowab, Republican staff director; Adam J. Barker, professional staff member; Michael V. Kostiw, professional staff member; David M. Morriss, minority counsel; Lucian L. Niemeyer, professional staff member; Diana G. Tabler, professional staff member; and Dana W. White, professional staff member.

Staff assistants present: Jennifer R. Knowles, Christine G. Lang, and Brian F. Sebold.

Committee members' assistants present: Christopher Griffin, assistant to Senator Lieberman; Carolyn A. Chuhta, assistant to Senator Reed; Alicia Brown, assistant to Senator Bill Nelson; Ann Premer, assistant to Senator Ben Nelson; Juliet M. Beyler and Gordon I. Peterson, assistants to Senator Webb; Tressa Guenov, assistant to Senator McCaskill; Jennifer Barrett, assistant to Senator Udall; Roger Pena, assistant to Senator Hagan; Lindsay Kavanaugh, assistant to Senator Begich; Amanda Fox, assistant to Senator Burris; Anthony J. Lazarski, assistant to Senator Inhofe; Lenwood Landrum and Sandra Luff, assistants to Senator Sessions; Clyde A. Taylor IV, assistant to Senator Chambliss; Andy Olson, assistant to Senator Graham; Jason Van Beek, assistant to Senator Thune; Brian Walsh, assistant to Senator LeMieux;

Charles Prosch, assistant to Senator Brown; and Ryan Kaldahl, assistant to Senator Collins.

OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN

Chairman LEVIN. Good morning, everybody. The committee meets today to hear testimony about the efficiencies initiatives announced by the Secretary of Defense in his May 8, 2010, speech at the Eisenhower Library and his August 9, 2010, speech at the Pentagon.

We're pleased today to have Deputy Secretary of Defense, Bill Lynn; Under Secretary of Defense for Acquisition, Technology, and Logistics, Ashton Carter; and the vice chairman of the Joint Chiefs of Staff, General James Cartwright, to address this important issue.

We thank you all for being here this morning.

On May 8, the Secretary stated that, quote, "The Defense Department must take a hard look at every aspect of how it is organized, staffed, and operated; indeed, every aspect of how it does business. In each instance," he said, "we must ask, first, Is this respectful of the American taxpayer at a time of economic and fiscal duress, and, second, is this activity or arrangement the best use of limited dollars, given the pressing needs to take care of our people, win the wars we are in, and invest in the capabilities necessary to deal with the most likely and lethal future threats?" close quote.

I share the Secretary's objectives of reducing, quote, "duplication, overhead, and excess in the Defense enterprise, and instilling a culture of savings and restraint across the Department of Defense."

On August 9, the Secretary followed up by announcing a series of specific cost-cutting measures, including a reduction in funding for service support contracts by 10 percent per year for 3 years; a freeze on the number of OSD, Defense agency, and combatant-command positions; a freeze on the number of general officer, flag officer, and SES positions; a review and reduction of the number of reports, studies, and advisory boards; new limits on SES positions and support contractors for DOD intelligence functions; and the elimination or consolidation of several Defense commands and agencies, including the assistant Secretary of Defense for Network and Information Integration, the Business Transformation Agency, and the Joint Forces Command.

Now, I agree with the Secretary on the rapidly expanding force of service contractors who support the Department. Too often in the past, we've constrained the number of DOD employees, without placing any limits on the number of service contractors. As a result, we have more than doubled our spending on service contractors over the last decade, while the size of the DOD civilian workforce has been largely unchanged. Rather than saving money, we have lost badly needed talent, expertise, and institutional knowledge in the government, and given contractors more responsibility for the performance of critical government functions than is appropriate.

I believe that the acquisition efficiency initiatives, announced by Secretary Carter, are consistent with the objectives of the Weapons Systems Acquisition Reform Act and other recent acquisition legislation initiated by this committee. Although I have concerns about

some of the details, I am particularly pleased by Secretary Carter's emphasis on open-systems architectures, fixed-price incentive contracts, increased focus on affordability and program schedule, and improved management of contracts for services. I hope that he will place an equal emphasis on implementation of the Acquisition Reform Act's requirement for developmental testing and systems engineering.

At the same time, I believe that the Secretary's initiatives deserve close scrutiny from our committee. The Secretary has a legitimate objective of eliminating or consolidating repetitive and overlapping organizations within the Department, and his determination to cut costs and produce efficiencies is commendable. But, it appears that there was inadequate analysis and inadequate openness in the procedure which preceded his August announcement.

For example, we need to be sure that the personnel restrictions announced by the Secretary do not undermine our ongoing efforts to rebuild the Department's acquisition workforce. Study after study, and hearing after hearing, has shown that our acquisition programs cost billions of dollars more than they should; in significant part, because our acquisition workforce was dramatically cut in the 1990s and no longer has the capacity to perform its essential functions.

As the Acquisition Advisory Committee reported 4 years ago, our failure to fund an adequate number of acquisition professionals has been, quote, "penny wise and pound foolish, as it seriously undermines the pursuit of good value for the expenditure of public resources," close quote.

Similarly, we need a detailed accounting of the functions performed by the organizations that the Secretary proposes to consolidate or eliminate. For those functions that will no longer be performed, we need to understand why they are no longer needed. For those functions that are still needed, we need to understand who will perform them. We need to understand what resources will be transferred, what resources will be eliminated, and what the real savings are likely to be.

I am disappointed that, more than 6 weeks after the Secretary's announcement of these measures, we have received on the roughest and most general information about the Department's plans. I fully understand the frustration of the Senators from Virginia, for instance, and others, about their inability to obtain a more complete rationale and a plan for the Pentagon's proposed actions. The Secretary's intent to reduce duplication, overhead, and excess in the Department of Defense is commendable, but his actions should be supported by an open process, which includes detailed analysis and full consideration of opposing views.

So, we again thank our witnesses for their presence here this morning. We look forward to their testimony.

And I call upon Senator McCain.

STATEMENT OF SENATOR JOHN McCAIN

Senator McCAIN. Thank you, Mr. Chairman.

And thank our distinguished witnesses for joining us this morning and for their service to our Nation.

As we know, in August, Secretary Gates announced a series of initiatives intended to reduce over—excess overhead costs and to improve the efficiency of DOD. As a part of this initiative, Secretary Gates also tasked Dr. Carter to improve the Department's buying power, through the way it acquires critical goods and services, in order to stop runaway cost growth and program delays. We look forward to hearing from Dr. Carter about the initial progress he's making within DOD and with the defense industry partners in this critical area.

I think that both these initiatives are coming at an important time. We've got to find ways to operate government more efficiently and at a lower cost to taxpayers. Secretary Gates understands the tough economic and fiscal situation facing our Nation. And I support, strongly, his efforts in doing everything possible to make every taxpayer dollar count.

I want to emphasize that the intent of this effort is not to reduce the Department's top line, but to find savings over the Future Years Defense Program, to invest in critical force structure and modernization priorities. We obviously cannot afford to shortchange our military, and we must maintain commitments to a Defense budget that supports the full range of our National security commitments.

This committee has consistently supported the Department's efforts to reduce their massive overhead costs in order to be able to direct more resources to our fighting forces and weapons modernization. Eight initiatives are clearly aimed at addressing the exploding growth in service support contracts and overhead personnel. I look forward to getting more information on these proposals in the next few months in order to fully understand the scope of the anticipated savings and the impact on the missions—on the missions and operations of our forces.

One proposal the Secretary's recommended is the elimination of Joint Forces Command. I strongly support that proposal.

On the issue of elimination of Business Transformation Agency, I'd be interested, Secretary Carter and maybe Secretary Lynn: Will we ever have an audit of the Defense Department? That, I think, would be one major step forward.

The Secretary also challenged the services to find more than \$100 billion in overhead savings over the next 5 years. Obviously, we want to make sure that those reductions are impact—don't impact long-term readiness over time.

I support the Secretary's decision to address the personnel growth in OSD, defense agencies, and combatant commands, and to freeze, at 2010 levels, the number of civilian senior executives, general and flag officer and political positions. DOD management deserves a rigorous review to ensure it has the proper mix of civilian and military personnel, with the right ranks and the right positions.

May I also say, I support the Secretary's decision to eliminate the second engine for the Joint Strike Fighter. But, on the subject of the Joint Strike Fighter, I would point out, to the witnesses and my colleagues, that the Joint Strike Fighter is another example of the terrible cost overruns associated with weapons procurement and the reasons why we, not only need to make a \$100 billion in

savings, but we need to fundamentally reform our acquisition system. I believe—correct me if I’m wrong, Mr. Lynn—that the Joint Strike Fighter now costs, approximately, more than its original estimates. Is that correct? We can’t continue down that path. It’s just not affordable and the American people deserve better.

But, getting back to the subject at hand, I look forward to hearing from the witnesses. I know every member of this committee looks forward to working with you to try to bring about these proposed changes that I think are a bold initiative by the Secretary of Defense.

Thank you, Mr. Chairman.

[The prepared statement of Senator McCain follows:]

[COMMITTEE INSERT]

Chairman LEVIN. Thank you very much, Senator McCain.

Secretary Lynn.

**STATEMENT OF HON. WILLIAM J. LYNN III, DEPUTY
SECRETARY OF DEFENSE**

Mr. LYNN. Thank you very much, Mr. Chairman, distinguished members of the committee. Thank you for the opportunity to appear before you to discuss the Department’s efficiency efforts.

If it’s acceptable to the committee, I’d like to put the full statement in the record and summarize it here, briefly, in an oral statement.

Chairman LEVIN. Thank you.

Mr. LYNN. During a speech in May of this year at the Eisenhower Library, Secretary Gates outlined how, in order to maintain and modernize America’s key military capabilities at a time of war and fiscal pressure, the Defense Department would need to fundamentally change the way it does business.

The reason is this: To sustain the current military force structure, which we must do, given the security challenges this country faces, requires the equivalent of real budget growth of 2 to 3 percent. The overall Defense budget, however, is projected to rise, in real terms, by about 1 percent, based on DOD’s inflation assumptions. And the Department cannot, and should not, ask Congress or the American taxpayers for more increases, in any year, unless we have done everything possible to make the dollars we already have count for more. Bridging that gap requires culling the Department’s massive overhead costs and structures—“the tail”—and directing them to our fighting forces and modernization accounts—“the tooth.”

This is not an effort, as Senator McCain indicated, to reduce the Defense budget. This is about shifting resources and priorities within the existing top line. That requires reducing the Department’s overhead costs by targeting unnecessary excess and duplication in the Defense enterprise.

This effort is not just about the budget; it is also about operational agility. We need to ensure that the Department is operating as efficiently and effectively as possible.

The Secretary has directed us to take a hard look at how the Department is organized, staffed, and operated; how we can flatten and streamline the organization; reduce executive and flag-officer billets and the staff apparatus that supports them; shed overlap-

ping commands and organizations; and reduce the role and the costs of support contractors.

Since the Secretary's speech in May, DOD has embarked on a four-track approach toward a more efficient, effective, and cost-conscious way of doing business. Let me briefly touch on tracks one to three, and then spend a little bit more time on track four.

On track one, the Secretary directed that the military services find more than \$100 billion in overhead savings over the next 5 years. The services will be able to keep any of those savings that they generate, to invest in higher priority warfighting and modernization needs. This effort is now underway, and we've begun to review the services' submissions. The fiscal year 2012 budget will reflect the results when it is submitted to the Congress in February.

On track two, the Department is seeking ideas, suggestions, and proposals regarding efficiencies from outside the normal channels. We have solicited input from experts, from think tanks, from industry, and from the Department's external boards. We have also established a DOD suggestion program to solicit our own employees' ideas. The Department is willing to consider any reasonable suggestion to reduce our overhead.

On track three, the Department is conducting a broad review of how it is organized and operated to inform President Obama's 2012 budget process. This track-three review focuses on affecting long-term systemic improvements in several key areas of DOD operations. Dr. Carter will address these in more detail in his opening statement.

With regard to track four, the Secretary announced, on August 9th, specific areas where the Department can take action now to reduce inefficiencies and overhead. These steps are intended to jumpstart the reform process ahead of and separate from the normal programming and budget submission process. In particular, they represent the Secretary's lead efforts to reduce headquarters and support bureaucracies, military and civilian alike, that have swelled to cumbersome proportions, grown over-reliant on contractors, and become accustomed to operating with little consideration of costs.

Though all of these efforts will result in measurable savings, an equally important purpose is to instill a culture of cost-consciousness and restraint in the Department; a culture that sets priorities, makes real tradeoffs, and separates unrestrained appetites from genuine requirements.

There are eight major initiatives in track four that reduce support contractors, headquarters personnel, senior executives, and flag and general officers. Track four also includes efforts to reduce boards and commissions and redundant intelligent organizations.

Finally, they involve several organizational disestablishments. The last decade has seen a significant growth of new offices and organizations, including two new combatant commands and five new Defense agencies. The Secretary concluded that Joint Forces Command, the assistant Secretary of Defense for Networks and Information Integration, the Joint Staff's J-6 directorate, and the Defense Business Transformation Agency no longer effectively satisfy the purpose for which they were created. Some missions and tasks

that each perform remain vital but can be managed effectively elsewhere. Other functions that each perform are either already performed elsewhere or are no longer relevant to the operation of the department.

We are mindful that the recommended actions will have economic consequences for displaced employees, their families, and their local communities. The Department is committed to work with the affected communities and will devote significant attention to the challenges employees will face during this transition. We have asked Dr. Clifford Stanley, the Under Secretary for Personnel and Readiness, to take direct responsibility for this aspect of the Department's planning in order to ensure we take the steps necessary to help impacted employees with appropriate assistance and support.

In closing, Mr. Chairman, I understand that some of these reforms may be controversial and unwelcome to some people, both inside and outside the Department. No doubt many of these changes will be stressful, even wrenching, for the organization and employees involved. But, I would ask the members of this committee, and the Congress as a whole, to consider this reform agenda in terms of our responsibilities, as leaders, to set priorities and move resources from where they are needed least to where they belong: America's fighting forces, its investment in future capabilities, and, most importantly, the needs of our men and women in uniform. That is what Secretary Gates and President Obama are proposing, and we urge your strong support.

Thank you for the opportunity to discuss this initiative with you today.

[The prepared statement of Mr. Lynn follows:]

Chairman LEVIN. Thank you very much, Secretary Lynn.
Secretary Carter.

STATEMENT OF HON. ASHTON B. CARTER, UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS

Dr. CARTER. Thank you, Mr. Chairman, Senator McCain, distinguished members of the committee. I, too, am grateful for the opportunity to testify before you today.

On the piece of the initiative that Secretary Gates and Deputy Secretary Lynn have charged me with organizing, which concerns the \$400 billion, of the \$700-billion Defense budget, which is contracted out for goods and services. The other \$300 billion is spent "within the walls," if you like, of the Department of Defense, on the salaries, benefits, and so forth, of those, uniformed and civilian, who work for the Department, and the buildings and facilities within which they work. The other \$400 billion is contracted out roughly equally between goods and services.

And we estimate that, by targeting efficiencies in the way that these goods and services are acquired, we can make a significant contribution to the overall \$100-billion goal that Secretary Gates and Deputy Secretary Lynn have laid down for us over next 5 years.

To put it bluntly, we can't support our troops with the capabilities they need unless we do so. Our challenge is to sustain a mili-

tary at war, take care of our troops and their families, and invest in new capabilities, all in an era when Defense budgets will not be growing as rapidly as they were in the years following September 11.

Last year, we identified savings in the Defense budget by canceling unneeded programs, and we'll need to do more of that. But, now we must also find savings within programs and activities we do need and do want. The Department must achieve what economists call "productivity growth," and what I've called "learning to do more, without more," delivering the program the Department needs, and the warfighter needs, for the amount of money we're going to get.

And if you think about a computer, you buy a computer every year; computer gets a little bit better and a little bit cheaper. Why is it that, on the contrary, as Senator McCain's already noted, we come before you every year with exactly the same product, and it costs even more? That's not productivity growth. And we need productivity growth in the defense sector.

In late June, we laid out a mandate, to the Defense Acquisition Workforce and the defense industry, describing how the Department can achieve this better buying power in contracted activities. And in—on September 14, a few weeks ago, after several months of intensive work within the Department, with our program managers, PEOs, systems command commanders, senior logisticians, and so forth, and also with our partners in industry, who accomplish this work and perform it for us, and outside experts, I issued specific guidance on how to implement that mandate.

And I'd like to submit that guidance, the June 28 mandate, as well, and all the material that accompanies them, for the record, and just supplement it briefly.

We are now moving vigorously into implementation mode, and taking each of those 28 items that were in the guidance, and making them happen. Let me, if I may, just summarize the high points of those points of guidance, in five categories, with—and with specific examples, so you'll have some idea of what we're trying to get at.

First, as we begin new programs, such as the Ohio class SSBN(X) replacement, the joint family of systems for long-range strike, the Army's Ground Combat Vehicle, and even the new presidential helicopter, which we'll be embarking on, we need to establish—and we will establish affordability requirements that have the same force as high-priority performance requirements. We will also insist that our acquisition professionals and suppliers plan according to what programs should cost, not according to self-fulfilling historical estimates of what they will cost, as if nothing can be changed in how we do business.

We are already using this method to drive down costs in the Joint Strike Fighter program, the Department's largest and the backbone of tactical airpower for the U.S. and many other countries. But, we have a long way to go, as Senator McCain has already noted; and I think my reaction, and Secretary Gates's and Secretary Lynn's, was the same as his to the revised cost estimates of last spring, which is, "No, we're not going to pay that. We should

pay something that is less than that. We should manage to a better result.”

Second, to incentivize productivity and innovation in industry, we will strengthen the connection between profit and performance in our business practices. Among other things, we’re exploring ways, through contracting and financing vehicles and a pilot preferred-supplier program, to reward contractors who control their costs and demonstrate exemplary performance.

Third, we will remove obstacles to effective competition. Last year, the Pentagon awarded \$55 billion in contracts that were supposed to be competitive but for which only one bid was received, usually from an incumbent. Yet, simple changes in how we structure evaluations and work with industry have been shown to reduce by 50 percent the incidence of single bids by incumbents.

Additionally, we will promote real competition, for it is the single most powerful tool that the Department has to drive productivity growth. We must stop deluding ourselves with the idea that directed buys from two designated suppliers represents real competition. We’re already cutting down on directed buys, with the Navy’s Littoral Combat Ship, where we have set in place real competition that will save more than 1 billion in the next 5 years alone—and we can demonstrate that—with additional savings expected over the entire life of the LCS program. Competition is not always available, but the evidence is clear that the government is not availing itself of all possible competitive situations.

Fourth, we will move more—to more aggressively manage the over \$200 billion we spend annually on service, such as information technology, knowledge-based services, facilities upkeep, weapons system maintenance, and transportation. When most people think of the Defense budget, they think of ships and planes, but more than 50 percent of our contract spending is actually for services. And you may find this hard to believe, but our practices for buying services are even less effective than for buying weapons systems.

Fifth, we’re taking steps to reduce—

Chairman LEVIN. By the way, I don’t have any difficulty believing that at all. I just want you to know that.

[Laughter.]

Dr. CARTER. I’m—

Senator MCCASKILL. Yes. I think that’s a “duh.”

Dr. CARTER. I’m certain you don’t. I did, at first, but I’m getting used to it.

Fifth, we’re taking steps to reduce unproductive processes and bureaucracy by reducing the number of OSD-level reviews to those necessary to support major investment decisions or to uncover and respond to significant program execution issues, eliminating low value-added statutory processes.

And I hasten to say, Mr. Chairman, at this point, I’m not referring to provisions of the Weapons System Acquisition Reform Act, that we understand the intent of that, and appreciate that intent, and are executing to that intent, including developmental test and evaluation and systems engineering.

The kind of thing I have in mind is this. I sit in there, in the Pentagon, on a Saturday afternoon, reading and—reports to you that are this thick, that are, in an embarrassing number of cir-

cumstances, late to need, and am convinced that I'm the only human being that has ever read it, and ever will. And the reason I'm reading it is that I have to sign it, and I'm afraid of embarrassing myself. I sign an equal number of letters to you in which I—we say, “We're—you asked for it in May, and it's now June, and we're still working on the report.”

So, I—we're—this has nothing to do with intent. It has to do with the execution and the paperwork burden that we've imposed upon ourselves. That's just a piece of it. We—it's not just in responding to your inquiries, which we need to do; it's our own internal paperwork, and, very importantly, it is the paperwork burden that we impose upon industry, in which we have them do something, and, of course, then we end up paying for it, becomes—it becomes an allowable cost, and we charge. These are the kinds of things we're talking about. And just—not changing the intent of any of that reporting, but trying to change the volume and the responsiveness of it, Mr. Chairman. So, I wanted to, because you had mentioned that, comment on that.

Let me just conclude by saying that I—we recognize that changing our business practices will take time and require the continued close involvement of our industry partners, who have made major contributions to this effort and whose technical vitality and financial vitality is in the National interest. We also need your support for the success of this endeavor.

Why do we think we can succeed? Several reasons. First of all, we have very reasonable reduction targets here. Next, we're focused on specific savings—not on abstractions, but on very specific things that we can do and that have been shown to work. Third, I think it's fair to say that, after an era of double-digit year-on-year budget growth, there's fat that has crept in and that we can identify and get out. And the fourth is that President Obama, Secretary Gates, Deputy Secretary Lynn, you, this committee, the Congress as a whole, and the American taxpayers, are all expecting it, want it, need it, and—

And the last thing I'd say is, to those who doubt or who hesitate, they need to consider the alternative to the careful management into this new era, and that would be broken or canceled programs, budget turbulence, uncertainty for industry, erosion of taxpayer confidence that they're getting value for their dollar, and, especially, lost capability for the warfighter in a dangerous world. So, not only can, I think, we succeed in this endeavor, but we really have to.

Thank you.

[The prepared statement of Dr. Carter follows:]

Chairman LEVIN. Thank you very much, Secretary Carter.
General Cartwright.

**STATEMENT OF GEN. JAMES E. CARTWRIGHT, USMC, VICE
CHAIRMAN OF THE JOINT CHIEFS OF STAFF**

General CARTWRIGHT. Chairman Levin, Senator McCain, and distinguished members of the committee, thank you for the opportunity to discuss the Department of Defense efficiency initiatives.

A few points, in context:

We remain a Nation at war. Troops are deployed around the world, many engaged in combat. We are committed to ensuring these troops are properly supported.

Second, DOD is a bureaucracy that has not fully adapted its processes and constructs to the Information Age. We must be able to adapt with increased speed in order to ensure we remain and sustain our competitive advantage. In the era of rapidly evolving threats, our success depends on our ability to adapt quickly.

Third, DOD is cognizant of the Nation's financial situation. We do not expect budgets to grow at the rate that they grew over the last decade. When developing grand strategy, it is the first duty of the strategist to appreciate the financial position of his or her nation. We demonstrated this appreciation during last year's weapon system portfolio changes and earlier this year in the process to release our strategic reviews.

The Secretary's efficiency initiatives are aimed at seeking the same effect in our organizations. These initiatives are not a cut, but, rather, a shift of resources from overhead to the warfighter, increasing the tooth-to-tail ratio.

Regarding the disestablishment of Joint Forces Command, JFCOM has helped to accomplish the primary goal for which it was established: to drive jointness through the military. We must continue along the positive vectors regarding joint activities, as directed in Goldwater-Nichols. We must also improve initiatives to strengthen efforts in the interagency and combined arenas.

It is our goal to reduce unintended redundancies and layering to more clearly align operational responsibilities with service, train, and equip functions in order to reduce inefficiencies as forces are presented to combatant commands. At all the COCOMs we must consolidate functions, where appropriate and, where functions are retained, move towards a construct of combined, joint, interagency task force organizations or centers. The combined and interagency aspects are critical components to establishing baseline capacity and surge expectations required for functions and capabilities this Nation presents.

As the cyber domain continues to grow in importance, the Department will look to ensure lines of authority and responsibility are clear and adaptable. We focused cyber operations in Cyber Command. We will align policy and oversight activities in strengthening the DOD chief information officer. Finally, we must align cyber requirements and cyber acquisition to maximize support to operational activities.

Given the expanding role and criticality of information and the networks that hold and transmit that information, we need to manage systems in the cyber domain as we do weapons systems. To ensure our success, IT systems must have the proper architecture and capability to ensure adaptability and innovation. Further, our architecture should enable collaboration throughout joint, interagency, coalition, and commercial partnerships. The free flow of information among these players is integral to the—to a superior architecture. The Department's information systems must extend to the tactical edge and must work when others do not.

I look forward to answering your questions.

Thank you.

[The prepared statement of General Cartwright follows:]

Chairman LEVIN. Thank you very much, General Cartwright.

Here's the time situation this morning. We have two votes, probably, beginning at 11:30. Many of us, perhaps most of us, are going to be going then to Arlington for Senator Stevens' funeral, which—I think the buses leave at 12:15. We want everybody to have some time here this morning, so we're going to have to have a short first round. But, then I will come back, and whoever else can come back, after the second vote, assuming that there is one. So, there is likely to be a gap here between—somewhere around 11:40 and 12:15.

We're also going to have a vote, off the floor, on a number of matters that are pending before the committee. That will be at the end of the first vote. Okay? So, I hope everybody will help out on having that off-the-floor vote at the end of the first vote this morning in the Senate.

So, let's have a short first round, here, so that everybody will have at least some opportunity, including all those who will be going to the funeral. So, we'll just have a 5-minute round, here. And if there's not enough time for everybody, then perhaps we can yield to each other to accommodate that goal.

Let me start with you, Secretary Lynn. Too often, in the past, we've constrained the number of DOD employees, without placing any limitation on the number of service contractors. We have not been told what categories of contract services are covered by the Secretary's directive. Am I correct in understanding that critical functions, like weapons systems maintenance, healthcare services, and logistics support to our troops, will not be affected by the planned reduction in contract services? And when can we expect to see a clear definition of what categories of contract services are covered by the planned reduction, and what categories of services are excluded?

Mr. LYNN. Your assumption, Mr. Chairman, is correct. It would not—this—the reduction in service support contractors would not affect critical warfighting capabilities, like weapons maintenance. The general definition of a support service contractor would be someone who provides staff augmentation to government employees. Now, I realize you're looking for something more precise, and we're endeavoring to provide that, and we have a task force working on that over the course of the fall. And sometime late this fall or early next year, we should have that.

Chairman LEVIN. Is that task force in place now?

Mr. LYNN. Yes.

Chairman LEVIN. Would you tell us who's on that task force?

Mr. LYNN. The overall task force is chaired by Robert Rangel, the Secretary's chief of staff. And, there's a subgroup—I'll have to get, for the record, who chairs the subgroup.

Chairman LEVIN. If you'd let us know, that would be helpful.

[The information referred to follows:]

Chairman LEVIN. In the past, we've found that proposed cuts to contract services are nearly impossible to enforce, because expenditures for service contracting are invisible in the Department's budget. For this reason, Section 806 of the National Defense Authorization Act for fiscal year 2008 required that budget justification documents clearly and separately identify the amounts re-

quested in each budget account for procurement of services. The Department has not yet complied with that requirement.

Will you—well, when are you going to comply with that requirement, Secretary Lynn?

Mr. LYNN. Well, part of the effort I mentioned would be to comply with that requirement. And I would add—I think your implication is right—we are regretting that the Department hadn't complied earlier. It would make the task that we're undertaking easier if we had better data, and we're endeavoring to develop that.

Chairman LEVIN. So, when will the Department comply with that statutory requirement? Are you going to comply for the 2012 budget request?

Mr. LYNN. We are trying. I can't commit at that point—at this point—that we will have all the data to be able to do it, but we're going to do our very best.

Chairman LEVIN. Well, it's a couple years, now, overdue, so that's not satisfactory. And I'm just wondering if you can give us a better handle on that—if necessary, month by month. I mean, I don't want to burden you with unnecessary requirements, but this is something in law, and it is essential that there be compliance on this. So, would you let us know, by the end of October—let's just try report number one—whether or not the budget for 2012 will be complying with that requirement? Let us know by the end of October?

Mr. LYNN. Yes, I'll do that, Mr. Chairman.

[The information referred to follows:]

Chairman LEVIN. And, if not, why not?

On the JFCOM issue, was there an analysis of that issue before the decision was made to—relative to JFCOM? And, if so, precisely who was involved in that analysis?

Mr. LYNN. The Secretary made his decision on JFCOM based on a series of meetings, probably as many as 30 meetings that he had with his senior military advisors, the chiefs, the combatant commanders, particularly the ones that are incoming and outgoing for Joint Forces Command, as well as the senior members of the Office of the Secretary of Defense. During those meetings, it—the central military rationales—there are four, and I'd General Cartwright to go into a little more detail—that are in the Unified Command Plan for the Joint Forces Command. And the conclusion, at the end of those meetings, was that the—those purposes no longer—in some cases, particularly the joint manning, was redundant with what the Joint Staff was already doing, in terms of joint doctrine, joint training—still important functions, but they no longer justified a four-star military command with a billion-dollar budget.

Chairman LEVIN. The—would you provide the committee any analyses which were completed or done or presented to the Secretary, relative to that issue, for the record?

Mr. LYNN. We'll provide whatever we have for the record.

[The information referred to follows:]

Chairman LEVIN. Okay. And it's—finally, on the—just that issue—my time's up—has the President approved that yet, those changes in the Unified Command Plan?

Mr. LYNN. The Secretary has forwarded his recommendation to that effect to the President. The President has not yet made a decision.

Chairman LEVIN. Thank you so much.

Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

I thank the witnesses.

Secretary Carter, you've been around for quite a while now. And don't you think one of the fundamental problems that we're facing here is the consolidation of defense industries, which has really led to a virtual lack of competition? So, in the '90s, I think we're all aware that the defense industries were encouraged to consolidate. And so, now we have very little, if any, competition. If there's any competition, it's between two; and most of them, there is none. Do you agree with me that that's a fundamental problem here?

Dr. CARTER. It is a fundamental constraint on our ability to get competition. That's why we have to work extra hard to make sure we get real competition. We—so, there are several things you can do in that circumstance. We do have competition among the big houses. It's important that we continue to encourage new entrants in the defense field, particularly smaller companies that might grow into bigger companies. They offer vitality and technical health, as well as new forms of competition. That's to include small business. It's important that we look at creative ways of getting competition.

I mentioned the Littoral Combat Ship acquisition strategy, as the Navy altered it 6 months ago or so, which—as an example of that. That was a situation where we had exactly what you're pointing to, which is two shipbuilders who were showing the signs of—suggesting, in bids, an expectation that they would continue to be in business, no matter what. And so, we said, “Well, no, that's not working for us, so we're going to down-select. Somebody's going to lose and somebody's going to win.” The bids that came in after that announcement were quite different from the bids that came in before. And that's—

Senator MCCAIN. Why don't you supply that for the record for us? Would you? That—

Dr. CARTER. I'd be happy to do that.

[The information referred to follows:]

Senator MCCAIN. Because that's—I think that's really one of the biggest problems, here. I'm glad we're going to fixed-cost incentive—fixed-price incentive contracts. But, if there's only one major defense corporation competing—I don't know the answer, but I really do believe that that's a fundamental problem.

Speaking of reports, there's a myriad of reports that are required by Congress every year. And it grows every year. Every time we do the authorization bill and somebody wants an amendment approved, we say, “Well, why don't we ask for a study and a report.” You've seen that game played. So have you, Bill.

Why don't you give us a list of the reports that are unnecessary and, you think, unneeded and duplicative, and maybe we could act, next year, and eliminate a lot of those. And you could spend your Saturday afternoon down watching Naval Academy football, instead of—

[Laughter.]

Senator McCain:—sitting in your office. Because we all know that there are stacks and stacks of them. But, maybe it'd be good to get an assessment of—from you of the reports that we think are unneeded. And I think we'd agree with a lot of them. We don't read those reports, either. Dirty little secret. And so—sometimes we get briefed on them, if they're very important, but the vast majority of them, as you know, are stored somewhere. I don't even know where.

Mr. Lynn, isn't the biggest cost escalation to DOD today in healthcare?

Mr. LYNN. Yes, sir. It's—I don't know whether it's the biggest, in terms of percentage increase, but it—that is the largest account that is growing at a substantial pace.

Senator McCain. You got any ideas on that issue?

Mr. LYNN. We are reviewing that. And as part of the fiscal year 2012 budget, I think we will be proposing to Congress some ideas about how to restrain healthcare costs.

Senator McCain. But, there's no doubt that it is growing in dramatic fashion.

Mr. LYNN. There is no doubt.

Senator McCain. In double-digit inflation.

Mr. LYNN. In some years.

Senator McCain. Recently.

Mr. LYNN. Yes.

Senator McCain. The other thing that might be helpful to this committee, if you—after asking for a report, maybe you could do a little study for us, or just compile statistics, on the so-called “tooth-to-tail ratio” over the last, say, 20, 25 years. I think what we're going to find is a dramatic growth in both civilian personnel, Pentagon and other places, and I think we're also going to see a dramatic growth in staffing and the tooth-to-tail ratio becoming less and less optimum, to say the least. Would you agree that that's pretty much the case, General Cartwright?

General Cartwright. Yes, I do, Senator. We've got several staffs that have grown and the impact on the force is, it ages the force. It consolidates a lot of our activities, the leadership activities in headquarters, away from the battlefield. And it tends to be layered. And, that's what we're after.

Senator McCain. Well, I think it would be helpful to us, and maybe motivate some kind of action, if you showed us how dramatic that growth has been, as opposed to the actual number of warfighters on the battlefield or in the ocean or in the air.

I thank you, Mr. Chairman.

Chairman Levin. Thank you, Senator McCain.

Senator Lieberman.

Senator Lieberman. Thanks, Mr. Chairman.

Thanks, to the three of you, for being here. Thanks, to Secretary Gates, for initiating this series of moves, which I support. The fact is that we're asking more of our military than we have in quite a while, with a combination of being involved in the war against Islamist extremism, managing our relations with a rising and more assertive China, and then a host of other problems. And the fact is that we're already facing a squeeze, where we're not giving the

military the—all that they need. And therefore, part of the answer here is to eliminate the waste. So, bottom line, I appreciate very much what Secretary Gates and all of you are doing here.

I want focus in on Joint Forces Command, because I do have questions about that. I'm not stating my opposition to the proposal here, but I really want to ask, Is it good for our National security? Have we—is it—have we reached a point where it's really time to put up the "mission accomplished" sign on jointness in our military? And does it really save enough money to justify what will be lost by closing the command?

To me, those are important questions, and I don't have the answers yet. I do want to admit that I may be biased, here, but I'm still going to keep my mind open, because I was involved, in the late 1990s, with former Senator Dan Coats—perhaps future Senator Dan Coats—in the legislation to create this Joint Forces Command. We were responding to a report by what was then called the National Defense Panel, which was a kind of Team B outside group to review the Quadrennial Defense Review of 1997. And the NDP was an impressive group. Phil Odeen was the chairman. It had people like—on it like Rich Amitage, Admiral Jeremiah, Bob Kimmitt, Andy Krepinevich, General Bob RisCassi. They recommended the creation of the Joint Forces Command to drive jointness through our military, which had not been done, even though Goldwater-Nichols had—in force in law. And ultimately, Secretary Cohen, in response to a lot of back and forth—General Hugh Shelton was then the Chairman of the Joint Chiefs—put this Joint Forces Command into place.

And so, my question really is—and I must say, with respect that the—to me, there's a little bit of, oh, confusion about what the argument here is, because, Secretary Lynn, in your testimony, I think you did say the principal purpose for the creation of JFCOM in '99, to force a reluctant service-centric military culture to embrace joint operations and doctrine, has largely been achieved. You know, on the other hand, you did say today, I think in response to Senator Levin—Chairman Levin, it's still important that we—essentially, it hasn't been achieved, but it no longer justifies a four-star command.

So, my question really—I mean, three questions, and I'll ask them open-ended—one is, Have we really—if—I don't believe we've accomplished the mission of guaranteeing jointness in our military, which is fighting jointly. And I wonder, if you're going to disband this command, where else are you going to do it? Or do you think we have achieved it, thus far? And, second, does it really save enough money to justify the closing of the command?

Secretary Lynn, do you want to start?

Mr. LYNN. Sure. The—I wouldn't say it as strongly as you did, in terms of "mission accomplished." There's danger in that statement. I think we have made substantial progress—

Senator LIEBERMAN. I think former Presidents are aware of that, for sure, yeah.

Mr. LYNN. Yeah. There are—we have made substantial progress in internalizing jointness into the combatant commands and how they operate. I think it's—we operate fundamentally differently

than we did in the '91 Gulf War, which was, in many ways, the trigger for the recommendation—the panel that you—

Senator LIEBERMAN. Right.

Mr. LYNN.—you suggest. I think we operate, in the conflicts we're in, fundamentally differently than we did then. I think the services operate fundamentally differently, in a much more joint way. And it was our conclusion that we have made sufficient progress that it will not be reversed and that we can use the Joint Staff, subordinate organizations, to continue that—on command and control and other important elements—to continue that progress. But, it doesn't, as I said, justify a billion-dollar command. And we do think we can make substantial savings off of that billion dollars by eliminating some of the functions, such as the joint manning role that it plays, which largely duplicates the role of the Joint Staff.

Senator LIEBERMAN. So, I'm—my time is up; I don't want to go beyond. But, do we have a cost figure, at this point, about how much you think closing the Joint Forces Command will save?

Mr. LYNN. We are working through that. We think we will be able to save a portion—a substantial portion of that billion dollars. But, that's part of the process now, is to determine which elements, which centers, and so on—

Senator LIEBERMAN. Right.

Mr. LYNN.—of the Joint Forces Command we want to keep, and where we want to keep them, and which things would go away—the headquarters, the joint manning functions—and then to net that through and get us the—get the savings figure.

Senator LIEBERMAN. Okay. And then, obviously, I'd raise the question about, If there are some parts of the command you are going to keep, because you feel they're still necessary, where will they be? And will something be lost if they're disbanded? Or—and the “whole is greater than the sum of the parts” quality to the command that exists now. But, I look forward to those answers on another day.

Thank you.

Mr. LYNN. Okay.

Chairman LEVIN. Thank you very much, Senator Lieberman.

Senator Thune.

Senator THUNE. Thank you, Mr. Chairman.

Gentlemen, thank you for your service.

I—this question's for the entire panel, and it has to do with something that Secretary Gates stated in his May 8, 2010, speech at the Eisenhower Library. He said, and I quote, “The fact that we are a nation at war calls for sustaining the current military force structure.” And the goal of this efficiencies initiative is to, and I quote again, “cut our overhead costs and to transfer those savings to force structure and modernization within the program budget,” end quote.

On August 9, 2010, Secretary Gates stated, and I quote again, that, “The task before us is to significantly reduce the Department's excess overhead costs and apply the savings to force structure and modernization,” end quote.

Yet, over the summer, there have been rumors that the B-1 bomber fleet, which has been a near-constant presence above Af-

ghanistan throughout the war, might be proposed to be retired, in pursuit of the \$2 billion in savings the Air Force is required to find under this initiative.

General Petraeus, in front of this committee just a few months ago, spoke very highly of the B-1's presence and performance in Afghanistan. And I guess I'm perplexed by rumors such as these, the proposed retirement of the B-1 fleet to obtain the required savings, in light of Secretary Gates's emphasis on sustaining and modernizing our force structure.

So, my question is, Wouldn't cutting force structure to find savings under this efficiencies initiative be in direct contradiction of Secretary Gates' initiative to cut overhead costs and transfer those savings to force structure and modernization?

Mr. LYNN. Secretary Gates has asked us to do two things as we go through that. One is to make a determined effort to reduce overhead, transfer those resources to the warfighting accounts. And those are the quotes that you indicated. He's also asked us to take a scrub of the warfighting accounts themselves—and that's a substantial part of what Secretary Carter is doing—and to see if we can gain better effectiveness, better efficiency, better productivity from those forces.

What the result will be of that, I wouldn't prejudge that at this point. But, we're looking across the board, both at the forces themselves as well as that overhead-to-warfighting transfer.

Senator THUNE. So, what you're saying, however, is that the Department is not looking only at bureaucratic redundancies and overhead, but is looking at reducing force structure in order to provide the—

Mr. LYNN. We are looking at how to make the forces we have the most effective they can be to accomplish the mission.

Senator THUNE. Let me ask you one other question with regard to the—there's a September 20th, 2010, Air Force Times article where Air Force Chief of Staff, General Schwartz, said that the 2005 BRAC initiative, to consolidate 26 installations into 12 joint bases, is a failure that's not produced the cost savings the Department had expected. And, in fact, the GAO stated, and I quote, "It was unclear whether joint basing will result in actual savings," end quote. And there was an Air War College study stating that joint basing is, and I quote, "actually costing the Department of Defense more money than if the 26 bases and posts had remained separate," end quote.

What is your reaction to that criticism about the 2005 BRAC joint basing initiative ending up costing money rather than saving money?

Mr. LYNN. I mean, I'm aware of what General Schwartz said and the GAO reports. I think we have to take them seriously and reexamine the path that we're on, and, either review and see if we think that data is wrong and the savings are there, or rethink our course of action.

Senator THUNE. Does the current effort authorized by Secretary Gates include the consideration of overseas bases?

Mr. LYNN. Yes.

Senator THUNE. Have there been any recommendations made about base closures or consolidations since the Secretary's August-9th-of-this-year announcement?

Mr. LYNN. There have been no recommendations to that effect, but be—we're in the midst—in terms of the overseas bases, there's a Global Force Posture Review going on, at this point, looking at, What are the purposes for those overseas forces, how best to accomplish those purposes, and then what we think the basing structure would be to support that. And that's a study that's ongoing right now.

Senator THUNE. Okay. I think my time's expired.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Thune.

Senator Reed.

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

And thank you, gentlemen.

Just to get a—kind of an overview about how you're going to approach this—these savings, it seems to be—and this is very simplistic—resources that have to be committed, through contract and elsewhere, to Afghanistan, Iraq, and other contingency operations; then there's programs that sort of help both the long-term defense plan and these operations; and then there's a long-term defense plan.

So, Secretary Lynn, is there any—as you approach this problem, is there any sort of thought going into how you deal with these different types of resources? I mean, hopefully, the supplemental funds and the Iraq-Afghan funds will diminish over time. How do you factor in these different aspects?

Mr. LYNN. The—we will continue to propose a overseas contingency account for those operations in Afghanistan and whatever remains in Iraq. And, as you say, I think, over time, you could expect to see those, conditions permitting, decrease. The—most of what we've been talking about today, in the \$100 billion in the base budget, and we're talking about, just to be clear, not reducing that base budget by \$100 billion, but finding \$100 billion in the overhead accounts that we can shift to the warfighting accounts so that we could have 3-percent growth in the warfighting accounts, which is what we think we need to sustain those capabilities, but with only an overall top line of 1 percent. That's the—that is—I mean, that's a significant challenge, but that's what we're trying to do.

Senator REED. So, besides just the value of efficiency and productivity gains, this is also about freeing up resources and continuing operations overseas and support the fighting forces. Is that fair?

Mr. LYNN. Absolutely.

Senator REED. Mr.—

General CARTWRIGHT. Can I just—

Senator REED. General Cartwright?

General CARTWRIGHT.—just add, quickly, that part of what we'd like to be able to do is, the OCO accounts have, in fact, sustained capabilities that we have found necessary in this conflict, that we want to retain as part of our core capability. So, this will create room for those capabilities to move into the budget.

Senator REED. Right. But, you've also identified capabilities, which are very specific and unique, which you'll—also planning to phase out, I presume.

General CARTWRIGHT. That is the case. Or, that is what the analysis is looking for.

Senator REED. Right.

Secretary Carter, you point out that services and in growth in service contracts are probably more difficult and larger than we all expected. I think usually the poster child for this problem is a big weapons platform. It's very expensive, et cetera, and the contract—there's only two contractors, it's not, you know, fully competitive. But, what I sense, too, is that these service contracts are just proliferating. Sometimes, you know, contractors are writing the contracts for the services. It's—can you, sort of, talk about how you attempt to deal with this issue of service contracts?

Dr. CARTER. Yeah. A few of the main points, Senator. First thing is that the different categories are a little different. So, there's maintenance activities; there are IT—information technology—services, category of their own; there's advisory and assistance services, or knowledge-based services, which is principally the matter that Secretary Lynn was speaking of earlier. These are augmentation of the government staff that provide expertise that we, at the moment, don't have within our own walls, and so, have to contract for externally. And they play an essential role. Nothing wrong with that; we just want to make sure we get them efficiently and that we're also working to strengthen the talent that we have within the government, and not excessively reliant upon people outside.

In all of those areas, unlike ships or planes—our ships and planes are bought by people who buy ships and planes for a living; they're very good at it. Most of our services are bought by people as an ancillary duty. They're, in a sense, amateurs. They're trying to get something else done and they're issuing contracts for services in order to help them. That's not their principal preoccupation. So, it's not surprising that their tradecraft isn't as good as it would be if that's all they did.

So, we're trying to help them get better. And how do you get better? Well, it's things like ask—really try to shape the requirements. Be clear about what you want. Don't just drift into asking more and more, and being more and more reliant. Ask yourself why, 5 years ago, three people sufficed, and now five people are doing exactly the same thing. Recompete periodically, even though that's a nuisance, in some ways, for somebody who's trying to get other things done.

So, we're trying to help our services' acquirers to do better, without burdening them with a lot of administrative structure, but assist them to be good amateur buyers. Market research is another part of that. So, there's a lot that goes into this, depends, a little bit, sector by sector. But, I just tell you, I—the low-hanging fruit really is there. There's a lot of money. The growth has been—very, very high rate of growth over the last decade, in services. They've grown faster than everything else. And knowledge-based services, within them, have grown even faster than the rest of services. So, there's a lot we can do.

And then, of course, contingency contracting is a whole other area where we're really trying to important. We know we didn't do that well in Iraq. We're trying to do better in Afghanistan.

So, across the board we've got work to do.

Senator REED. My time's expired, but just a final comment or question, you might agree or disagree. It seems that, wittingly or unwittingly, we created a system that it's much harder to hire a full-time DOD employee than it is to write a contract worth 10 or 20 times more, over the relative period of time. And we'll—human nature—take the path of least resistance. Is that your observation, too?

Dr. CARTER. It absolutely is. And, as part of the Acquisition Workforce Initiative, which this committee had a lot to do with getting underway, we're trying to make it easier for our buying commands to hire, within the walls of government, the kinds of people we need. These aren't oversight bureaucrats. These are people at the point of execution: systems engineers, cost analysis, pricers, contracting officers, and so forth, the people who actually execute. And it's a struggle. The economic circumstances are helping us in that regard, as they help recruiting elsewhere in our Department. But, we need to make it easier to bring people in, if we want good people within the walls.

Chairman LEVIN. Thank you, Senator Reed.

Senator LeMieux.

Senator LEMIEUX. Thank you, Mr. Chairman.

Thank you all for your service. Thank you for being here today.

As someone who's new to the Senate, one of the things that initially struck me when I first came here was the size of the Defense Department and the number of combatant commands and the number of four-star officers. And I just want to go over this to make sure that I have my information correct. But, as I count it, we have 10 combatant commands, as well as this new cyber sub-unified command, which I think is under Strategic Command. We have, as I understand it, 40 four-star officers in the United States military, as well as 717,000 civilian employees in the Defense Department. And I think these are staggering numbers if—to the average American, to hear the size of this organization. And make no mistake, that we all want to support the military and want the military to be as effective as possible, but we also want the military to be efficient.

So, having heard what you've said, Secretary Carter, about outsourcing and the cost increases in services on the outsourcing side, what are we doing to look internally—beyond the recent proposals that have come up about Joint Forces Command, what are we doing internally to look to see: Are we using our resources in the best way possible? Are we top heavy in the Department of Defense, with our 40 four-star officers? What can we do to make things more efficient and more effective?

Dr. CARTER. If I may, I think Secretary Lynn and General Cartwright are in a better position than I to give you an answer to that question.

Senator LEMIEUX. Okay.

Mr. LYNN. Senator, the—I think most of the numbers you gave are accurate. The Secretary has directed that there be, starting the

flag and general officers—there's been an addition, over the last 10 years, of about 100 flag officers—he has asked for a review of that growth, with a target of reducing it by half that. Similarly, there's been a growth of about 300 senior executives—civilian executives. He has the same aim there, is to review that growth; again, with a target of a reduction of about 150. We've been talking about the growth in support contractors.

He's directed that the—over the next 3 years, the target be a 10-percent reduction in those support contractors. And, as I indicated to Chairman Levin, those are generally—those are defined generally as people who are providing staff augmentation, as opposed to weapons testers or depot maintenance or more direct warfighting functions.

The Secretary's directed that we look at all—you didn't mention the various board and commissions, but we have, I think, 65 of them. It seems like a lot. We're reviewing those to see if we can't reduce. And he's directed a 25-percent reduction in their funding, immediately.

Senator McCain mentioned the studies, some of which we generate internally, some of which—which we're looking to reduce on our own—some of which come from Congress. There are certainly good reasons for some of them, but, as Senator McCain indicated, it's probably an appropriate time to review. And I think we get about—from the Congress—about 600 annual reports and about 600 new ones in each bill. And that—again, we're looking that—there's, I think, 1,000 people, more or less, involved in producing those reports. So, there's some potential for reduction there.

So, Secretary Gates, I think, has exactly the same reaction you did, is that there are—it's important to support the military. We're in the midst of a fight in Afghanistan, we don't want to take away from that, but we think we can add to it by reducing our overhead accounts and putting those resources into the warfighting accounts.

Senator LEMIEUX. General Cartwright, do you have any comment on that?

General CARTWRIGHT. Just, quickly, sir. The review of the structure of the ranks, et cetera, is not only at the top, though; we're looking all the way through. So, every command that we're looking at—every combatant command, every JTF—do we have the right level of responsibility? Many times, we have it there because a counterpart happens to be a four-star or something like that. That's not really a good reason for it. So, we're trying to understand how to get it back down to where we want so this grade-creep can be stopped, but actually pushed back to where it is appropriate and where we have the right balance for span of control and responsibilities associated with that individual.

Senator LEMIEUX. What incentives do we give to Department of Defense employees to find savings? Is there anything in their performance review? Is there anything that's tied to their compensation, if they're able to buy a ship cheaper or find a saving in a service contract? Are we rewarding them for that kind of good behavior?

General CARTWRIGHT. There's a—there is a substantial effort, in this activity that we've undertaken, called “a culture of savings.” And that's where we will nest the ideas of, How do we start to

incentivize, not only the individual, but the institution to self-correct?—which is a difficult activity, but it'll go to those types of things: How are you evaluated? Is this something that's important to the command? Does it actually get to keep the resources so it's incentivized to do it? Have we put the right incentives in? In the discussion we had earlier, where you have contractors, then you have Guard/Reserve, then you have civilians, then you have uniformed military, Active Duty. Can you put in place a structure that says—each one of those costs escalate. Can I say to you, “You need flexibility to move around”? Sometimes a contractor is a response to needing something right now, to avoid the long period, or at least to cover the long period, to hire a civilian. Can we put in place this—the incentives to drive us, then, to getting that civilian, not forgetting about it and leaving a contractor in the position?

Senator LEMIEUX. My time is up, but I just wanted to commend you for what you're undertaking. I think it's vitally important. It's—we're going to have this challenge, throughout government, and I hope that the other agencies of government undertake the same methodology that you are. It's not easy to do, but it needs to be done, because our financial situation in this country is not going to allow us to keep spending more than we take in. So, I want to appreciate—thank you, and appreciate you for the good work you're doing.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator LeMieux.

Senator Ben Nelson.

Senator BEN NELSON. Thank you, Mr. Chairman.

And let me add my appreciation for the work that you're doing to economize and to create a more effective budgeting process for the Department of Defense. And, as you do that, the questions are going to continue to come up: Are you cutting in the right places? Cutting it the right way? Are you leaving in place the best kind of military that we need? And/or are you improving it? So, the questions are there, and they'll continue to be raised.

Senator Lieberman referred to jointness as a critical element of what you're doing, and certainly maintaining jointness, as opposed to reducing jointness, by dealing with the Joint Command. I hope that, as we develop the process, here, to bring together the elements of the military so that we eliminate stovepiping and the protectionism of one branch of the government and its programs from the incursion by another branch of the military, that we'll be able to maintain that jointness. It's not—obviously, it's not easy. Wasn't easy, some time ago, or you wouldn't—we wouldn't have created the command to deal with it. I hope that it's now systemic in the thinking in the—within the Department of Defense, as well as in the branches of the military, to think in terms of jointness and reduction of stovepipe.

Senator Levin and others have asked the—that this analysis that you're working be provided to us, in a detailed analysis. Do we have a timeframe to expect what your analysis will be—in other words, what your methodology is to reduce unnecessary expenditures, to eliminate some of the fat that, perhaps, has developed with double-digit increases in the budgeting—do we have a timeframe where we might expect that?

Mr. LYNN. As I indicated at the outset, there are four tracks in this effort. The first track, which is focused on the \$100-billion savings, the savings themselves and the analysis that supports them will be part of the fiscal year 2012 Defense Budget submission to Congress in February. The track-two effort is outside efforts, including the one General Cartwright referred to, in terms of a—just civilian employees. We'll be, certainly, reporting those as they come available. Track three are focused on particular practices within the Department. Secretary Carter testified to some of those, just a few moments ago, and he put out a memo on the changes that we're making in the acquisition system, earlier this month. And, I—if we haven't already, we're happy to provide that to the committee. And, finally, in track four, we have a series of taskforces that are working on implementation plans. And, as they develop, we'll provide those to the committee.

Senator BEN NELSON. All right, thank you.

And one particular area where I've been very pleased to see the level of coordination between the Navy and the Air Force is the Global Hawk program. The progress in joint training and coordinated operation here in this program hint at the opportunities that are there to eliminate redundancy and improve mission effectiveness.

Now, I am going to go to one specific area where I hope that we can continue that kind of cooperation and that kind of a joint effort, and that is on unmanned aerial vehicles. I've already spoken to both General Casey and General Schwartz. They've acknowledged that they have to do better to try to coordinate the—their efforts. We don't need two separate programs and—with any unnecessary duplication that might come from that. And since both the Army and the Air Force plan to spend more than \$7 billion on similar aircraft, it raises a red flag. It's not that the red flag can't be taken away—overcome—but, the red flag is there, and I hope that we'll direct the attention necessary, because that's a very specific area where I think redundancy is very likely to be encountered.

I wonder if you have any comments, General Cartwright.

General CARTWRIGHT. There are places where we like commonality, and we look for commonality rather than redundancy—in our unmanned aerial vehicle systems, the ground control networks, the space side of the equation—and making sure that they are common, to the best extent possible.

In the unmanned aerial vehicles, what we have is a different mindset for procurement. And I'd turn to Dr. Carter on some of this. But, in key is a common vehicle with different payloads; and using that, and being able to adapt those payloads as the fight changes in—well inside of normal acquisition practices—has been our advantage in that area. And we look—we seek to capitalize on that, as we move forward, not only in the unmanned aerial vehicle systems, but in others.

Ash?

Dr. CARTER. I think General Cartwright has it just right. The only thing I'd add is, on the specific matter of Global Hawk—and I indicated this in the document issued 2 weeks ago—that is a program whose cost has been growing; and, I think unnecessarily so. And so, that is one where we are intent on restoring what I re-

ferred to earlier as “productivity growth.” I have very good cooperation from those who are performing the work, who recognize that the cost has been growing. This is an important program to us. We can’t allow ourselves to manage it in a way where it becomes unaffordable. So, it just happens that that is a program of—that is a focus of my attention—managerial attention, at the moment, for just the reason I indicated earlier, when I expressed our dismay at coming to you with exactly the same thing every year, and asking for more money for it. So, Global Hawk is one we need to do some work on, important as it is.

Senator BEN NELSON. Do you agree that the—there is a commonality developing between the Air Force and the Army with respect to that?

Dr. CARTER. I do agree. And I think General Cartwright’s exactly right. The rearward communications, the processing and exploitation systems, commonality there; some of the handling systems in the field, making them common; and then having a suite of mission payloads from which any service or any user can draw, these are the key ingredients of a sort of mix-and-match strategy towards UAVs. And we see that our in the field, in Afghanistan, the way we actually use the unmanned systems.

Senator BEN NELSON. Okay. Thank you all.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Nelson.

Senator Brown, I believe, is next.

Senator BROWN. Thank you, Mr. Chairman.

You know, I—first of all, thank you for trying to, you know, give us the best value for our dollars. I think that every agency in the Federal Government should do a top- to-bottom review and try to streamline, consolidate, and offer those savings. And, being somebody who’s in the military, you know, I’m keenly concerned and aware of that fact, that we need to maximize our dollars, in this day and age, because of what’s happening federally.

That being said, you know, I find it curious that you have to come up with a budget, yet the Federal Government isn’t even doing a budget. You know the Congress, you know, we don’t have budgets ourselves, but we’re asking you and other agencies to come up with a budget. So, I would hope that, at some point, we would start to lead by example.

The—is there been any thought—I mean, we have a tremendous amount of equipment—Guard and Reserve, Active- Duty equipment now—in Iraq, in particular. We have yards filled with it, just sitting there. Has there been any thought, in an effort to create jobs and to basically get our equipment up and running and ready for the next battle, to move forward some of the expenditures that were going to be used for that sort of thing, maybe, down the road and bring it forward, to actually get that—those things happening right now—creating jobs, upgrading our equipment, you know, getting everything back into the system, and then, ultimately, understanding and reevaluating where we need to go from there? Because we may not need some of the—you know, some of the equipment that is slated, down the road, if we just take care of the stuff we have. So, I’ll just throw it out there for whomever.

Mr. LYNN. I'd ask General Cartwright to comment. But, we have a major reset program, ongoing, taking the equipment, right now, out of Iraq, and refurbishing that equipment, where appropriate, and bringing it back for units in the United States. So, that—and that's going through the depots, and that's been going on—that's going on as we speak.

General CARTWRIGHT. I would just add, there's a juggling act that goes on with some of this equipment that's forward-staged as we reposture towards Afghanistan. Some of this equipment is positioned and actually being repaired and upgraded, coming out of Iraq, out there in theater, so that it can be moved directly across to Afghanistan. So, that's one class of equipment.

There's another class of equipment that we need to get back to the United States so that Guard units and Active-Duty units actually have something to train on and that we can get it.

There's a third aspect here, which is the throughput capacity of our depots and our commercial activities that work this. And we're trying to maximize that activity and keep it as efficient, both in cost and effectiveness, as we can.

And then there's the last category, which is that equipment, I think, some of which to you are speaking—to which you are speaking, which is—we're probably not going to use this equipment. It's probably coming back, and it's actually out of date in its mods, and we probably are going to replace it with the next generation. And so, can we take some of that equipment, train people, like Iraqis, to maintain it, and then provide it to them, as a case, so that we'd get the most bang for the buck and we keep them on an American-type system?

So, those classes, we try to balance against. The highest priority is making sure that anything we need in Afghanistan that happens to be located in Iraq, we get there as quickly as possible. Keep the depots moving quickly so that we can train and equip the forces that are in combat. And then we start to work to the lesser categories.

Senator BROWN. Just to pick off what Senator McCain was saying, the whole idea of competition within—you know, dealing with people that are providing equipment for us, in the armed services or any other agency. Secretary Lynn, do you believe that competition is a good thing? And, if so, what are we doing to promote or send a message to us so we can do our thing to help promote competition? Do we get a better product? Do we get a better price? It seems like the Federal Government's the only place where we don't.

Mr. LYNN. We think competition's an important tool to get better prices and to get better equipment for the same or lower prices. It doesn't work in every case. You have to make sure that you've structured the competition correctly so that it's not an allocation, so you're not maintaining both contractors indefinitely. You need to ensure that you're not overinvesting up front. But, in cases where you can avoid those pitfalls, it is a strong tool.

Dr. Carter mentioned the Littoral Combat Ship. We've restructured the buy to have much greater competition, and we're finding results from that.

Senator BROWN. And I'll—thank you. One final question. When work done by private contractors is absorbed by DOD personnel and labeled “inherently governmental,” does it end up costing the taxpayers more money, because of—the Federal employees cost significantly more, when you take into account retirement and health benefits? Is that an accurate statement? Does it cost more?

Mr. LYNN. Do—you're asking, Do Federal employees cost more than private?

Senator BROWN. Yes.

Mr. LYNN. As a general statement, I don't think that's accurate, no.

Senator BROWN. Great. All right.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Brown.

Senator Webb.

Senator WEBB. Thank you, Mr. Chairman.

Before I begin my actual statement, I'd like to point out that a number of community leaders and constituents from Virginia are here today. I welcome—Congressman Bob Scott was here, I'm not sure if he's still here—thank you for coming—Mayor Johnson, from the City of Suffolk, and senior staff representing Governor McDonald.

And we are all united in our concern about the process that has been used with respect to JFCOM. And I would ask unanimous consent that statements submitted by Senator Mark Warner, Governor McDonald, and Mayor Johnson be entered into the record at the end of my turn here today.

Chairman LEVIN. They will be so entered.

Senator WEBB. Thank you, Mr. Chairman.

[The information referred to follows:]

Senator WEBB. I've served 5 years in the Pentagon. I support, as a general principle, the DOD efforts to bring efficiencies into the process over there. I'm particularly interested in seeing what you can come up with, with respect to grade-creep, which has been significant since my years in the Pentagon, in the 1980s.

I've worked on this issue since I've been in the Senate. Probably the most dramatic impact was when Senator McCaskill and I worked together to create the Wartime Contracting Commission in order to correct systemic deficiencies in that process.

But, any proposal relating to major changes affecting unified combatant commands should be guided by a clear process, a sound analytical basis, in compliance with applicable laws, in a way that everybody can understand it. And this is not a parochial issue. It's an issue that's going to become more important to everyone on this committee as Secretary Gates and others follow through on their stated intention to consolidate other military bases and installations.

The present lack of transparency and consultation, particularly with our delegation, stands in stark contrast to how these decisions traditionally are made. We heard, today, that the Pentagon spent several months reviewing proposals, including holding more than 30 meetings. We did not have access. We didn't have an opportunity to provide input. In fact, on August the 9th, Secretary Lynn, you called me 15 minutes before this decision was publicly an-

nounced. That's not the way to conduct a review that has enormous implications to our defense and also to community interests. I believe, in another sport, it's called "stiff-arming."

We need to know the analytical matrix that was used to compare all the commands and the agencies if we're able to evaluate a major proposed organizational disestablishment of one. We need to know if the Department has conducted comparative analysis of other major commands.

This same lack of responsiveness has marked the Department's approach to many other requests for information from our delegation. Seven weeks ago, we began making multiple requests, seeking answers to a variety of important decisions. And, to this point, we've been stonewalled.

Seven weeks ago, the same week of the JFCOM announcement, I asked for data on the size of major DOD and military department staffs. I think that's a relevant question, particularly all the exchange we've had here, in terms of tooth-to-tail ratios and this sort of thing. I haven't gotten an answer. I haven't gotten an answer on how big the OSD staff is. You know, when I was in the Pentagon, I think that would take maybe an hour. We're still waiting.

The Department has failed to answer even the most basic questions that have come from this delegation with respect to a cost-benefit analysis that shows what savings would be gained by closing JFCOM, and how they would outweigh the elimination of the missions that JFCOM currently performs. We have no real information, at this point, that allows us to quantify the possible effects of this proposal in such areas as fiscal and local economic implications.

The Commonwealth has been a strong supporter—I think everybody knows that—of the military and of its families, particularly this area in the Commonwealth of Virginia. Every day, officials in our communities interact on a multitude of decisions to coordinate actions relating to military facilities. This affects business planning. It affects community planning. It affects real estate values down there. And people are perplexed as to why the process guiding this proposal is being conducted in such complete contrast with the Department's traditional approach. So, this has led many to conclude that there is no comprehensive analysis that would support this recommendation to close JFCOM. And it leads to the question, actually, in a larger scale, of how serious DOD really is about lasting reform on a broader scale.

We need to get our questions answered. We deserve to have a full understanding of the Department's analysis and implications. We need facts.

And today I filed an amendment to the National Defense Authorization Act that would require the Secretary of Defense to provide detailed analysis and other assessments that we have requested before the President would close or align any unified combatant command, not simply JFCOM. Senator Warner is a lead cosponsor. I hope my other colleagues will think about this and consider supporting the amendment. And I'm also renewing my call to President Obama to withhold any final action on this recommendation until we have that sort of information.

I know my time is up, but let me say one thing, Secretary Lynn. You once were a staffer on this committee. Is that correct?

Mr. LYNN. Yes, sir.

Senator WEBB. Okay. You worked for Senator Kennedy, as I recall.

Mr. LYNN. That's correct.

Senator WEBB. On your way back to the Pentagon today, I would just like you to think about what staff member Lynn would have said to Senator Kennedy, in terms of advice, if Senator Kennedy had been stiffed with a 15-minute phone call, when an announcement of this magnitude was made, and then not provided information for a 7-week period when he tried to gain information. I think I know what the answer to that would have been.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Webb.

I think we probably ought to have—give Secretary Lynn an opportunity, if he wants, to comment. He either can do that now or we can do that later. The vote has started, but, I think, if you want to take an opportunity now to comment—if you wish. You may not wish to do so, but—

Mr. LYNN. No, I would like to comment.

Secretary Webb, I—Senator Webb—well, former Secretary Webb—I appreciate that you do not feel that we have shared as much information as you would like, although I think the—the core issue here is, I think, a disagreement over the recommendation. This was not a business-case analysis, as some have described it. This was a military decision. The Secretary consulted with his closest military advisors on the rationale for the Joint Forces Command. And there are four central purposes in the Unified Command Plan having to do with joint manning, joint training, joint doctrine, joint experimentation.

On the joint manning area, the conclusion was—is that it was duplicative. It was not a value-added function, that that function was better performed here in the Joint Staff, and that the Joint Forces Command should be taken out of that. On the joint training/joint doctrine, those are purposes that continue and that we need to maintain our progress in that, but that we have made sufficient progress in that area that we do not—no longer need the billion-dollar expense and the continued leadership of a four-star military command in that area.

I know we disagree on that, but that is the central rationale.

We will then review implementing that decision. That will determine how much of the billion dollars we might be able to save and how much will need to be continued in order to maintain the joint training/joint doctrine centers and facilities, some of which would continue to stay in the Norfolk area.

Senator WEBB. If I may, Mr. Chairman.

Just as an immediate reaction, there are no decisions of this magnitude that are military decisions. Not in the United States. There are military recommendations to the Secretary of Defense, who then makes a recommendation to the President. Those are essentially civilian decisions.

I appreciate the distinction that you're making, but it doesn't answer the questions that I have. And what I would really appreciate

from you, I—the reason I stopped was, I know that we have to go for a vote, and I wanted other people to be able to have their questions. But, I really would ask that you be more forthcoming—your Department be more forthcoming when we were requesting information so that we can evaluate this. It's not simply whether we disagree. We deserve to make our own evaluation, based on information that we can be provided only by you.

Mr. LYNN. Appreciate your request, Senator. We met with the—some of the members of the Virginia delegation, this morning, to try and start that, including the Governor. We've talked about setting up a meeting with yourself, with the Governor, other members of the Virginia delegation, with Secretary Gates, directly, to discuss that. And we are establishing a channel in order that information, that the delegation feels is crucial to be considered, be considered by the task force that's reviewing the implementation of the Secretary's recommendation.

Senator WEBB. Well, Mr. Secretary, I'm asking for basic data. You know, data you could provide in 1 day. I'm glad to be able to have the meetings, but it doesn't seem to me that it would take 7 weeks for you to tell me how many people are on the OSD staff.

Mr. LYNN. I will get you the number on the OSD staff.

[The information referred to follows:]

Senator WEBB. We have a—all right—we have a series of questions that are data-oriented, that literally could be answered in 1 day, and in 7 weeks we haven't gotten any answers.

Mr. LYNN. I'll look into those, though I'm not—the OSD question, I wasn't aware of, but I'll—we'll look into those questions and get you the data as soon as we can.

[The information referred to follows:]

Senator WEBB. Thank you.

Thank you, Mr. Chairman.

Chairman LEVIN. That committee—the data will come, not just to Senator Webb, but—

Senator WEBB. Yeah.

Mr. LYNN. Of course.

Chairman LEVIN.—we all, obviously, have an interest in this. And I think his frustration reflects the kind of frustration, I think, that many of us would have by a lack of a feeling of process and analysis. I made reference to that in my opening statement. I don't know whether, Senator Webb, you were here or not. But, I do feel that—on the process and the analysis issue, that there's really a feeling, at least some of us have, and I surely do, that it was not adequate here. Putting aside for a moment what that data would show, there is an absence, here, of an analysis that's been forthcoming, not just to Senator Webb, but, I think, generally, publicly on this matter. And that material, it would seem to me, should have been available prior to the decision, not just after the decision.

So, that represents my own views. And I think it also represents—I'm—I would—I'm here, guessing a bit—the views of many members of the committee, who, if put in the same position as the Virginia delegation, would react in the same way.

What we're going to do is recess now. We're going to have a—probably two votes. This probably inconveniences our panel. I don't

know if you were notified in advance—talking about process—of the fact that this would likely happen. If not, I apologize. But, if you were notified, that's the situation we're now in. We will probably get back here in about 25 minutes.

Thank you.

[Recess.]

Chairman LEVIN. Okay, we're going to begin this.

Senator McCaskill is supposed to be here in just a few minutes.

Secretary Lynn, I know that you are going to the funeral, and so, when you need to leave, just wave your hand and leave.

Mr. LYNN. About 10 minutes, I would think.

Chairman LEVIN. Okay, that'd be fine.

Let me start, then, while we're waiting for Senator McCaskill.

Dr. Carter, you made reference, I believe, to the test- and-evaluation issue, that the Acquisition Reform Act was so determined to reestablish that position. And I think you've already indicated that a robust developmental test-and- evaluation capability is important, and that's not going to be disturbed. Is that correct?

Dr. CARTER. That's correct.

Chairman LEVIN. Okay. Now, one of the Defense organizations that the Secretary plans to eliminate is the assistant Secretary of Defense for Networks and Information Integration. ASDNII, I guess it's called. The Department has indicated that the functions currently performed by ASDNII will be transferred to the Defense Information Services Agency, Cyber Command, and other appropriate agencies.

So, Secretary Lynn, if the Department delegates the oversight-and-management roles that it currently performs to lower-level agencies and commands, isn't there a risk that either of these agencies will be responsible for overseeing themselves or that there will be no oversight? In other words, how is the OSD staff—how will they conduct oversight of command-and-control efforts, cyber security efforts, and other critical IT functions, without the resources of the ASDNII?

Mr. LYNN. Couple of things there, Mr. Chairman. One, is, we will retain the chief information officer, and that individual will be a direct-report to the Secretary of Defense. So, in terms of the level, you will still have that direct-report that the NII has now. We think that, with this—the steps that we're taking, we're going to give that CIO greater resources. We're going to pull in the resources from the Joint Staff's J-6 directorate, from DISA, as you indicated, and potentially some functions from other areas, to unify the IT oversight in the Department. We think we'll end up with a stronger CIO.

Chairman LEVIN. Okay.

Dr. Carter, the Secretary's established a task force on a reports, studies, boards, and commissions study group that is analyzing ways in which the number of advisory studies can be reduced to a more efficient level, to recommended which boards and committees provide insufficient value. And I think you've—a number of you made reference to that part of the decision of Secretary Gates. What I'm concerned about are the rumors that the military services' science and technology advisory groups could be targeted for those cuts.

So, what is your view of the contribution of the military services' science and technology advisory groups in making recommendations to the Department's future investments in critical technology areas?

Dr. CARTER. I know those boards are under review in the Efficiencies Initiative. As the staff member responsible for the day-to-day shepherding of the Defense Science Board, I've provided that information to the group that Mr. Rangel has looking at the advisory boards. And so, we've provided them with all our—all of our data on the Defense Science Board, and they're looking at that and also the service science boards.

Chairman LEVIN. Secretary Lynn, one of the defense components that the Secretary plans to eliminate is the Business Transformation Agency, the BTA. Now, earlier this year, the Department's deputy chief management officer told the committee that the BTA plays a crucial role in the business-process reform that is needed to reduce waste and inefficiency in the Department's operations. And, over the years, the military departments and the Defense agencies have proved incapable of modernizing their own business systems.

The GAO recently reported that the Department's largest modernization programs are running billions of dollars over budget and as much as 6 years late, and BTA was assigned to provide needed leadership, expertise, and assistance in that effort.

Now, the implications, then, of the elimination of the BTA are that the efforts to improve business systems and processes is going to revert to those who have proven incapable of managing that in the past. Or is some other entity going to provide the leadership, the expertise, and the assistance for which the BTA is currently responsible?

Mr. LYNN. The BTA was created prior to the creation, by Congress, of the deputy chief management officer, and the functions of the two overlap fairly substantially. And so, as we went through looking to delayer, per the Secretary's direction, the conclusion was that we could eliminate the agency, move the oversight functions, that you've described, to the DCMO and save a layer and probably reduce some of the staff resources, due to the duplication. But, there will still be that oversight function, at the OSD-level, on business processes, but it will be in the DCMO office.

Chairman LEVIN. Now, what's the status of the Defense Agencies Initiative? Is that—they made some progress in improving the financial and business systems of the Defense agencies—is that initiative something that you're familiar with, offhand? That doesn't ring a bell with you.

Mr. LYNN. Well, I—you referred, at the outset, to the audit. So, the—I mean, underlying the effort to get a clean audit opinion is the modernization of the financial systems themselves. So, that's what that refers to.

Chairman LEVIN. Your answer, then, is going to be that you're going to save a layer, but that the responsibility is clear—

Mr. LYNN. Yes.

Chairman LEVIN.—for where that responsibility's going to lie.

The—is the budget likely to reflect—is the 2012 budget, when you submit it, likely to reflect the areas in which the efficiencies

have been made; or—yeah—or, decided upon, as well as the areas in which the funding is proposed to be added? Are you going to identify those two things in your budget request?

Mr. LYNN. We're working towards that end. I mean, I think you're really talking about track one and the hundred-billion dollars. And we are looking to do—there's a lot of churn as you build a budget, so it's not as straightforward as you might think, but we are working to establish a baseline and to understand where the shift occur when they move from overhead to warfighting accounts, and we'll present that in the fiscal year 2012 budget.

Chairman LEVIN. And they're going to be identified?

Mr. LYNN. We're going to do the best we can to—as I said, the—when you build a budget, there are a lot of changes, independent of this, so disentangling those changes from these policy changes is a data challenge. But, we are—we're cognizant of the—we've made a—we think this is an important initiative, and we're cognizant of the need to present data to Congress to support it.

Chairman LEVIN. And if it's not done in that way, with the budget submission, would it be done in some other way, like kind of a wrap-up, "This is the—we set out to do, and this is what we did do, and this is what we expect the savings to be"? Will there be some kind of a summary when the decisions are finally made?

Mr. LYNN. Yeah. I mean, I think we will present something with the fiscal year 2012 budget. It may be just as you described or it may be something else, but I think, when we present the fiscal year 2012 budget, we will present our conclusions on this \$100-billion initiative.

Chairman LEVIN. Do you—this, I guess—maybe, General, you could answer this. Does the Department expect to retain the Joint IED Defeat Organization for the long-term? JIEDDO?

General CARTWRIGHT. I think, Senator, we'll retain it, to the extent and for the amount of time and in a character that is supportive of what we think we need in the field. Whether that becomes a standing organization, independent of the conflict we're in, I think that that would be something that we would take a very serious look at. But, there are elements of JIEDDO—command-and-control activities, intelligence activities, et cetera—and we will—we have already gone through several relooks to make sure that we need each of those pieces to conduct the function we think is essential today.

Chairman LEVIN. Now, there's a number of other rapid-response programs and organizations, in addition to that one. Is there opportunities that you see for cost efficiencies through consolidation of those kind of rapid-response organizations?

General CARTWRIGHT. I think—and I'll turn this over to Ash Carter here, because he has a big hand in this, but from my perspective, as the warfighter, you know, part of the discussion that we've had today about JFCOM is about those things that are actually crosscutting, that no one service represents the entire Department's position, things like ISR, things like some of these other agencies. And the crosscutting activities have had a significant impact in our ability to do what we're doing in the field, to do it in a way that is coherent so that we don't have four different solutions for the same problem. To the extent that they can continue

to do that, that is some of what JFCOM has been able to do for us. And so, we have built these organizations, these so-called "horizontal activities," to cover down on those types of things that we, today, call "joint," but, in reality, are also standards and being able to work in the interagency and to work with allies. And they have done it in a way that has been very effective and very efficient. So, to the extent they continue to do that and are evaluated as being such, we'll try to retain them.

Ash?

Chairman LEVIN. Okay.

Now, Senator McCaskill's here.

Secretary Lynn, we kept him as long as we could, but he has to go to the funeral. So—

Senator MCCASKILL. That's fine.

Chairman LEVIN. And I think you understand that. Your—kind of, your paths crossed as you were coming—

Senator MCCASKILL. Yes, I understand.

Chairman LEVIN.—and he was leaving. Okay.

Senator MCCASKILL. As I was sprinting to get here.

Chairman LEVIN. But, no—we know you were, and we were aware of the fact you were coming.

Secretary Carter, you want to add a quick answer to that before I call on—

Dr. CARTER. Just—

Chairman LEVIN.—Senator McCaskill?

Dr. CARTER.—just one note. It is exactly as General Cartwright said. However, in this field, which is the rapid response, the ongoing fight, there is—we're looking for efficiencies, but the principal objective in looking at all of these organizations that have sprung up over the last 8 years or so to provide rapid and responsive support to the warfighter, is effectiveness. We're still not there, where we should be, in terms of being able, rapidly, to—and agilely—respond to the needs of the warfighter in the acquisition system and the logistic system. This is something that General Cartwright and I work on together every day.

So, efficiency is one thing and an—obviously, very important objective. But, the other thing is truly being responsive, and that's what JIEDDO was created to do, various taskforces and so forth. And we're still looking, I would say, for the right managerial mechanism for—to support the ongoing fight. A lot of it's done now by the personal attention of General Cartwright, myself, and many others at the top.

Chairman LEVIN. Thank you.

Senator McCaskill.

Senator MCCASKILL. Thank you. Thank you, Mr. Chairman, and I really appreciate your indulgence in allowing me to hustle back here so I could have some time to ask some questions.

You know, Secretary Carter, I—as a former auditor, I feel your pain at the number of reports that have been developed and that no one reads. And it is very common, when you have to make a hard decision, that it's easier to do a report. And most of the time, the call for studies and reports that comes from this place is in lieu of making a hard decision.

And, you know, I—just to give one example—and I think one example where General Cartwright and I disagreed was on JROC. I think we have figured out that, over the years, JROC has not always done what it should do, in terms of being a check on acquisition, that it had—when we looked into it, I was hard-pressed to find an example where the various branches were not, “Okay, I’ll give you this if you give me that.”

And so, in an effort to deal with that, I offered two amendments, on the Defense authorization, that would deal with the problem of the JROC being a giant back-scratching organization, as opposed to an organization that was really holding branches accountable, in terms of the acquisition process.

And one of those amendments went through. And the amendment that went through was the—allowing the COCOMs to have some input into the process. The other amendment, that didn’t go through was the amendment that would have given you, Secretary Carter, the ability to have some kind of check and balance over the JROC. Now, General Cartwright didn’t like that. And General Cartwright, once I passed that in the Defense authorization, said, you know, “Why don’t we do a study and look at it?”

And I think that’s the kind of decision that actually magnifies the problem. I think the right call was to have somebody overseeing this, or have some kind of input into it. And I thought the Under Secretary of Defense for Acquisition was the right person.

But—so, let me ask the question, General Cartwright/ How is the study going? And what assurances can you give me that the JROC has evolved beyond, “Give me what I want and I’ll give you what you want?”

General CARTWRIGHT. Well, the give-me—I-want—what—you know, scratch-my-back analogy, I think, is probably a mischaracterization, but we can disagree about that. But, the study basically came out and gave us information, which we have introduced back to the Congress now, that does a couple of things. One, it puts the vice chairman in a decision position, similar to a service acquisition chief. So, in other words, I’m accountable for those decisions. Two, it brings other members in and allows us to bring the COCOMs in, in an authoritative way, rather than to just sit at the table and give us an opinion, along with key OSD principals that are necessary, that represent resourcing and acquisition. And, three, it brings a very authoritative role in, of the test community, to say, in the JROC, that what you’re saying is, in fact, one, testable, that can verify that it—that you’re going to get the performance you want or the metrics that you want; and, two, that they are then a part of the activity continuously, all the way through, into the milestone decision process that the acquisition community runs.

We want common or similar representation so that the decisions that are made that represent what the customer says they want, not what someone else may want to give them, are in all of the forums now, all the way through acquisition and resourcing.

So, you have a common group of people that are—can be held accountable for those decisions from birth to death.

Senator MCCASKILL. Well, you may have been right and I may have been wrong. I definitely am wrong with some frequency. But,

I want to know, ongoing—what we couldn't find is a place where JROC really did what it was supposed to do. We couldn't find a place where JROC stopped anything. And so, what I'm looking for is to see—I mean, the idea here is that you're supposed to catch things that aren't going to work, that are going to be too expensive, that you're going to figure out why, that you're going to make sure the requirements—and so much of this, probably 90 percent of it, is requirements, and that's why the COCOMs are so important.

Let me move on to another subject: contracting. You know, wartime contracting has been stovepiped, mostly because it can be. And I—and the lack of competition is, frankly, a huge part of the problem. And we're not talking about, now—I certainly agreed with Senator McCain, that some of the problem is a lack of competition among Defense contractors for the big stuff. But, there really isn't an excuse for a lot of the services' contracts. We're not talking about a lot of capitalization costs, for a lot of these service contracts. But, once again, what you see is a lack of competition, without a good excuse as to why there's a lack of competition. And that, Secretary Carter, is where I think there is real, real money. And, I just urge you to bring to us, in this effort, how, not only you're looking at contracting in a macro sense, but how you are drilling down on contracting in wartime as it relates, especially, to logistics and troop support.

I—I'm a conservative person when it comes to estimating numbers, because of my auditing background. I think it's very conservative to say that we've had \$100 billion go up in smoke in Iraq, from bad contracting, that it's not as if there weren't competing people who could have been brought in; it just was easier not to. And so, I urge you to keep us posted on how you're integrating that kind of contracting into the contracting reforms.

And finally, Mr. Chairman, if you'll—if I have your indulgence to go over just for—

Chairman LEVIN. No. No.

Senator MCCASKILL.—one more thing.

Chairman LEVIN. You can take your time, here, because this is your second round now, and—

Senator MCCASKILL. Okay.

Chairman LEVIN.—there's no other—

Senator MCCASKILL. Okay, great.

Chairman LEVIN.—no one else here's waiting on their questions.

Senator MCCASKILL. Okay, great.

The audits. I tried to count up how many auditors you all have working in the defense sector, whether it's through IGs or whether it's through DCAA or whether it's through GAO. And I quit counting at about 30,000. Thirty-thousand people are tasked with some auditing function within the Department of Defense, and sometimes with a little hangover into the Department of State, depending on—on that.

Now, you're getting plenty of reports, without all the reports we're asking you for, that will give you accountability. The question is: Who's consuming them and whether or not you all have a strategy on consuming audits and following up on audits? And I would ask you, Secretary Carter, to address that. Do—are you comfortable and confident that the millions upon millions of dollars of

audit work that is ongoing is actually being embraced by the Department?

Dr. CARTER. I'd like to address that and also your first two points, if I may.

Chairman LEVIN. Let me interrupt you, Secretary Carter, if I can.

Senator McCaskill, can you close? Because I'm going to have to leave.

Senator MCCASKILL. I absolutely can.

Chairman LEVIN. Thank you.

Thank you both.

Senator MCCASKILL. That's a scary thing for these guys, though. I promise I won't keep you here all afternoon.

Chairman LEVIN. Yes. [Laughter.]

Senator MCCASKILL. You know I'm capable of it, Secretary Carter, but I will not. I really only have this auditing area to finish up with, and then I will let you go.

Chairman LEVIN. Thank you.

Thank you both.

Senator MCCASKILL [presiding]. Thank you, Mr. Chairman.

Dr. CARTER. With respect to audits, two comments. The first is that I want to make clear that the auditing function in the—particularly DCAA—does not report to me; it reports to Secretary Hale. So, I don't want to presume to speak for him at all about that particular function.

The part I can speak to is at the earlier stage, and particularly in contingency contracting. You are right, we have—in contingency contracting in Iraq, in the early years, did not have the tradecraft and the controls that were appropriate. We've recognized that. And one of the first things Secretary Gates said to me, when he hired me in this job, was that he wanted to make sure we learned the lessons of Iraq and applied them in Afghanistan. And we're really trying to do that.

So, you—I would like to get our contracting system, in Afghanistan, to a point where we don't need to—we'll still need to be audited, but where we'll pass an audit easily. That means having contracting officers in adequate numbers to do the work right. It means having contracting officer representatives there to make sure the work is done on each contract. And so, for—that means reducing the use of cash, and all of these things. Now—and we have been assiduously working down that list—which is, I think, exactly the same list that you are working down—in Afghanistan, and made considerable progress in each of those areas. We're not where I think we should be, yet.

Senator MCCASKILL. And let me acknowledge that progress. You have made progress.

Dr. CARTER. Thank you. I think we have. But, again, we're not there yet. As contracting officers, for example, I think, we have about an 86- or 87-percent fill rate now. It should be 100 percent. It's better than 43 percent or something, which it was, a year and a half or 2 years ago. So, all along the chain that culminates in an audit, which you hope simply ratifies the fact that you've done a good job for the warfighter, you've been effective, but also, for the

taxpayer, you've been efficient—and all through that chain, I think we do need to improve.

The other thing I'd like to absolutely agree with you on, Senator, is the value to be had from improving our—how we manage services. It's just an area where we have not paid a lot of attention, where, as I said earlier, a lot of the people who are managing those activities are doing it on a—at the margins of the real function that they're trying to accomplish; it's an enabler for what they do. So, they are—they don't have all the tradecraft that somebody who was, full-time, acquiring services would have.

So, I think great savings can be had there, across the services' spend. And it's essential that we look there, because that's half the money. That's half the money—\$200 billion a year. So, even if we can just get a few percentage points of improvement every year, that's exactly what Secretary Gates wants, because that's money that we don't have to come to the taxpayer for, that we can then take and reallocate, as he wants, to the warfighting capabilities.

Senator MCCASKILL. Well, I hope that you get Senator McCain the list. I hope we can reduce the number of reports that you're sending to us, and that all of us get in the habit of reading audit reports.

And I would love to see you embrace—and I know that some of this is not in your portfolio, some of it is in Secretary Hale's portfolio, some of it, frankly, is other places—but, those 30,000 auditors, I don't think their work has been taken seriously. I don't think, right now, if I made Secretary Gates come up here and do a drawing of where the auditors were and what they were auditing on and where the reports went, I'm willing to bet that you all haven't spent a lot of time even looking at that issue.

Well, you all know DCAA and you know GAO and you know the IGs, but the public doesn't realize that most of the IGs in the active military aren't really IGs. They don't report to the public; they report to the commander. And so, that—their reports, while you all get the benefit of it, we never know whether or not you're paying any attention to what the IGs are saying within the active forces, because we don't ever get to see the reports.

And let me close with an example of how, if you would, you know, spend more time and energy being deferential to the auditing community within the Department of Defense, I think that we would get higher quality, in terms of some of the work that's being done and the people who are attracted to the work. And that's essential.

I have written, now, three letters to the President about the special inspector general over Afghanistan. And we now have had an independent review of his work, by a team of auditors, a peer review. And they have said that it is woefully lacking. And probably the whipped cream and the cherry on this particular situation is that—here's somebody who's supposed to be the eyes and ears looking at contracting in a major way in Afghanistan, and he hires someone on a no-bid contract for \$95,000 for 2 months' work.

Now, first of all, how do you decide that somebody's worth 45 grand a month of public money? How do you decide that's the one? And there's no process there. Now, this is the special inspector general over Afghanistan reconstruction, hiring somebody for \$95,000,

for 2 months' work. And you wonder why the public thinks we've lost our minds. That is not being accountable. And, you know, the person he hired formerly was the DOD IG with a lot of blemishes. I mean, we're not even talking about somebody that is—doesn't come with his own baggage. And the special inspector general over Afghanistan should be fired, today. When you have an independent council of auditors saying that the special inspector general in Afghanistan—that their law enforcement authority should be removed from them because they don't have the right control processes in place, this is a problem.

Now, I know you are not in a position to remove the special inspector general. I know you are not in a position to remove the special inspector general. But, now, over a period beginning in March of 2009, we have tried to point out to the administration that this special inspector general in Afghanistan is not up to the job.

And, you know, after what happened in Iraq, I just would like you, Secretary Carter, to go back to the Pentagon and say, "You know, there are some people over there that aren't going to give up until we have a change in leadership in the special inspector general in Afghanistan." Because I know the kind of respect the President has for Secretary Gates. And I have a sense, if Secretary Gates weighed in on this, that maybe we'd get some action. I just think it is—it is enough to make the top of my head blow off.

So, I—and if—I'm happy to give either one of you an opportunity to respond to what I've said. I'm kind of venting in this public place, because I want to and because I can, and because it's wrong that—you know, we've got real work to do, in terms of oversight of contracting in Afghanistan. We don't have time, frankly, to be dealing with someone who hasn't shown that they're up to the job.

And I would like to propose that we have one special inspector general over all contingencies, and would like your responses to the that proposal. So, we would roll, into one office, that would be permanent, a special inspector general to deal with any contingency operations that the military was actively involved in, so that you would have continuity, in terms of the expertise on contingency contracting; you'd have continuity, in terms of lessons learned; you would have continuity, in terms of a staff that felt committed to that particular activity, as opposed to, "How long are we going to be around, and do I need to hitch my star to another moving target?"

Do you think that would be something that would be welcome, in terms of your job responsibilities, Secretary Carter: one special inspector general for all contingencies?

Dr. CARTER. I'll take that back—I hear you loud and clear—and I'll take that back to the Department to—for consideration, the idea of one overall.

[The information referred to follows:]

Senator MCCASKILL. You know, we've got really good people that learned a lot in Iraq, and then we're trying to recreate this same kind of office in Afghanistan, and it seems to me that we're missing opportunities here. Certainly, the Lessons Learned document, from Iraq, that was done by the special inspector general, should be required reading, frankly, for any commander. And I hope it is. I hope that everyone's reading it. I think—you know, Greg

Mortenson's books, I think, are very important for the commanders in Afghanistan. But, that Lessons Learned booklet from Iraq, that was put together by Bowen's shop, I think it's very important reading for everyone there.

I do want to acknowledge that—the progress that's been made. And I will look forward to continuing to interact with you about JROC, General Cartwright. I want to believe that everyone there is capable of very independent decisions and saying no to their dear friends and their colleagues, that they, you know—I mean, I just think that environment is a difficult environment to say no to one another. And if you are confident that we've made progress on that, I'll look forward to visiting with you about that, and would be happy to acknowledge that the step I wanted to take was a step too far.

General CARTWRIGHT. I think we should continue that dialogue. We certainly owe—not only to you, but to the American people—the ability to make sure that we understand the implications of that which we ask for, from the institution and from the government writ large, to carry on these conflicts. Oftentimes, though, it is not, you know, a pure business decision. Sometimes we react and we throw whatever we have in order to protect lives. But, those are usually in the minority.

I—on the auditors, I think you have the right attributes. What I don't have, in my own knowledge kit-bag right now, is the span of control. But, how do we, in fact, ensure that those lessons and that continuity is moved from one place to the next, and that we don't have 6 months or whatever spin-up time to learn the job, out in the field, and that we have the sizing construct to be able to manage this span of control? And I'll take that back with me, and we will keep our dialogue up.

[The information referred to follows:]

Senator MCCASKILL. That's great, General.

And, overall, I want to say, I'm very supportive of what Secretary Gates is trying to do. There is a lot of efficiencies that can be gained, but it's going to take—it's going to take a kind of focus and concentration, and a not-giving-up, because this isn't going to be easy. There's going to be all kinds of things, including a bunch of folks that sit up here, that are going to try to throw out roadblocks, depending on what it is that you're trying shrink or make more efficient. And—

But, I, for one, am a big admirer of the process that Secretary Gates is undergoing, here. I think it's absolutely essential. I think that we can have and maintain the finest military in the world, and still be much more efficient with taxpayer dollars in the process.

And so, I look forward to being helpful in any way I can. And I thank you both for waiting until I got back, so I had an opportunity to visit with you.

And the hearing is adjourned.

[Whereupon, at 12:58 p.m., the committee adjourned.]