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Before the

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO DISCUSS THE FUTURE OF DEFENSE
REFORM

Wednesday, October 21, 2015

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HEARING TO DISCUSS THE FUTURE OF DEFENSE REFORM

Wednesday, October 21, 2015

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

The committee met, pursuant to notice, at 9:30 a.m. in Room SH-216, Hart Senate Office Building, Hon. John McCain, chairman of the committee, presiding.

Committee Members Present: Senators McCain [presiding], Inhofe, Sessions, Wicker, Ayotte, Fischer, Cotton, Rounds, Ernst, Tillis, Sullivan, Lee, Cruz, Reed, Nelson, Manchin, Shaheen, Gillibrand, Blumenthal, Donnelly, Hirono, Kaine, King, and Heinrich.

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

3 Chairman McCain: Good morning. The Senate Armed
4 Services Committee meets today to begin a major oversight
5 initiative on the future of defense reform.

6 This will be the first in a series of dozen hearings
7 that will proceed from a consideration of the strategic
8 context and global challenging -- challenges facing the
9 United States, to alternative defense strategies in the
10 future of warfare, to the civilian and military
11 organizations of the Department of Defense, as well as its
12 acquisition, personnel, and management systems, much of
13 which is the legacy of the Goldwater-Nichols reforms that
14 were enacted in 1986.

15 There is no one, in my view, in America that is better
16 to help us begin this effort than our distinguished witness,
17 the former Secretary of Defense, Robert Gates. We welcome
18 him back for his first testimony to Congress since leaving
19 the Department.

20 Dr. Gates, we know that you have eagerly awaited this
21 day with all of the anticipation of a root canal.

22 [Laughter.]

23 Chairman McCain: Few defense -- in my view, none --
24 defense leaders can match Dr. Gates' record as a reformer.
25 He directed more than \$100 billion in internal efficiencies

1 in the Department of Defense. He eliminated dozens of
2 failing or unnecessary acquisition programs. He held people
3 accountable. He even fired a few. And yet, by his own
4 account, Dr. Gates left, overwhelmed by the scope and scale
5 of the problems at the Defense Department.

6 This is the purpose of the oversight effort we are
7 beginning today, to define these problems clearly and
8 rigorously, and only then to consider what reforms may be
9 necessary. There is profound urgency to this effort. The
10 worldwide threats confronting our Nation's -- Nation now and
11 in the future have never been more complex, uncertain, and
12 daunting. America will not succeed in the 21st century with
13 anything less than the most innovative, agile, and efficient
14 and effective defense organization. I have not met a senior
15 civilian or military leader who thinks we have that today.
16 In no way is this a criticism of the many patriotic mission-
17 focused public servants, both in and out of uniform, who
18 sacrifice every day here at home and around the world to
19 keep us safe. To the contrary, it's because we have such
20 outstanding people that we must strive to remove impediments
21 in our defense organizations that would squander the talents
22 of our troops and civilian -- and civil servants.

23 Now some would argue that the main problems facing the
24 Department of Defense come from the White House, the
25 National Security Council staff, the interagency, and, yes,

1 the Congress. You will find no argument here, especially
2 about the dysfunction of Congress. We must be mindful of
3 these bigger problems, but addressing many of them is
4 outside this committee's jurisdiction.

5 Americans hold our military in the highest regard, as
6 we should. At the same time, our witness will explain, the
7 problems that he encountered at the Defense Department are
8 real and serious. Just consider chart 1, here. In constant
9 dollars, our Nation is spending almost the same amount on
10 defense as we were 30 years ago, but, for this money today,
11 we are getting 35 percent fewer combat brigades, 53 percent
12 fewer ships, 63 percent fewer combat air squadrons, and
13 significantly more overhead. How much is difficult to
14 establish, because the Department of Defense does not even
15 have complete and reliable data, as GAO has repeatedly
16 found.

17 Of course, our Armed Forces are more capable now than
18 30 years ago, but our adversaries are also more capable,
19 some exponentially so. At the same time, many of the
20 weapons in our arsenal today -- our aircraft, ships, tanks,
21 and fighting vehicles, rifles and missiles, and strategic
22 forces -- are the products of the military modernization of
23 the 1980s.

24 And, no matter how much more capable our troops and
25 weapons are today, they are not capable of being in two

1 places at once. Our declining combat capacity cannot be
2 divorced from the problems in our defense acquisition
3 system, which one high-level study summed up as follows,
4 quote, "The defense acquisition system has basic problems
5 that must be corrected. These problems are deeply
6 entrenched and have developed over several decades from an
7 increasingly bureaucratic and over-regulated process. As a
8 result, all too many of our weapon systems cost too much,
9 take too long to develop, and, by the time they are fielded,
10 incorporate obsolete technology." Sounds right. But, that
11 was the Packard Commission, written in 1986.

12 And, since then, since 1986, as this chart shows, cost
13 overruns and schedule delays on major defense acquisitions
14 have only gotten worse. Defense programs are now nearly 50
15 percent over-budget and, on average, over 2 years delayed.
16 It's telling that perhaps the most significant defense
17 procurement success story, the MRAP, which Dr. Gates himself
18 led, was produced by going around the acquisition system,
19 not through it.

20 The rising cost of our defense personnel system is also
21 part of the problem. As chart 3 shows, over the past 30
22 years the average fully-burdened cost per service member,
23 all of the pays and lifetime benefits that military service
24 now entails, has increased 270 percent. And yet, all too
25 often, the Department of Defense has sought to control these

1 personnel costs by cutting operating forces while civilian
2 and military headquarters staff have not changed, and even
3 grown. Indeed, since 1985, the end strength of the joint
4 force has decreased by 38 percent, but the percentage of
5 four-star officers in that force has increased by 65
6 percent.

7 These reductions in combat power have occurred while
8 the Department's overhead elements, especially its
9 contractor workforce, have exploded. Nearly 1.1 million
10 personnel now perform overhead activities in the defense
11 agencies, the military departments, and service staffs in
12 Washington headquarters services. An analysis by McKinsey &
13 Company found that less than one-quarter of Active Duty
14 troops were in combat roles, and with a majority instead
15 performing overhead activities. Recent studies by the
16 Defense Business Board and others confirmed that little has
17 changed in this regard. The U.S. tooth-to-tail ratio is
18 well below the global average, including such countries as
19 Russia, India, and Brazil.

20 For years, decades in some cases, GAO has identified
21 some of the major management and administrative functions of
22 the Department of Defense as being at high risk of waste,
23 fraud, abuse, and duplication of effort. Perhaps none of
24 this should be surprising when you consider the judgment of
25 Jim Locher, the lead staffer on this committee during the

1 defense reorganization efforts, three decades ago, quote,
2 "The remedies applied by Goldwater-Nichols to defense
3 management and administration have largely been ineffective.
4 They were never a priority for the Act's drafters, and
5 troubling trends remain. The Pentagon is choking on
6 bureaucracy." He wrote that 14 years ago, and the problem
7 has only gotten worse.

8 Ultimately, we must ask whether the Defense Department
9 is succeeding in its development and execution of strategy,
10 policy, and plans. The Office of the Secretary of Defense,
11 the service secretaries and service staffs, the joint staff,
12 and the combatant commands are all bigger than ever. But,
13 is the quality of civilian oversight and control of the
14 military better? Has the quality of military advice to
15 civilian leaders improved? Are the joint duty assignments
16 that our military officers must perform producing a more
17 unified fighting force? In short, is the Department of
18 Defense more successful at planning for war, waging war, and
19 winning war?

20 Goldwater-Nichols was perhaps the most consequential
21 defense reform since the creation of the Department of
22 Defense. And, while the world has changed profoundly since
23 1986, the basic organization of the Department of Defense,
24 as well as the roles and missions of its major civilian and
25 military actors, has not changed all that much since

1 Goldwater-Nichols. It must be asked, Is a 30-year-old
2 defense organization equal to our present and future
3 national security challenges?

4 I want to be clear. This is a forward-looking effort.
5 Our task is to determine whether the Department of Defense
6 and our Armed Forces are set up to be maximally successful
7 in our current and future national security challenges. We
8 will be guided in this effort by the same principles that
9 inspired past defense reform efforts, including Goldwater-
10 Nichols, enhancing civilian control of the military,
11 improving military advice, operational effectiveness, and
12 joint officer management, and providing for a better use of
13 defense resources, among others.

14 This oversight initiative is not a set of solutions in
15 search of problems. We will neither jump to conclusions nor
16 tilt at the symptoms of problems. We will take the time to
17 look deeply for the incentive and root causes that drive
18 behavior, and we will always, always be guided by that all-
19 important principle: First do no harm.

20 Finally, this must and will be a bipartisan endeavor.
21 Defense reform is not a Republican or Democratic issue, and
22 we will keep it that way. These are vital national security
23 issues, and we must seek to build a consensus about how to
24 improve the organization and operation of the Department of
25 Defense that can and will be advanced by whomever wins next

1 year's elections. That is in keeping with the best
2 traditions of this committee, and it is how Dr. Gates has
3 always approached this important work across administrations
4 of both parties.

5 We thank Dr. Gates for his decades of service to our
6 Nation, for generously offering us the benefit of your
7 insights and experiences today.

8 And I'd like to apologize for the long statement, Dr.
9 Gates, but I take -- I believe that this hearing must set
10 the predicate for a number of future hearings that we will
11 be having in order to carry out -- achieve the objectives
12 that I just outlined.

13 [The information referred to follows:]

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1 Chairman McCain: Senator Reed.
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1 STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE
2 ISLAND

3 Senator Reed: Well, thank you very much, Mr. Chairman.

4 And, Dr. Gates, welcome back to the Senate Armed
5 Services Committee. And let me join the Chairman in
6 thanking you for your willingness to testify today, and also
7 underscore how thoughtful and how appropriate the Chairman's
8 remarks are with respect to the need for a careful
9 bipartisan review of policy in the Defense Department, and
10 change in the Defense Department.

11 I must also apologize. As I've told you before, I have
12 200 or so Rhode Island business leaders that I must inform
13 all day long today, so I won't be here for the whole
14 hearing. And I apologize to the Chairman, also.

15 It's no accident that the Chairman has asked you, Dr.
16 Gates, to testify today on -- as the first witness in a
17 major effort to look at the Department of Defense. You have
18 more than 1,500 days as Secretary of Defense, decades
19 serving the United States Government in roles that range
20 from the National Security Council to the Central
21 Intelligence Agency, and then, of course, the Department of
22 Defense. And your vast experience with DOD and the
23 interagency process, especially in a post-September 11th
24 context, will be important to the committee's study of these
25 issues as we go forward.

1 And, while you were Secretary of Defense, you were an
2 outspoken critic of your own Department and its ability to
3 manage critical competing priorities, such as funding
4 military modernization and ensuring that the requirements of
5 deployed forces are being supported appropriately.

6 In a speech before the American Enterprise Institute,
7 you said the Department is, in your words, "a semi-feudal
8 system, the amalgam of fiefdoms without centralized
9 mechanisms to allocate resources, track expenditures, and
10 measure results, relative to the Department's overall
11 priorities." As a policymaker in the legislative branch,
12 this kind of assessment from the most senior official in the
13 Department is deeply concerning, but also very helpful, in
14 terms of giving us a direction. I look forward to hearing
15 your ideas and thinking of -- about the changes you
16 recommend to us for addressing these issues.

17 Congress has tried to help address some of these
18 problems, as you have rightly noted, in creating the Deputy
19 Chief Management Officer. But, one person is not enough to
20 create or compel systemic change in the largest organization
21 on Earth. And during your tenure, you created two ad hoc
22 entities in the Department, the Chairman mentioned, to
23 address rapidly dangerous issues to our troops: the Mine-
24 Resistant Ambush Protector, or MRAP, Task Force, and the
25 Intelligence, Surveillance, and Reconnaissance, or ISR, Task

1 Force. And both of these endeavors were very successful,
2 but they are just an indication of the kind of more holistic
3 and comprehensive change that we need to undertake in the
4 Department of Defense.

5 Also in your American Enterprise Institute speech, you
6 made a critical point. Since 2001, we have seen a near
7 doubling of the Pentagon's modernization accounts that has
8 resulted in relatively modest gains in actual military
9 capability. And this should be of a concern to all of us.
10 And we'd welcome your recommendations on how to bring
11 changes necessary to ensure that we're getting what we're
12 paying for; in fact, getting more, we hope, bang for our
13 buck.

14 You've also spoken about the need for defense spending
15 to be stable and predictable, and the importance of the role
16 of Congress in ensuring that such stability is provided.
17 And former DOD Comptroller Bob Hale, who served with you at
18 the Pentagon, wrote recently about the budgetary turmoil he
19 experienced during his tenure, including sequestration, a
20 government shutdown, and continuing resolutions.
21 Specifically, he wrote, "This budget turmoil imposed a high
22 price in DOD and, therefore, the Nation it serves. The
23 price was not measured in dollars, since DOD certainly
24 didn't get any extra funding to pay the cost of the turmoil.
25 Rather, the price took the form of harm to the efficiency

1 and effectiveness of the Department's mission, and we are
2 still confronting those issues today."

3 Finally, during your tenure, Dr. Gates, you were a
4 strong advocate not only for our military, but also the
5 funding the soft-power tools of statecraft: our diplomacy,
6 developmental efforts, and our ability to communicate our
7 goals and values to the rest of the world. As we consider
8 steps to making DOD more effective, I'd also be interested
9 in your thoughts on the importance of our national security
10 in enhancing our civilian elements of national power, and
11 also the impact that sequestration has on these elements.

12 Again, thank you, Dr. Gates, for your service. I look
13 forward to your testimony.

14 Chairman McCain: Dr. Gates.

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1 STATEMENT OF HON. ROBERT M. GATES, FORMER SECRETARY OF
2 DEFENSE

3 Dr. Gates: Chairman McCain, Senator Reed, probably the
4 least sincere sentence in the English language is: Mr.
5 Chairman, it's a pleasure to be here with you today.

6 [Laughter.]

7 Dr. Gates: Frankly, short of a subpoena, I never
8 expected to be in a congressional hearing again. And, given
9 some of the things that I wrote in my book, I'm rather
10 surprised to be invited back.

11 [Laughter.]

12 Dr. Gates: So, thank you for kind introductory remarks
13 and for the invitation to address the important topic of
14 defense reform.

15 I also commend you, Mr. Chairman, for attempting to
16 transcend the daily headlines and crises of the moment to
17 focus this committee, and hopefully the rest of the
18 Congress, on institutional challenges facing the defense
19 establishment. While I've stayed in touch with my
20 successors periodically and have followed developments from
21 afar -- very afar -- my testimony today is based
22 predominantly on my experience as Defense Secretary between
23 December 2006 and July 2011, and being engaged in two wars
24 every single day during that period. So, my comments this
25 morning may not necessarily account for all of the changes

1 that have taken place over the last 4 years.

2 I joined the CIA to do my bit in the defense of our
3 country 50 years ago next year. I've served eight
4 Presidents. With the advantage of that half-century
5 perspective, I'd like to open with two broad points:

6 First, while it is tempting and conventional wisdom to
7 assert that the challenges facing the United States
8 internationally have never been more numerous or complex,
9 the reality is that turbulent, unstable, and unpredictable
10 times have recurred to challenge U.S. leaders regularly
11 since World War II: the immediate postwar period that saw
12 the Soviets tighten their grip on eastern Europe and
13 surprised Western leaders and intelligence agencies by
14 detonating their first atomic device; the frequent crises
15 during the '50s, including the Korean War; regular
16 confrontations with China over Taiwan; pressures from the
17 Joint Chiefs of Staff to help France by using nuclear
18 weapons in Indochina; war in the Middle East; uprisings in
19 eastern Europe; and a revolution in Cuba. During the '60s,
20 a war in Vietnam, another Arab-Israeli war, and
21 confrontations with the Soviets from Berlin to Cuba. In the
22 '70s, Soviet assertiveness in Africa, an invasion of
23 Afghanistan, and yet another Arab-Israeli war and oil
24 embargoes. The '80s brought a number of surrogate conflicts
25 in places like Afghanistan and an attack on Libya, crises in

1 Lebanon, and the intervention in Panama. And in the '90s,
2 we had the first Gulf War, military action in the Balkans,
3 Somalia, Haiti, missile attacks on Iraq, and the first al-
4 Qaeda attacks on the United States.

5 The point of recounting these historical examples is
6 that Americans, including all too often our leaders, regard
7 international crises and military conflict as aberrations,
8 when, in fact, and sad to say, they are the norm.
9 Convinced, time and again, that a new era of tranquility is
10 at hand, especially after major conflicts, Presidents and
11 Congresses tend to believe they have a choice when it comes
12 to the priority given national security, and,
13 correspondingly, significantly reduce the resources provided
14 to Defense, the State Department, and CIA. In the short
15 term, at least, until the next crisis arrives, they do have
16 a choice, and the budget cutters and deficit hawks have
17 their way. But, in the longer term, there really is no
18 choice. While we may not be interested in aggressors,
19 terrorists, revanchists, and expansionists half a world
20 away, they ultimately are always interested in us or in our
21 interests or our allies and friends, and we always discover
22 then that we went too far in cutting, and need to rearm,
23 that the cost in treasure and in the blood of our young men
24 and women is always far higher than if we had remained
25 strong and prepared all along.

1 The primary question right now before the Congress and
2 the President is the priority you give to defense, which, at
3 roughly 15 percent of Federal expenditures, is the lowest
4 percentage of the Federal budget since World -- before World
5 War II. Without proper and predictable funding, no amount
6 of reform or clever reorganization will provide America with
7 a military capable of accomplishing the missions assigned to
8 it.

9 The second and related point I think highly germane to
10 your deliberations is that our record in -- since Vietnam in
11 predicting where we will use military force next, even a few
12 months out, is perfect. We have never once gotten it right.
13 Just think about it: Granada, Lebanon, Libya twice, Iraq
14 now three times, Afghanistan, the Balkans, Panama, Somalia,
15 Haiti, and most recently West Africa to combat ebola.
16 Because we cannot predict the place or the nature of future
17 military engagement, we must provide a premium on acquiring
18 equipment and providing training that give our forces the
19 most versatile possible capabilities across the broadest
20 possible spectrum of conflict.

21 These two lessons on funding and flexibility must
22 underpin any defense reform effort, whether the focus is on
23 bureaucratic organization, command structures, acquisition,
24 or budgets. All that said, it is completely legitimate to
25 ask whether our defense structures and processes are giving

1 us the best possible return on taxpayer dollars spent on our
2 military. The answer in too many cases is no. In this
3 context, the questions the committee are considering are, in
4 my view, the correct ones, namely whether our country's
5 institutions of national defense are organized, manned,
6 equipped, and managed in ways that can deal with the
7 security challenges of the 21st century and that efficiently
8 and effectively spend defense dollars.

9 Mr. Chairman, over the next 15 minutes or so, I'll make
10 observations about Goldwater-Nichols, acquisition policy,
11 the interagency process, and the budget. And we can then
12 delve into these and other matters, as the committee sees
13 fit.

14 First, Goldwater-Nichols, at 30 years, and the question
15 whether the ambition of the original legislation has been
16 fulfilled, or is additional legislation of similar magnitude
17 needed, in light of all the changes that have taken place
18 over the last three decades? My perspectives on the current
19 structure of the Defense Department is shaped primarily by
20 my experience as Secretary overseeing a military fighting
21 two wars. I discovered early on that I led a Department
22 designed to plan for war, but not to wage war, at least for
23 the long term.

24 The swift victory of the 1991 Persian Gulf conflict
25 seemed to validate all the post-Vietnam changes to our

1 military, including the landmark 1986 legislation. But, the
2 Pentagon clearly was not organized to deal with protracted
3 conflicts like Iraq and Afghanistan, which, contrary to the
4 wishes of most Americans, most assuredly will not be the
5 last sustained ground campaigns waged by our military.

6 In this respect, Goldwater-Nichols succeeded all too
7 well by turning the services into force and equipment
8 providers walled off from operational responsibilities now
9 the exclusive domain of combatant commanders. This became
10 especially problematic in unconventional conflicts requiring
11 capabilities, usually immediately, that were significantly
12 different from what was in the prewar procurement pipeline.

13 Just one illustrative example. While there was, and
14 is, a joint process to deal with the ongoing needs of
15 battlefield commanders, it was left up to the designated
16 military service to reprioritize its budget to find the
17 funding for those needs. It will come as no surprise to you
18 that, with some regularity, the designated service decided
19 that urgent battlefield need did not have as high a priority
20 for funding as its long-term programs of record. These were
21 mostly advanced weapon systems designed for future
22 conflicts, and had near sacrosanct status within the
23 military services, making it difficult to generate much
24 enthusiasm for other near-term initiatives that might
25 compete for funds.

1 I soon learned that the only way I could get
2 significant new or additional equipment to commanders in the
3 field in weeks or months, not years, was to take control of
4 the problem myself through special task forces and ad hoc
5 processes. This would be the case with the MRAP vehicles,
6 additional intelligence, surveillance, and reconnaissance
7 capabilities, shortened medevac times, counter-IED
8 equipment, and even the care of wounded warriors. I learned
9 that if the Secretary made it a personal priority, set tight
10 deadlines, and held people accountable, it was actually
11 possible to get a lot done, even -- quickly, even in a
12 massive bureaucracy like the Pentagon.

13 But, satisfying critical operational and battlefield
14 needs cannot depend solely on the intense personal
15 involvement of the Secretary. That is not sustainable. The
16 challenge is how to institutionalize a culture and an
17 incentive structure that encourages wartime urgency
18 simultaneous with long-term planning and acquisition as a
19 matter of course.

20 A final thought relative to defense organizations and
21 authorities. Through my tenure, I was privileged to work
22 with two superb Chairmen of the Joint Chiefs of Staff, Pete
23 Pace and Mike Mullen, who were true partners while providing
24 independent, occasionally dissenting, professional military
25 advice. The Chairman, along with the Vice Chairman, is the

1 one senior military officer with a stake in both current
2 needs and future requirements. One of the great
3 achievements of Goldwater-Nichols was strengthening the
4 position of the operational commanders and the Chairman
5 relative to the service chiefs. I believe that, as a
6 general principle, this must be sustained.

7 Service chiefs have a tenure of 4 years. Combatant
8 commanders, nominally, 3 years. Yet the Chairman and Vice
9 Chairman of the Joint Chiefs of Staff have 2-year renewable
10 terms. I believe their positions vis-a-vis both service
11 chiefs and combatant commanders would be strengthened by
12 also giving them 4-year terms. This would not diminish in
13 the least their accountability to the President, the Defense
14 Secretary, and the Congress.

15 Second, a subject that has, for years, been a focus of
16 this committee, the acquisition process. Not only has
17 Goldwater-Nichols hit the 30-year mark, so too has the
18 Office of the Secretary of Defense for Acquisition,
19 Technology, and Logistics. AT&L was established because a
20 service-driven acquisition system was yielding too many
21 over-designed, over-budget, and over-scheduled programs.
22 The theory was that, by giving acquisition responsibility
23 for major programs to a senior OSD official removed from
24 parochial service interests, wiser and more disciplined
25 decisions would ensue.

1 So, what can we say, 30 years on? We've succeeded in
2 building a new layer of bureaucracy with thousands of more
3 employees and new processes to feed it. But, when it comes
4 to output, the results have been quite mixed. As Secretary,
5 I found that, despite all of the OSD and joint oversight
6 mechanisms, far too many major weapons and equipment
7 programs were ridiculously overdue, over-cost, or no longer
8 relevant to the highest-priority defense needs. To the
9 chagrin of many inside the Pentagon, and probably even more
10 here on the Hill, I canceled or capped more than 30 major
11 programs in 2009 that, if built out fully, would have cost
12 the taxpayers \$330 billion.

13 So, where does that leave us today as Congress
14 considers reforms for the future? Problems with the
15 services running acquisitions led to greater centralization
16 and oversight through AT&L. But, that led to another set of
17 problems in the form of sizable central bureaucracy that
18 adds delays and related costs without discernible benefit.
19 So, now there's pressure and legislation to return
20 significantly more acquisition authority back to the
21 services.

22 My sense is, the right answer lies with finding a
23 better balance between centralization and decentralization
24 than we now have. But, a strong word of caution: You must
25 not weaken the authority of the Secretary of Defense and his

1 ultimate decision-making power on acquisition. I cannot
2 imagine a service chief or service secretary able to
3 overcome intense internal pressures and voluntarily do away
4 with, for example, programs like the Army Future Combat
5 System, the airborne laser, the Zumwalt destroyer, or dozens
6 of other troubled and needlessly exquisite systems that had
7 built up a loyal service constituency. The simple fact is
8 that such decisions are not just programmatic, but
9 political. And only the Secretary of Defense, with the
10 strong support of the President, has the clout, the power
11 inside the Pentagon, with industry and here on the Hill, to
12 make such decisions, and make them stick.

13 A couple of other observations seem obvious as you and
14 the Secretary of Defense address this issue. Nothing will
15 work without rigorously applied accountability within the
16 services, by AT&L, and by the Secretary. And then there is
17 the importance of basic blocking and tackling on the
18 acquisitions process. To wit, high-level rigorous control
19 of requirements and limiting changes beyond a certain point,
20 competitive prototyping, wherever possible, before program
21 initiation, more realistic cost estimates, and revising
22 contract incentives to better reward success and penalize
23 failure.

24 Also promising are your legislative efforts, Mr.
25 Chairman, and those of Chairman Thornberry in the House, to

1 streamline acquisition processes, eliminate
2 counterproductive regulations, encourage more use of
3 commercial products and pricing, and attract more
4 nontraditional vendors to defense markets.

5 That said, at the end of the day, redrawing the
6 organization chart or enacting new acquisition laws and
7 rules will matter less than leaders skilled enough to make
8 -- to execute programs effectively, willing to take tough,
9 usually unpopular choices, and establish strong measures of
10 accountability, and willing to get rid of those not
11 performing well, whether people or programs.

12 In terms of being better stewards of taxpayer dollars
13 more broadly, the effort I began in 2010 to reduce overhead
14 costs, and continued by my successors, must be renewed and
15 sustained. It was telling that, in just 4 months, in 2010,
16 we found some \$180 billion over a multiyear period we could
17 cut in overhead. There is, as Deputy Secretary Gordon
18 England liked to say, a river of money flowing under the
19 Pentagon, primarily funded through catchall operations and
20 maintenance accounts. Now, there's no line item in the
21 Defense budget called "waste," so getting at unnecessary
22 overhead spending without harming important functions is
23 extremely hard work. It's kind of like a huge Easter egg
24 hunt. But, it can and must be done.

25 A brief word here on resisting the usual approach of

1 reducing budgets with across-the-board cuts. I have seen
2 countless Washington reform efforts over the years result in
3 mindless salami-slicing of programs and organizations. That
4 is not reform, it is managerial and political cowardice.
5 True reform requires making trades and choices and tough
6 decisions, recognizing that some activities are more
7 important than others. It's hard to do, but essential if
8 you're to reshape any organization into a more effective and
9 efficient enterprise.

10 Further, the Congress must contain its own bad
11 behavior, such as insisting on continuing unneeded programs
12 because of parochial interests, preventing the closure of
13 roughly one-quarter of all defense facilities deemed excess,
14 burdening the Department with excessive and frequently
15 expensive rules and reporting requirements, and more.

16 My third broad point with regard to the interagency
17 process. From time to time, the idea arises to reorganize
18 the U.S. national security apparatus put together in 1947 to
19 better integrate defense, diplomacy, and development, a
20 Goldwater-Nichols for the interagency, if you will.
21 Goldwater-Nichols has mostly worked at the Defense
22 Department because, when push comes to shove, as it often
23 does there, everyone in and out of uniform ultimately works
24 for one person: the Secretary of Defense. And he or she
25 has the last word and can tell everyone to get in line.

1 When multiple Cabinet departments are involved, however,
2 there is only one person with that kind of authority: the
3 President. The National Security Council and its staff were
4 created to provide the President with an organizational
5 mechanism to coordinate and integrate their efforts. How
6 well that works depends entirely on the personal
7 relationships among the principals and the talents and
8 skills of the National Security Advisor. Even this
9 structure, headquartered just down the hall from the Oval
10 Office, works poorly if the Secretary of State and the
11 Secretary of Defense can't stand one another, as was the
12 case for a good part of my time in government, or if the
13 National Security Advisor isn't an honest broker. How well
14 the planning, activities, and efforts of State, Defense, and
15 others are coordinated and integrated is the responsibility
16 of one person: the President. And there is nothing anybody
17 else, including the Congress, can do about it.

18 I'll conclude with three other reasons the Nation is
19 paying more for defense in real dollars today than 30 years
20 ago, and getting less, and getting less. One is that men
21 and women in uniform today drive, fly, or sail platforms
22 which are vastly more capable and technologically advanced
23 than a generation ago. That technology and capability comes
24 with a hefty price tag. A second reason for the higher cost
25 is the exploding personnel costs of the Department, a very

1 real problem on which I know this committee and others are
2 at least beginning to make some inroads after years of
3 futility.

4 But, the third factor contributing to increased costs,
5 and one of immense importance, is the role of Congress
6 itself. Here, I am talking about the years-long budgetary
7 impasse on the Hill and between the Congress and the
8 President. The Department of Defense has had an enacted
9 appropriations bill to start the fiscal year only twice in
10 the last 10 years. The last 7 years all began under a
11 continuing resolution. During the first 6 full fiscal years
12 of the Obama administration, the Defense Department has
13 operated under continuing resolutions for a third of the
14 time, a cumulative total of 2 years. Department leaders
15 also have had to deal with the threat -- and, in one year,
16 the imposition -- of sequestration, a completely mindless
17 and cowardly mechanism for budget-cutting. Because of the
18 inability of the Congress and the President to find a budget
19 compromise, in 2013 defense spending was reduced midyear by
20 \$37 billion. All of those cuts applied equally, in
21 percentage terms, to 2500 line items of the defense budget
22 and requiring precise management of each cut to comply with
23 the Antideficiency Act with its criminal penalties for
24 violations. Sequestration effectively cut about 30 percent
25 of day-to-day operating funds in the second half of FY13.

1 But, then add to this mess the fact that the
2 Department, probably the largest organization on the planet,
3 in recent years has had to plan for five different potential
4 government shutdowns. In the fall of 2013, with
5 sequestration still ongoing, the Pentagon actually had to
6 implement one of those shutdowns for 16 days, affecting
7 640,000 employees or 85 percent of the civilian workforce.

8 It is hard to quantify the cost of the budgetary
9 turmoil of the past 5 years: the cuts, the continuing
10 resolutions, sequestration, gimmicks, furloughs, shutdowns,
11 unpredictability, and more. During continuing resolutions,
12 in particular, the inability to execute programs on
13 schedule, limits on being able to ramp up production or
14 start new programs or to take full advantage of savings
15 offered by multiyear purchases, the time-consuming and
16 unpredictable process of reprogramming even small amounts of
17 money to higher-priority projects, all these impose
18 tremendous costs on the Defense Department and the taxpayer.
19 And this doesn't even begin to account for the costs
20 involved in hundreds of thousands of man hours required to
21 try and cope with this externally imposed leadership and
22 managerial nightmare. Moreover, reimposition of full-scale
23 sequestration looms in January, absent a bipartisan budget
24 agreement.

25 Given the harm all this politically driven madness

1 inflicts on the U.S. military, the rhetoric coming from
2 Members of Congress about looking out for our men and women
3 in uniform rings very hollow to me. Further, this
4 legislative dysfunction is embarrassing us in the eyes of
5 the world at a time when allies and friends are looking to
6 us for leadership and reassurance. All the smart defense
7 reforms you can come up with will be of little use if the
8 military is unable to plan, to set priorities, and to manage
9 its resources in a sensible and strategic way.

10 The failure of the Congress in recent years, because of
11 the partisan divide, to pass timely and predictable defense
12 budgets, and its continuing parochialism when it comes to
13 failing programs and unneeded facilities, has not only
14 greatly increased the cost of defense, it has contributed to
15 weakening our military capabilities, and it has broken faith
16 with our men and women in uniform. This committee with its
17 counterpart in the House has long supported, on a bipartisan
18 basis, a strong defense and protecting those in uniform. As
19 you consider needed reforms in the Pentagon, I fervently
20 hope you will also urge your colleagues in Congress to break
21 with the recent past and place the national interests and
22 our national security ahead of ideological purity or
23 achieving partisan advantage, because, as you know as well
24 I, our system of government, as designed by the founders who
25 wrote and negotiated the provisions of the Constitution, is

1 dependent on compromise to function. To do so is not
2 selling out. It is called governing.

3 Thank you.

4 [The prepared statement of Dr. Gates follows:]

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1 Chairman McCain: Well, thank you, Mr. Secretary -- Dr.
2 Gates, thank you. Those are very strong words, and I wish
3 that all 535 Members of Congress could hear the -- your
4 closing remarks. I will quote them quite often and quite
5 liberally. And it is, frankly, a damning but accurate
6 indictment about our failure to the men and women in the
7 military, the 300 million Americans, and the security of our
8 Nation.

9 We are also looking at a debt-limit showdown, Mr.
10 Secretary. And we all know that debt limits have to be
11 raised because of spending practices, yet we now have a
12 substantial number of Members of Congress that, "By God,
13 we're not going to vote to increase the debt limit, and
14 anybody that does is, of course, a traitor and doesn't care
15 about fiscal responsibility." The rhetoric has been very
16 interesting.

17 So, we're now looking at sequestration, and we are also
18 looking at the debt limit, and we're also looking at a
19 President and Secretary of Defense -- with the Secretary of
20 Defense's support of vetoing a bill that is not a money
21 bill; it's a policy bill. That's what defense authorization
22 is all about. So, the President's threatening to veto
23 because of the issue of not increasing nondefense spending,
24 when there is nothing that this committee nor the
25 authorizing process can do to change that. I'm sorry to say

1 that members of this committee will be voting to sustain a
2 presidential veto on an issue that we have nothing that we
3 can change.

4 Well, could I just ask, again, on sequestration -- I
5 also would ask a specific question. In your remarks, it was
6 interesting to me that you didn't make a single comment
7 about the service secretaries and their role. Do you think
8 we ought to do away with the service secretaries, Dr. Gates?

9 Dr. Gates: I've thought about that, thanks to your
10 staff providing me with some of the issues that you all
11 might want to discuss today. And I think that -- I think I
12 would say no to that question. And I would say it primarily
13 because I think that having a civilian service secretary
14 does strengthen the civilian leadership and the civilian
15 dominance of our military. If there is -- and they are able
16 to do so on a day-to-day basis in decision making that a
17 single person, like the Secretary of Defense, could not do.
18 I mean, I couldn't -- the Secretary can sort of reiterate
19 that, and make it clear in his actions, that civilian
20 control is important, but I think that the symbolism, to
21 members of the services, that there is a civilian at the
22 head of their own service who is responsible for them, and
23 accountable for them, I think, is important.

24 Chairman McCain: Let me go back over this relationship
25 between AT&L, the uniformed service chiefs, the Secretary of

1 Defense -- and you cited a couple of cases where, by going
2 around the entire process as in MRAP, you've mentioned, and
3 other cases -- where is -- go over, for the benefit of the
4 committee, the -- where is the balance? We're trying to, in
5 this legislation, give some more authority and
6 responsibility to the service chiefs, who, right now, as I
7 understand it, have none, and yet, at the same time, as you
8 said, not return too much to the service chiefs because of
9 their advocacy, their view of sacrosanct, long-term programs
10 that they believed were important to their services. I
11 don't quite get that balance there.

12 Dr. Gates: Well, and I wish I could give you a precise
13 and very specific answer. It seems to me that -- I mean,
14 the irony is that -- for example, when it came to the MRAPs,
15 although I made the decisions, it was, in fact, AT&L and the
16 leadership of AT&L that executed those programs and that
17 signed the contracts, and they were actually implemented,
18 then, by the -- the Marine Corps actually had the
19 responsibility, because they had originated the -- the MRAPs
20 were originally their idea, and it was their success in
21 Anbar that led me to expand it. But, the problem that I ran
22 into in the Defense Department is that any problem, whether
23 it's an acquisition or anything else, affects multiple parts
24 of the Department, none of which can tell the other what to
25 do. So, if the comptroller has a problem, he can't tell

1 AT&L what to do. If Cost Assessment and Program Evaluation
2 has a problem, they can't tell AT&L or anybody else what to
3 do. They only report to me or to the Secretary. And so,
4 the reason I found myself chairing these meetings was
5 because there were enough different parts of the Department
6 who were involved in almost any decision that no one below
7 the Secretary could actually get everybody in the room and
8 say, "This is what you have to do."

9 So, how you fix that, institutionally -- and I will
10 tell you, when Ash Carter was AT&L, was the Under Secretary,
11 and particularly in my last 6 or 8 months, Ash and I talked
12 all the time, "Ash, how do we institutionalize this? How do
13 we institutionalize meeting these urgent needs along with
14 the long-range kind of planning and acquisition that we
15 have?" And, frankly, when I left, we hadn't solved that
16 problem.

17 But, it has to -- the services do have authority, they
18 do have procurement or acquisition authority, and they do
19 have senior people in those positions. And, frankly, my
20 sense is that there are -- a couple that I dealt with seemed
21 to me to be quite capable. But, how you realign the roles
22 of AT&L and the service procurement or acquisition officers,
23 I don't have an easy solution for you. All I can suggest is
24 that there be a dialogue between this committee and
25 Secretary Carter and the services and AT&L, in terms of how

1 you adjust the balance.

2 It is clear to me that the balance has shifted too far
3 to AT&L. And therefore, there needs to be some
4 strengthening of the role of the services. But, central to
5 that will be forcing the service leaders, the Chief of Staff
6 and the Secretary, to hold people accountable, and to hold
7 those two people accountable for the service. I know Mark
8 Milley was up here testifying and said, you know, "Give me
9 the authority, and, if I don't do it right, fire me." Well,
10 that's kind of extreme. But, at a certain point,
11 accountability is a big piece of this, and I just -- I don't
12 have for you a line drawing or even a paragraph where I
13 could tell you, "Here's where you redraw the balance,"
14 because I'm not sure right where that line goes.

15 Chairman McCain: Thank you.

16 Senator Reed.

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

18 Thank you, Dr. Gates, for extraordinarily insightful
19 testimony and not only giving us advice but also sort of
20 pointing out the questions which you're still trying to
21 carefully think through. It'll help us immensely.

22 One point you made is that we plan very well for the
23 initial phase 1, phase 2, phase 3 operations with our
24 equipment, with our personnel. It's the -- usually the
25 phase 4 of how we sort of conduct protracted war that you

1 predicted would be the likely face of conflict in the
2 future. So much of that depends upon capacity-building in
3 the local nations, and so much of that depends upon non-DOD
4 elements -- State Department, police trainers, public health
5 systems. I think we've seen that so many times, in Iraq and
6 Afghanistan. And this comes back to the point I think
7 you've also made about, you know, if these agencies are not
8 properly funded or not properly integrated, then we could
9 succeed in the initial phase of the battle, but fail,
10 ultimately. Is that a fair assessment? And --

11 Dr. Gates: Well, I can only remind this committee how
12 many times you heard from our commanding generals in both
13 Iraq and Afghanistan about the desperate need for more
14 civilians, both in Iraq and Afghanistan, and the value that
15 they brought. Secretary Rice used to chide me occasionally,
16 reminding me that we had more people in military bands than
17 she had in the entire Foreign Service.

18 I'll give you another example, though, and it's an
19 action that -- frankly, where the -- both the executive
20 branch and the Congress are responsible. When I left
21 government in 1993, the Agency for International Development
22 had 16,000 employees. They were dedicated professionals.
23 They were accustomed to working in dangerous and difficult
24 circumstances in developing countries, and they brought
25 extraordinary, not only skill, but passion. When I returned

1 to government, 13 years later, in 2006, AID was down to
2 3,000 employees, and they were mostly contractors. And that
3 is a measure of what's happening in the development part of
4 our broader strategy. And I would say that, you know, for
5 those of us of a certain age who can remember USIA in its
6 heyday, what we have in the way of strategic communications
7 in our government today is a very pale reflection of that.

8 So, those -- that whole civilian side has been
9 neglected for a very long time.

10 Senator Reed: And that neglect will be exacerbated by
11 sequestration, and they will not -- these agencies don't
12 have a way to provide at least short-term funding, as DOD
13 does through the overseas contingency accounts. They're
14 just stuck. And because they don't function well -- and I
15 think that's the conclusion you draw -- our overall national
16 security, our overall response in this, is impaired
17 dramatically. Is that fair?

18 Dr. Gates: I believe so, yes.

19 Senator Reed: And it raises the issue, too, and --
20 because this is the subject of a lot of our discussions, is
21 -- we have tried to find the money for Department of
22 Defense, and the account that's bearing the bulk of the
23 differences, both budgetary and political, is the overseas
24 contingency account. As a means of funding defense on a
25 long-term basis, in your view, is that an adequate approach,

1 or should we raise the regular budget caps and do it as we
2 thought we used to do it?

3 Dr. Gates: Well, first of all, my approach when I was
4 Secretary was to take every dollar I could get, wherever I
5 could get it.

6 Senator Reed: Yeah, I know. That's a --

7 Dr. Gates: It's a terrible way to budget. I mean,
8 it's a -- it is a gimmick. It is a -- it does provide the
9 resources, but I think it's hard to disagree with -- I mean,
10 the way the things ought to operate is that if there is a
11 sense on the Hill, a majority view, that the budget needs to
12 be cut to reduce the deficit, you go through regular order
13 of business, and you -- like I did when I was Secretary of
14 Defense, you make tough decisions. What are you going to
15 fund? What are you not going to fund? But, you make
16 choices. That's what leadership and political life is all
17 about, it seems to me. And then you vote a budget, and the
18 money flows, whether there's more or less of it. You know,
19 in the current paralyzed state, maybe there's no alternative
20 right now to getting the money this way, but it is -- as the
21 saying used to go, it's a helluva way to run a railroad.

22 Senator Reed: Well, thank you very much, Dr. Gates,
23 for your extraordinary service to the Nation.

24 Thank you.

25 Chairman McCain: Senator Sessions.

1 Senator Sessions: Thank you, Dr. Gates, and thank you
2 for your service. And I would add my compliments to those
3 of my predecessors -- prior speakers, that I believe you
4 represent one of the best Defense Secretaries the Nation has
5 ever had.

6 Dr. Gates: Thank you.

7 Senator Sessions: And I know you've served with
8 dedication, put the Nation's interests first, you put the
9 Defense Department first. Some of your former Cabinet
10 colleagues put Secretary of Health first, and education
11 first, and roads first. And so, we got pleas from every
12 department and agency, and we don't have as much money as
13 we'd like. So, the crisis we've entered on the budget
14 process is essentially that the President of the United
15 States has said, "You Republicans care about defense.
16 You're not getting any more money for defense unless I get
17 more money for nondefense." And that's a big conflict. And
18 so, the process we moved forward met the Defense
19 Department's request and the President's request for
20 defense, but it has not met the nondefense increases, all of
21 which, on defense and nondefense, are borrowed, because
22 we're already in debt. So, anytime we spend more, we borrow
23 the extra money. So, it's a difficult time, and --

24 But, you are correct, history teaches us that conflicts
25 just don't go away. They keep coming back, and we don't

1 know what it will be like, and we need a strong national
2 defense. And I thank you for your real good advice.

3 Briefly, do you believe that, with regard to the
4 extremism we're seeing in the Middle East, that we, as a
5 Nation, and our allies in Europe, NATO, and other places,
6 should seek to develop a strategy -- bipartisan in the
7 United States or worldwide -- to deal sophisticatedly with
8 that threat over decades to come? And can we do that?

9 Dr. Gates: Senator, I think that -- I think we face a
10 generation of conflict in the Middle East. I think we have
11 four -- at last four conflicts going on simultaneously:
12 Shi'a Islam, led by Iran, versus Sunni Islam, led by Saudi
13 Arabia; reformers versus authoritarians; Islamists versus
14 secularists. And then the question of whether these
15 artificially created countries -- Iraq, Afghanistan, Syria
16 -- comprised of historically adversarial ethnic and
17 religious groups can hold together at all. I used to say
18 "without repression." Now the question is whether they can
19 hang together at all. Syria has become, if you will, the
20 epicenter of all of that.

21 And I think -- some of you may have read Dr.
22 Kissinger's long essay the other day in the Wall Street
23 Journal. I -- my concern is that I don't see an
24 overreaching -- or an overriding strategy on the part of the
25 United States to how we intend to deal with this complex

1 challenge for the next 20 or 30 years. And one of the
2 benefits of containment -- and there were lots of
3 disagreements about how to apply it and how -- and the wars
4 we fought under it, and so on -- but, I will always believe
5 that critical to our success in the Cold War was that we had
6 a broad strategy, called containment, that was practiced by
7 nine successive administrations of both political parties.
8 It had bipartisan support, the general notion of how to deal
9 with this. We don't have anything like that with respect to
10 the Middle East. And I think that as long -- and so, we're
11 kind of dealing with each of these crises individually
12 rather than backing up and saying, "What's our long-range
13 game plan, here? And who are going to be our allies? Who
14 are going to be our friends? Where do we contain? Where do
15 we let it burn itself out?" We just really haven't
16 addressed those long-term questions. It seems to me we're
17 thinking strictly in sort of month-to-month terms.

18 Senator Sessions: Well, thank you. I think that's
19 very good advice for us.

20 I believe -- I've been around here a good while -- I
21 believe there's a possibility of a real bipartisan support
22 for that kind of long-term vision. We've got big
23 disagreements on spending and some other issues that -- hard
24 to bridge, but I think this one we could bridge. And I
25 appreciate your thoughts on that.

1 I met with the -- some German group yesterday in a very
2 fine meeting, and raised the need for Europeans to
3 contribute more to their defense and our mutual defense.
4 And the leader of the group pointed out it was unacceptable
5 that NATO is funded 70 percent by the United States. He
6 acknowledged that. You've spoken on that in the past very
7 clearly. Do you have any further ideas about what we might
8 do to have our allies carry a bit more of the load?

9 Dr. Gates: Well, this is one area where one might
10 hope, in the long term, that Mr. Putin has done us a favor
11 by reminding the Europeans that, actually, the world has not
12 gone on to broad, sunny uplands where there is peace and
13 tranquility all the time. The reality is, many years ago
14 NATO countries all committed to spend at least 2 percent of
15 GDP on defense. When I left office, there were five
16 countries out of 28 that met that threshold, and two of them
17 were Greece and Croatia. So, it gives you a measure of
18 where the others need to pull up their socks. And, as you
19 say, I spoke very bluntly about this, including in Brussels
20 in my last speech in Europe. Probably never be welcome in
21 Europe again, either.

22 [Laughter.]

23 Dr. Gates: But, the -- but, no, I -- and I think the
24 more that -- particularly, the more that Members of Congress
25 from both parties talk to their counterparts in Parliaments

1 in Europe, that can only help, in my view.

2 Senator Sessions: Thank you.

3 Chairman McCain: Senator Heinrich.

4 Senator Heinrich: Dr. Gates, in your speech on budget
5 austerity at the Eisenhower Library, you said that, quote,
6 "Eisenhower was wary of seeing his beloved republic turn
7 into a musclebound garrison state, militarily strong but
8 economically stagnant and strategically insolvent," unquote.

9 As you've heard, we've got a lot of digit -- very
10 difficult appropriations challenges coming up in the next
11 few months, and I wanted to ask you if you have any opinions
12 as to what Eisenhower might think of the proposal to use the
13 overseas contingency operations fund -- i.e., the war fund
14 -- to cover base-level DOD budget items, or whether you
15 might have some thoughts on that.

16 Dr. Gates: Well, I think I expressed my view that
17 these kinds of ad hoc arrangements are never at all as
18 satisfying or as cost effective as regular-order business in
19 which choices are made and decisions are made based on those
20 choices, and dollars allocated. And there may be more
21 dollars, there may be fewer dollars, but at least people
22 have some predictability. I would also tell you that having
23 some predictability year-on-year would be helpful. And so,
24 I think that, obviously, regular-order business, in terms of
25 managing these budgets -- that's really what I was talking

1 about in a good part of my remarks -- having regular
2 appropriated defense budgets that actually begin on the --
3 at the beginning of the fiscal year is the way things ought
4 to work, and they have not worked that way up here for at
5 least 10 years. That needs to be fixed.

6 By the same token, as I said, when I'm -- when I was
7 the Secretary, if I were confronted with the situation that
8 I face now, my sense would be to take the money, because
9 what's my alternative, and what kinds of programs am I going
10 to have to have to cut in order to accommodate certain
11 defense needs?

12 Let me give you an example of a place where I made a
13 big mistake. In 2010, I -- this committee and others were
14 very unhappy about supplementals, and talking about moving
15 away from supplementals. And I knew that, when the wars
16 were over, those supplementals, or now the OCOs, would go
17 away. A lot of the funding that we had for military
18 families and for families of wounded warriors, and wounded
19 warriors, were being funded through the supplementals. I
20 moved all those programs, or as many of those programs as I
21 could, into the base budget, in the belief we would need
22 those programs for years and years and years to come. Well,
23 guess what? All of those programs are now being hit by
24 sequestration and by continuing resolutions and everything
25 else. So, what I thought would protect those programs ended

1 up making them vulnerable; whereas, if I'd have left them on
2 the OCOs, they'd still be fully funded. So, that's -- those
3 are the perverse consequences of not having regular
4 appropriations bills.

5 I would make one other observation about Eisenhower and
6 his military industrial complex speech. It gets quoted a
7 lot. But, there's one factoid that people don't usually
8 include. When Eisenhower made that speech in 1961, the
9 defense budget accounted for 51 percent of Federal spending.
10 Today, it's 15 percent.

11 Senator Heinrich: Shifting gears a little bit with the
12 rest of my time. Do you have general thoughts on how you
13 build sort of a culture of incentives and values that really
14 value off-the-shelf solutions, where they're appropriate,
15 within the acquisition process and the procurement process,
16 rather than sort of having this inherent bias towards
17 exquisite new programs and products?

18 Dr. Gates: I think that there are obviously areas in
19 which you ought to buy off-the-shelf capabilities. And,
20 frankly, one of the great cultural shifts in the national
21 security arena actually occurred in the early 1980s, when
22 we, in the intelligence arena that had always led the way in
23 developing data processing, data storage, data management,
24 were discovering that the private sector was far
25 outstripping us in terms of their capabilities. And so,

1 beginning in the mid-'80s, we began buying off-the-shelf
2 software; and hardware, for that matter. So, there are
3 areas like that, where I think that, in fact, the private
4 sector is way ahead of the government and where we can buy
5 off-the-shelf capabilities that will actually improve our
6 capabilities. There will be some areas -- and these are
7 always the areas that are contentious, but -- that have to
8 do with some specific military capabilities where you are in
9 the realm of completely new technology, and those are the
10 places where you're going to have to take risk and you're
11 going to have to realize that there probably are going to be
12 cost overruns. Most of the highly advanced --
13 technologically advanced programs defense has had for the
14 last 30 or 40 years have all, in their initial years, had
15 cost overruns. And partly it's because we're dealing with,
16 and trying to do, things that have never been done before.

17 Senator Heinrich: Dr. Gates, I want to thank you for
18 subjecting yourself to this today. We appreciate it.

19 [Laughter.]

20 Chairman McCain: Senator Inhofe.

21 Senator Inhofe: Thank you, Mr. Chairman.

22 And, Dr. Gates, I agree with the statement that was
23 made by our Chairman, that there's no one better suited for
24 the reform that we're looking at, and we're hoping for and
25 we're anticipating, than you. And I also want to say that,

1 during the various incarnations you've had, I've always
2 enjoyed personally working with you. You've gone out of
3 your way to have dinners with individuals and really tried
4 to work with us more than anyone else has. So, I thank you
5 for that.

6 You know, you observed that in 1961 it was 51 percent
7 of the budget, and it's now 15 percent. And that's a
8 problem. It's the lowest percentage since World War II, I
9 guess. But, that isn't the problem we're addressing today.
10 That is a problem, but what we're talking about is the tooth
11 and the tail.

12 Now, both you and Secretary Hagel sought to shrink the
13 inflated headquarters and major combat commands' tasks
14 during the -- your respective times as Secretary of Defense.
15 Secretary Carter initiated a targeted 20-percent reduction
16 in the staff during his deputy time -- Deputy Secretary.
17 And in August of this year, Deputy of Defense Secretary
18 Robert Work sent all services a memo entitled "Cost
19 Reduction Targets for Major Headquarters," ordering
20 preparation for a 25-percent cut in appropriations from 2017
21 to 2020. I think that's great, and we supported it. In
22 fact, our defense authorization bill has a lot of language
23 in there that says this is what we're going to -- we need to
24 do. And it's a major problem.

25 Let me just ask you to think about something that

1 hasn't been brought up yet. It's an observation that I've
2 made a long time ago. And that is the problem you have with
3 bureaucracies in general. Bureaucracies don't want to get
4 smaller, they want to grow. It was Reagan who said, "There
5 is nothing closer to life eternal on the face of this Earth
6 than a government agency once formed." We both remember
7 that. I -- and so, every time it seems that there is a
8 bureaucracy that is asked to reduce its overhead -- and
9 that's what we're talking about today, the headquarters, its
10 overhead -- they will pick out -- cherry pick something that
11 they do that the public is so concerned about.

12 Let me give you an example. I've introduced
13 legislation -- in fact, I passed legislation that addresses
14 the FAA and their treatment of general aviation. I have a
15 second bill called the Bill of Rights II. I had problems
16 with reams and reams of bureaucrats from that Department out
17 lobbying, knowing they had a lot of people out there on
18 their staff. If you look at the FAA -- in 1990, their --
19 the total number of pilots that they regulated, which is
20 primarily what they were doing in the year 2000, was 625
21 pilots. Today it's 593 pilots. So, the workload is
22 actually reduced. And yet, in 19- -- in the year 2000,
23 their budget was \$9.9 billion, and in -- and then in --
24 today it's 16- -- let's see, it grew from -- yeah, it grew
25 to -- from 9.9 billion to 16.6 billion. So, that's an

1 increase of \$67 billion. Now, what did they do -- every
2 time there is some kind of an effort by me, on the radio, or
3 something else, talking about how it is an inflated
4 bureaucracy that doesn't have the workload they had 5 years
5 ago, that their budget is 67 percent more. Every time they
6 do that, they would say, "All right, we'll go ahead and
7 start reducing." What did they reduce? They reduced things
8 that scare people. They reduce thing -- the controllers --
9 the number of controllers that are out there. And I could
10 give you a lot of examples, but I don't have to, because I
11 know that you know this.

12 So, is this -- how do you -- how -- is there a way to
13 handle this? I think that should be considered in this
14 whole discussion. And, even though I had to leave to
15 another committee hearing, I don't -- I suspect that part
16 wasn't brought up. What are your thoughts here?

17 Dr. Gates: It just so happens, Senator, that, in
18 January, I have a new book coming out --

19 [Laughter.]

20 Dr. Gates: -- that specifically addresses -- the
21 subtitle is "Lessons on Change and Reform from 50 Years of
22 Public Service," and it's how you lead and change big
23 bureaucracies, and how you bring about change. And one of
24 the elements in that book, for example, is how to use a
25 period of budget stringency to change the way an

1 organization does its business. It creates an opportunity
2 for a leader who's determined to change things and make them
3 better, because you don't have enough money to do all the
4 things that you've been doing, and, therefore, you have to
5 think about how you'd do it differently.

6 I had -- we had a lot of programs that -- as we
7 referred to earlier -- in a 4-month period, we came up with
8 \$180 billion in overhead cuts in the Defense Department over
9 a multiyear period. This was in 2010. Now, some of those
10 cuts created a strong reaction, including here on the Hill.
11 Senator Kaine will recall the reaction when we -- when I
12 shuttered Joint Forces Command in Norfolk. And I had the
13 entire Virginia delegation on my doorstep. Actually, in my
14 office. And --

15 [Laughter.]

16 Chairman McCain: And the then-Governor.

17 Dr. Gates: And the then-Governor.

18 [Laughter.]

19 Chairman McCain: Who was the worst.

20 [Laughter.]

21 Dr. Gates: And -- but, the point I'm trying to make
22 is, first of all, we cut \$80 billion out of the Defense
23 Department, generally, but what I assigned the services to
24 do was to find \$100 billion in cuts on their own, just in
25 the services. But, what I did, with the approval of the

1 President, was to tell them, "If you find \$100 billion -- if
2 you find the cut, if you meet the target that I've given
3 you, and then you show me new military capabilities or
4 expanded military capabilities that are actually tooth, I'll
5 give you the money back to invest in those." So, they were
6 incentivized. It wasn't a zero-sum game for them, where
7 anything they identified, they were going to lose. But, it
8 forced them to address this tail-and-tooth issue and created
9 both penalties if they didn't achieve the goals, but an
10 incentive for them to find and be successful in the effort.

11 One of those things -- and it goes to one of the
12 questions that the committee is addressing -- the number of
13 general officers. As part of that exercise, we took an
14 initial swipe at senior leadership in the Department, and
15 our objective -- and I -- this is one of those things you
16 start and you never know whether it came out -- but, we
17 proposed cutting 50 four-star positions -- or 50 general-
18 officer positions and, I think, twice that number of senior
19 civilian positions.

20 You can do this. But, the thing that it requires,
21 whether it's the FAA or the Defense Department or anyplace
22 else -- it requires the person in charge to monitor it
23 almost daily and to make sure that people are doing what
24 they said -- what they signed up to do or the assignment
25 that they were given. In effect, you have to regularly

1 grade their homework. You can't tell somebody -- you can't
2 tell a service secretary, "I want you to cut \$25 billion in
3 overhead over the next 5 years," and then, a year later, ask
4 him how he's doing. What you need is to ask him in 2 weeks,
5 "What's your plan?" And in a week after that, or 2 weeks
6 after that, "How are you doing on implementation?"

7 So, you can do these things, Senators. You can make
8 these bureaucracies work. And that's kind of the thesis of
9 the book, but it's kind of, How do you do that? Because it
10 clearly is not done very often. And one of the things that
11 I did, and for which this committee expressed a great deal
12 of appreciation at the time, was actually holding people
13 accountable. You know, people get fired in Washington all
14 the time for scandals and doing things wrong and that kind
15 of stuff. Hardly anybody ever gets fired in this city for
16 just not doing their job well enough.

17 Senator Inhofe: Yeah. Good for you.

18 Dr. Gates: I mean, that's what was rare, was somebody
19 getting fired because they didn't do their job well enough.
20 You need a little bit more of that in this city.

21 Senator Inhofe: Yeah. Well, my time is expired, but
22 that's a great answer to that question, and I appreciate it.
23 And, by the way, I'll swap you books. I have a chapter in
24 mine on this, too.

25 [Laughter.]

1 Senator Inhofe: Thank you, Mr. Chairman.

2 Chairman McCain: I hope they're available on audio.

3 [Laughter.]

4 Chairman McCain: Senator Hirono.

5 Senator Hirono: Thank you, Mr. Chairman.

6 Dr. Gates, thank you very much for your very strong
7 statement about Congress's responsibility to govern through
8 compromise. And we have been wrestling with the very
9 negative impacts of sequester on both a defense and
10 nondefense side, so my hope is that there will be a
11 compromise that will achieve sequester relief for both
12 sides, both segments, because national security is more than
13 just defense. I'm not trying to lecture you or anything,
14 because I certainly respect your views.

15 You mentioned, during the Cold War, that we had a broad
16 strategy of containment. And with all of the conflicts that
17 continue to arise in the Middle East -- and I think you did
18 note that we're in an environment now where some of these
19 conflicts, or maybe many of these conflicts, are
20 unpredictable, that we don't have a strategy, like strategy
21 in the Middle East. Now, I think, after our experience --
22 decade-long experience in Iraq and Afghanistan, that there
23 is a desire that boots on the ground in the Middle East
24 should not be U.S. boots. So, from that flows a number of
25 possibly what I would consider strategic kinds of decisions.

1 And so, that may be one of the reasons -- our unwillingness
2 at this point to put our own boots on the ground in the
3 Middle East may be one of the -- would you consider that a
4 -- perhaps not a strategic decision, but one that really --
5 from which flows a lot of the -- our response to what goes
6 on in the Middle East?

7 Dr. Gates: Well, first of all, I think, when it comes
8 to something that specific, it would be a mistake to have,
9 in essence, a one-size-fits-all that basically says, from
10 Pakistan to Morocco, the United States will have no boots on
11 the ground. The truth is, we have -- just as one example,
12 we have 600 sets of boots on the ground in Sinai as part of
13 a peacekeeping operation that's been there since the 1973
14 war. Are we going to pull those guys out because that's
15 boots on the ground? We have --

16 Senator Hirono: No, but -- well, we're talking about
17 in combat --

18 Dr. Gates: Well --

19 Senator Hirono: -- and in long-term.

20 Dr. Gates: But, my point is, then you're beginning to
21 make some distinctions. So, you could have boots on the
22 ground as long as they're not in combat. So, does that
23 allow advisory work? Does that allow them to be spotters
24 for airplanes?

25 So, I guess my feeling is that the first thing about a

1 strategy is identifying what are our interests, what are we
2 trying to -- what are we trying to protect? What are we
3 trying to prevent from happening? And then you work back
4 from those answers into the techniques, the tactics by which
5 you try to accomplish those broader objectives or that
6 broader strategy. And I think that the solutions,
7 particularly where the situations are so complex in the
8 Middle East, where you have multiple different kinds of
9 conflicts going on, the solution for each country or each
10 part of the problem may be different. But, you do need an
11 overarching strategy that at least tells you: What am I
12 trying to achieve out here? -- and that also -- I mean, if I
13 had to put a negative in there of what we think we've
14 learned, it is to be very modest about our ability to shape
15 events in that part of the world. That doesn't mean we
16 should stay out. It doesn't mean we should do nothing.
17 But, we also ought to make sure that our strategy doesn't
18 include grandiose objectives that are fundamentally
19 unachievable.

20 Senator Hirono: I agree with you there. Perhaps one
21 of the areas of the world where we do have what I would
22 consider a strategy is in the Asia-Pacific area with the
23 Indo-Asia-Pacific rebalance. Would you agree that that is a
24 strategy?

25 Dr. Gates: Yeah. And I think, you know, despite --

1 you know, going back several Presidents, we've had several
2 Presidents, during their campaigns, take one position toward
3 China, which, when they became President, they adjusted.
4 And so, I think, while we don't have, if you will, an
5 explicit bipartisan agreement on strategy in Asia, I think
6 there is a pretty broad agreement across both parties, the
7 leaders of both parties, in terms of how we -- except for
8 maybe one or two presidential candidates -- about how you
9 deal with China, how we -- how -- what our strategy ought to
10 be in Asia. So, I -- I guess I'm fundamentally agreeing. I
11 think, in Asia it's more implicit than explicit, but I think
12 there is a pretty broad bipartisan agreement on the role we
13 ought to play in Asia.

14 Senator Hirono: Thank you very much.

15 Chairman McCain: Senator Ernst.

16 Senator Ernst: Thank you, Mr. Chair.

17 Thank you, Secretary, very much for being here. I
18 appreciate your service to the Nation in your many, many
19 capacities. So, thank you.

20 Secretary, you were successful in getting MRAPs, body
21 armor, and drones to the field to support our warfighters.
22 And to do that, even while we were undergoing sustained
23 ground combat, you really had to fight the bureaucracy at
24 the Pentagon to achieve that. So, we're glad that you did
25 that and you took that step to make sure our warfighters

1 were protected. But, I am afraid that, after you left, it
2 has reverted back to the same old, same old. I'd like to
3 see some more pushback out there.

4 But, just for example, the Army has spent 10 years
5 trying to figure out how to buy a new handgun. Ten years on
6 how to buy a new handgun, an end item with a total cost of
7 just a few hundred dollars per item. Ten and a half years,
8 or half a dozen industry days later, the Army produces a
9 351-page request for proposal -- 351 pages -- for a handgun.
10 And whatever is in these pages, it isn't a lean or
11 streamlined acquisition process responsive to the needs of
12 our warfighters. And, because of the bureaucracy and a lack
13 of responsiveness to anyone who isn't engaged in the Special
14 Operations arena, our soldiers have handguns that are over
15 30 years old; and, in recent surveys, they have stated that
16 they absolutely hate those small arms. What should Congress
17 do to get the Army to fix this mess for small arms and for
18 all items, really, that our soldiers need on the ground in a
19 time of war?

20 Dr. Gates: Well, it seems to me that -- I mean, my
21 friends in the Army are not going to like my answer, but --

22 Senator Ernst: That's okay.

23 Dr. Gates: -- but, I think -- you know, what it is
24 about is calling the Secretary of the Army and the Chief of
25 Staff of the Army and the Chief of Acquisitions to sit at

1 this table and ask that question, "Why has it taken you guys
2 10 years?" This is absurd. And, "Why is it a 350-page
3 RFP?" It's a handgun, for God's sake.

4 And, you know, again, I always come back to the same
5 theme. Most bureaucracies have a stifling effect. It's
6 just in the culture. It's in the DNA. And what is required
7 are disruptors. And if you have people in senior positions
8 who are not disruptors, you need to make them into
9 disruptors. And the way you do that is by holding them
10 personally accountable.

11 Senator Ernst: I appreciate that, thank you. And I
12 like that answer, so I don't know why they wouldn't. But, I
13 think you're right on, there.

14 I would like to talk a little bit about the Middle
15 East, as well. In the past, you've called for a safe haven
16 to help end the humanitarian disaster in Syria. And I'd
17 like to direct my attention to Iraq, because we do have a
18 humanitarian disaster in Iraq, as well. I believe we have a
19 safe haven there, which is Iraqi Kurdistan. They have taken
20 in nearly 1.6 million refugees. Many of them are
21 Christians. And our KRG friends who are providing that safe
22 haven, they are really unequipped to provide for the influx
23 of all those folks. The Peshmerga are also fighting, with
24 limited resources, against an enemy which seems to have an
25 endless supply of weapons and other types of equipment, to

1 include many weapons procured through various processes from
2 the United States, whether that's simply picking items up
3 off the ground that have been left behind via other security
4 forces. So, how important, in your opinion, has the U.S.
5 relationship with the Iraqi Kurds been for our country and
6 for the DOD over the past quarter of a century?

7 Dr. Gates: Well, I think it's -- I think it's a very
8 important relationship. I think it's worth noting that I
9 think the Chairman of the Joint Chiefs is either there right
10 now or has just been there.

11 I mean, my view is that one of the things we ought to
12 be -- I said this in an interview, and I probably was a
13 little more blunt than I should have been, but I think that
14 the idea of training indigenous fighters outside of a
15 country, and then reinfiltrating them, was probably never
16 going to work. I think one of the things that could work is
17 to identify groups, particularly tribes and ethnic groups,
18 that have shown they are prepared to defend their own
19 territory against ISIS, and provide weapons to those tribes
20 and those religious groups. They may not fight in Iraq or
21 outside of their own turf against ISIS, but they may well
22 fight to the death to protect their own homeland, their own
23 villages, and so on. And so, finding those groups and
24 arming them at least begins to contain ISIS and presents
25 them with a diverse number of enemies that make it difficult

1 for them to further expand their activities. And I would
2 include, above all among those groups, the Kurds.

3 Senator Ernst: Thank you very much. I appreciate your
4 answer, Secretary.

5 Thank you, Mr. Chair.

6 Chairman McCain: That was what the Anbar Awakening was
7 all about, right, Mr. Secretary? My crack staff tells me
8 that, in this RFP, the Army specified everything the handgun
9 needed to do, including comply with the current boar brush,
10 but they didn't specific what caliber the weapon should --

11 [Laughter.]

12 Chairman McCain: Governor Kaine.

13 Senator Kaine: Thank you, Senator and -- McCain -- Mr.
14 Chair.

15 And thank you to you, Dr. Gates, for your service. And
16 we have a special affection for you because of your service
17 to your alma mater, William & Mary.

18 I want to really focus on the last bit of your
19 testimony, which is what Congress can do better, and, in
20 particular -- we have a hearing right now in the Budget
21 Committee about Federal budget reform. You testified that,
22 I think, only 2 years during the years that you were the
23 SECDEF were you dealing with a full appropriations bill on
24 the first day of the fiscal year. Otherwise, you were
25 dealing with CRs. You and your colleagues in the Secretary

1 of Defense dealt with CRs, you dealt with sequestration, you
2 dealt with furloughs, you dealt with threats of all of the
3 above, you dealt with brinksmanship over debt ceiling
4 limitations, you dealt with a high degree of uncertainty as
5 you're planning, you know, "Do I -- what scenario do I run,
6 in terms of the resources that I'll have? Will I have it --
7 are we going to have to absorb the full sequester, be it the
8 budget caps? Will there be some relief?"

9 Talk a little bit about the strategic challenge that it
10 presents to the entire defense mission of the United States
11 when you're dealing with the degree of congressional
12 budgetary uncertainty that we've seen in the Nation in the
13 past number of years.

14 Dr. Gates: Well, it -- as I said in my comments, we
15 have had a -- an appropriations bill at the beginning of the
16 fiscal year twice in the last 10 years. And, believe me, it
17 was, I think, probably the 9th and 10th year ago. I
18 submitted, through the President, five budgets to the
19 Congress as Secretary, and never once had an appropriation
20 at the beginning of the fiscal year.

21 The problem is, you then have to straight-line your
22 spending, you have to adjust all of your spending, because
23 you can't spend -- you can't start anything new, you can't
24 spend anything more on anything. And then you get several
25 months into the fiscal year, and all of a sudden you've got

1 money. So, instead of disbursing the money over a 12-month
2 period in a rational and planned way, you have to hurry up
3 at the end of the fiscal year. When you get a cut of 30
4 percent in the operations budget halfway through the fiscal
5 year, which is what happened in 2013 because of
6 sequestration, that's when you ended up with a third of the
7 Air Force Active Duty fighter wings grounded. That's when
8 you didn't have the money to deploy the Harry S. Truman to
9 the Persian Gulf. Those are the very real consequences.

10 And this uncertainty ripples down to every level. And
11 so, what you have are commanders at lower levels not wanting
12 to get caught short, so they're very conservative in the way
13 they spend their money, because they don't know what's going
14 to happen. And so, you have less training, less exercises,
15 less maintenance. I mean, these are all the things that can
16 be put off, and they are being put off. And the backlog of
17 maintenance in the Navy, for example, is becoming huge, but
18 it's because of this uncertainty of when we're going to get
19 something.

20 I mentioned, in my prepared statement, often in the --
21 in a program -- in a development of a program, you -- when
22 you move from one year to the next, you create the
23 opportunity to significantly ramp up production. And when
24 you ramp up the numbers, the costs go down. You lose those
25 opportunities if you don't have the money to ramp up because

1 you don't know whether you're going to have the resources to
2 do that, or even the authority, if you've got a continuing
3 resolution.

4 So, it has -- you know, I mean, it has a huge ripple
5 effect -- even a continuing resolution -- a huge ripple
6 effect throughout this entire giant organization, and you
7 just -- you know, I used to say -- I used to say, when
8 testifying up here, I'd say, "You guys expect me -- I've got
9 the biggest supertanker in the world, and you expect me to
10 run it like a skiff." And that's just impossible.

11 Senator Kaine: Let me compare uncertainty, because, at
12 the start of your testimony, you talked about there can be a
13 conventional wisdom that you challenge that, "Oh, the world
14 is more uncertain now than it's been -- more dangerous than
15 it's been," but you sort of walked through from World War II
16 to today, and you pointed out, decade by decade, the
17 challenges. And, while we may not be able to predict the
18 next challenge, that there will be challenges is actually
19 fairly easy to predict, based on past history. You've
20 testified that you don't think the OCO account is
21 particularly smart, in terms of budgeting. And you would
22 try to put stuff in the base account. But, it seems to me
23 that the mission of national defense is probably, in real
24 terms, kind of more threatened by uncertainty here than
25 uncertainty in the world. Bad things are going to happen in

1 the world, and we know it. And we're not necessarily going
2 to be able to stop that. We can predict that they will,
3 even if we can't predict the particular one. The
4 uncertainty that we can fix here is the uncertainty of our
5 own budgetary dysfunction.

6 Dr. Gates: I sometimes say -- when I'm talking to
7 groups and at universities, I get asked, "What's the biggest
8 national security threat to the United States?" And I say,
9 "Well, fundamentally, and I'm not kidding, it can be found
10 within the two square miles that encompass the Capitol
11 building and the White House," because if we can't solve
12 these problems, if we can't get through and begin to address
13 some of the tough problems facing this country, there is no
14 single foreign threat that is more dangerous to the future
15 of the United States than that.

16 Senator Kaine: Thank you, Dr. Gates.

17 Chairman McCain: When you have the CRs and the
18 sequestration that you mentioned, and the uncertainty that
19 it breeds, doesn't it, over time, have a significant effect
20 on morale and retention?

21 Dr. Gates: Absolutely. And I think, you know, if Bob
22 Hale, who was referenced earlier, who was the comptroller
23 while I was Secretary -- Bob wrote an article about the
24 consequences for morale of all of these changes and all this
25 uncertainty and so on. People just get discouraged. I

1 mean, they do all this planning, and they do -- and then it
2 all comes to naught. And, you know -- and I told General
3 Odierno and General Amos, before I left -- I said, "My
4 biggest worry is how you -- as these wars ramp down -- is
5 how -- you have given these young officers and NCOs amazing
6 independence and opportunity to be entrepreneurial,
7 innovative, thoughtful, and out there on their own doing
8 amazing things" -- these are really the captains and the
9 NCOs' wars -- I said, "And if you bring them back to the
10 Pentagon and put them in a cubicle, you're going to lose
11 them, you're going to lose the best of these young people."

12 I believe that this continuing uncertainty about the
13 future -- I mean, pilots join the Air Force to fly. People
14 join the Army to drive tanks and other equipment. People
15 join the Navy to go to sea. And when you tell them you're
16 not going to train as much as you thought you were, you're
17 not going to fly, you're not going to sail, you're not going
18 to drive as much as you thought you were, I think there's a
19 very real risk that these uncertainties are going to lead to
20 a bleeding out of some of the most innovative and desirable
21 young people we have in the military who just, frankly, get
22 fed up.

23 Chairman McCain: Senator Ayotte.

24 Senator Ayotte: Thank you, Chairman.

25 I want to thank you, Dr. Gates, for your incredible

1 record of service to our country.

2 And I certainly hope, as you have rightly said to us
3 today, that we can come together to address sequester with a
4 budget agreement that is going to make sure that you have
5 that certainty and that our men and women in uniform have
6 that, given the challenges we are facing around the world,
7 so that they can plan and make the right decisions that need
8 to be made to make sure that the Nation is safe.

9 I want to shift gears a little bit and ask on a topic,
10 first of all, that I noticed, in an op-ed that you and
11 Secretary -- former Secretary of State Condoleezza Rice
12 wrote recently on the situation with Russia and the
13 engagement that Russia is taking in Syria to keep Assad in
14 power, in cooperation with the Iranians. And wanted to ask
15 your thought process about, as we look at what Russia is
16 doing right now, what you think that their goals are, and
17 also what you think we should be taking as steps.

18 We recently had testimony before this committee from
19 General Keane and General Jones, both very distinguished
20 retired generals, and one thing they said really struck me,
21 that they believe that if we continue the current course
22 with our interactions with Russia, they believe it could be
23 the end of NATO if NATO doesn't further step up, also, to
24 help address not only this -- we think about what's
25 happening in Syria, but also the situation with Ukraine and

1 what is happening in that region.

2 So, I wanted to get your thoughts on Russia and where
3 you think we should be stepping up.

4 Dr. Gates: Well, I had a number of opportunities to
5 interact with Mr. Putin when I was Secretary. We actually
6 had an interesting relationship because of our respective
7 backgrounds in intelligence. I would sometimes remind him
8 that I was Deputy Director of CIA when he was a lieutenant
9 colonel serving in southern East Germany, but --

10 [Laughter.]

11 Dr. Gates: What Putin has been most impacted by, in my
12 view, was the collapse of, not just the Soviet Union, but
13 the Russian Empire. Russia's borders today are roughly what
14 they were when Catherine the Great was Empress. Ukraine has
15 been part of the Russian Empire for a very long time.

16 Putin is all about lost power, lost glory, lost empire.
17 And he is not crazy. He is very much an opportunist. But,
18 what -- I think he has two basic strategic objectives. The
19 first is to restore Russia to great-power status so that no
20 problem in the world can be addressed without Russia's
21 involvement and without Russia's agreement. And the second
22 is as old as the Russian Empire itself, and that is to
23 create a buffer of states friendly to Russia on the
24 periphery of Russia. And if he can't create friendly
25 states, then frozen states, where the West can no longer

1 expand its influence, and Russia can hold -- have at least a
2 barrier. And that's what happened, if you will, in eastern
3 Ukraine.

4 So, I think those are his objectives, and I think that
5 he will be very opportunistic in pressing those objectives.
6 But, at the same time, he is not a madman. And I think if
7 he runs -- if he encounters resistance, he will hesitate, he
8 will pull back.

9 And so, I think that he has seen an opportunity to
10 cement Russia's position in the Middle East through helping
11 Assad. I don't think -- as I -- as Condi and I said in the
12 op-ed, he's not particularly sentimental. When the time
13 comes for Assad to go, Putin will be happy to throw him
14 overboard whenever that's convenient, as long as Russia has
15 another person coming in who will be attentive to their
16 interests and allow them to keep the naval base at Tartus
17 and their position -- their military position in Syria.

18 So, the question then is, What do you do about this?
19 And I think that -- oh, and I guess one other thing I would
20 add is -- also in the back of Putin's head: as he sees
21 opportunities, if he also has the opportunity to poke the
22 United States in the eye, he will never miss that
23 opportunity.

24 So, the question is, How do you -- where do you resist
25 him? Where do you push? And frankly, in Ukraine, Putin has

1 escalation control. He has a lot more forces on the
2 Ukrainian border than we or NATO can put on the opposite
3 side, or are willing to put. We also happen to have a
4 pretty dysfunctional government in Kiev, which makes our
5 trying to help them even more difficult.

6 So, the question is, then, Where do you have the chance
7 to establish some limits? And it seems to me one of those
8 places where he is at the end of a long supply line, and we
9 have some real assets, is in the Middle East. And I think
10 that there is an opportunity to draw some lines in Syria
11 that -- let me frame it another way.

12 I think we should decide what we want to do in Syria,
13 whether it's a safe haven or anything else, and basically
14 say -- just tell the Russians, "This is what we're going to
15 do. Stay out of the way." And if it's a safe haven, and
16 it's in an area that doesn't threaten Assad's hold on power,
17 then it seems to me that the chances of them challenging us
18 are significantly reduced.

19 But, at a certain point, first of all, I think we need
20 to stop talking about whether these actions make them look
21 weak, or he doesn't know what he's doing, or whatever. I
22 think he knows exactly what he's doing. And at least in the
23 short-to-medium term, he's being successful at it.

24 Senator Ayotte: Thank you.

25 Chairman McCain: Fortunately, he's in a quagmire.

1 Governor King.

2 Senator King: Thank you, Mr. Chairman.

3 Dr. Gates, welcome. It's a delight. Your testimony
4 has been provocative in many ways.

5 In fact, one of the -- my first comment is, you talked
6 about the USIA. And we abolished the USIA in 1998, and now
7 its successor agencies have, according to my quick
8 calculations, about half the budget that it had, and yet,
9 one of the reasons we're having such a problem with ISIS is,
10 we're losing the war of public opinion, particularly in the
11 Middle East. That was a -- in retrospect, a strategic
12 error, in terms of our ability to combat the idea, which is
13 a very important part of this conflict. Would you agree?

14 Dr. Gates: Totally. You know, I would run into people
15 from Pakistan to Morocco and elsewhere, and they would say
16 they learned to speak English in a USIA library. We had a
17 -- USIA libraries in virtually every major city in the
18 world. And these guys would go there as kids. They would
19 say, "We went there because it was the only building in town
20 that was air-conditioned."

21 [Laughter.]

22 Dr. Gates: But -- they learned to speak English, but
23 they also learned something about America. And these
24 libraries and these activities were very important.

25 And then, obviously, during the Cold War, we had all

1 these capabilities. And it wasn't just USIA. CIA had a
2 huge covert propaganda operation going on. We infiltrated
3 millions of miniaturized copies of the Gulag Archipelago
4 into the Soviet Union over the years, and magazines and
5 stuff like that.

6 So, it was both an overt -- a complementary overt and
7 covert policy that extended the reach of the message that
8 the United States wanted to communicate to other countries,
9 extraordinarily -- and we -- what we have now is a pale
10 reflection of all of that.

11 Senator King: And yet, that's an essential element of
12 the war that we're in now.

13 Dr. Gates: Absolutely.

14 Senator King: Second point. You talked about how to
15 fix the bureaucracy. And I kept thinking, as you were
16 talking, what you were really talking about is leadership,
17 that organizational structure, you can mess around with, you
18 can change. And then, when you talked about the budget
19 process here, we could change things, have a biennial budget
20 or a different kind of budget. But, the -- we have a budget
21 process: pass authorization bills and then pass
22 appropriations bills. We don't do it. Wouldn't you agree?
23 It's really a failure of leadership. It's not a failure of
24 structure or good intentions.

25 Dr. Gates: It is a failure of politicians to do

1 politics. Politics is about leadership, but also about
2 making choices and making decisions.

3 You know, one of my favorite Churchill quotes is,
4 "Having one's ear to the ground is a very awkward position
5 from which to lead."

6 [Laughter.]

7 Senator King: My favorite -- I'll trade Churchill
8 quotes -- my favorite is, "Success consists of going from
9 failure to failure without a loss of enthusiasm."

10 [Laughter.]

11 Senator King: We had a very interesting hearing last
12 week on the aircraft carrier and overruns. And as we got
13 into the subject, it became apparent that one of the
14 problems was trying to cram a lot of new technology into a
15 -- an asset that's going to have to last 40 or 50 years.
16 You could say the same about the F-35 or other new weapon
17 systems. How do we deal with the problem of new technology,
18 which involves risk, which involves time, which involves
19 mistakes and rework, and yet we can't afford to be building
20 obsolete weapon systems? Do you see the challenge?

21 Dr. Gates: Well, I think that -- let me use a -- an
22 example from when I was Secretary. I stopped one new bomber
23 program, because I thought it was headed down the wrong
24 path. And I ultimately, before I left, approved the next-
25 generation bomber that the Air Force is bringing before you

1 all. But, I told them that they had to design it with a
2 couple of things in mind. First of all, they needed to be
3 -- we didn't want to repeat the B-1 -- or the B-2 bomber,
4 where, because we kept reducing the buy, we ended up with 20
5 of them, and so they ended up costing \$2 billion apiece.
6 So, when we lost one on Guam, that's 5 percent of our bomber
7 force, and it's \$2 billion. So, I said, "You've got to
8 build it -- you've got to design it so that you can buy at
9 least 100. And you have to keep the cost -- you have to
10 start with technology that you understand."

11 So, your colleague was talking about off-the-shelf
12 hardware. I think that, you know, if you look at the B-52
13 -- I was born and grew up in Wichita; they built the B-52
14 when I was in elementary school and middle school. And
15 they're still flying. Now, there's not much original left
16 in the B-2. But, the point is, those planes were built in
17 such a way that we have been able to enhance their
18 capabilities as new technology has come along, for decades.
19 That's what we need to do with the next-generation bomber.
20 It needs to be something that we know we can get off the
21 ground for a reasonable price, and then, as new technologies
22 become available, integrate them into that system.

23 Whether you can do that with an aircraft carrier -- I
24 got into a huge amount of trouble with the Navy League
25 several years ago, when I made the mistake of telling them,

1 at their meeting, "We ought to think long and hard about the
2 long-term missions of aircraft carriers," and particularly
3 as China was working on their anti-access area-denial
4 capabilities.

5 But, I think that -- I mean, we need to think about
6 these systems more in terms of how we can get the best
7 technology we can, that we have available, that we know
8 works; build it, and then enhance it as we go along. That
9 may not get you the most tremendously advanced capability,
10 but you'll have a larger number.

11 I mean, one of the reasons the number of Navy ships is
12 down so far is because each ship has become so incredibly
13 expensive. And, you know, the old line is, "Well, we have a
14 lot of quality." I mean, there's a lot of technological
15 capability in these things. Another one of my favorite
16 quotes from an unlikely source is Josef Stalin, who once
17 said, "At a certain point, quantity has a quality all of its
18 own."

19 [Laughter.]

20 Dr. Gates: And it goes to the Chairman's point, you
21 can't have the same aircraft carrier in the Persian Gulf and
22 the South China Sea at the same time. So, we've got to
23 figure out a way -- you know, having the most advanced
24 technological whatever in the world doesn't help you much if
25 you can only afford to build 20 of them. So, better to have

1 something that has somewhat less capability, where you might
2 be able to build hundreds --

3 Senator King: And modular --

4 Dr. Gates: -- and then upgrade them.

5 Senator King: And modularize it in some way so that
6 you can upgrade. I think that's an important concept.

7 Thank you. Appreciate it.

8 Thank you, Mr. Chairman.

9 Chairman McCain: In the defense bill, we do require
10 studies on other platforms. Maybe not do away with the
11 carrier, but certainly the dependency on one company
12 building it is part of -- I think, contributes to the
13 overrun problem. I think you would agree, Dr. Gates.

14 Dr. Gates: The absence of competition is never good.

15 Chairman McCain: Senator Cotton.

16 Senator Cotton: Secretary Gates, thank you very much
17 for your lifetime of service to our country and its national
18 security interests; in particular, your 4 and a half years
19 as a wartime Secretary of Defense, when your actions saved
20 hundreds, if not thousands, of lives of troops in Iraq and
21 Afghanistan.

22 Dr. Gates: Thank you.

23 Senator Cotton: Appreciate it.

24 In those many years as a leader in America's national
25 security establishment, can you recall a time when our

1 strategic interests were as threatened as they are today
2 across the Eurasian supercontinent?

3 Dr. Gates: Well, I think, you know, we have -- as I
4 mentioned at the very beginning of my remarks, every decade
5 has had a variety of challenges. I think it's probably fair
6 to say that we've not had as many challenges in as many and
7 widespread parts of the world as we do today, that the
8 occasions that that has happened have been pretty rare, I
9 think.

10 Senator Cotton: The one country that spans across the
11 entire continent and has a global interest, you might say,
12 like the United States, is Russia. Given some of Russia's
13 recent provocations, not just in Europe, but in the Middle
14 East, do you think that, as part of defense reform, we
15 should relook at our basing structures in Europe, to include
16 the possibility of moving permanently stationed troops to
17 the front lines of NATO, the Baltics, if not Poland?

18 Dr. Gates: I think that we need to increase -- well,
19 first of all, let me say, I agree with the steps that have
20 been taken to increase the presence of NATO and U.S. forces
21 in eastern Europe, particularly in Poland and in the Baltic
22 states. I think the idea of having equipment sets, as the
23 Pentagon is thinking about, has a lot of merit, in terms of
24 having the equipment already pre-positioned in Europe. I
25 think I would work very closely with our NATO partners, in

1 terms of the wisdom of having permanent U.S. bases in Poland
2 or in the Baltic states. There is always the risk of taking
3 a step too far and creating a consequence that you were
4 trying to prevent in the first place. And as in the case of
5 eastern Ukraine, the Russians have a lot more capability and
6 a lot shorter supply lines in that area than we do, but I
7 think enhancing the defensive patrolling out of the -- air
8 patrolling out of the Baltic states, challenging Russian
9 aircraft when they come up and go beyond where they should
10 go, and having regular exercises in eastern Europe -- the
11 truth is, Putin has provoked all of this. Our allies, when
12 I was Secretary, back in 2008-2009, when we would propose --
13 when the United States would propose having an exercise in
14 Poland or in the Baltic states, our NATO counterparts wanted
15 no part of it. So, one of the things Putin has achieved is
16 to create enough alarm in Europe that our allies are now
17 willing to participate with us in those kinds of forward
18 operations.

19 So, I'm -- I guess what I'm saying is, I totally
20 support advanced kit being over there. I totally support
21 the rotational presence and increased presence of our forces
22 and other NATO forces on a rotational basis. I think
23 whether you want to go to permanent bases is a tougher
24 question.

25 Senator Cotton: Okay. Another thing that Vladimir

1 Putin has done, especially in the last month, is display
2 some of his advances in missile technology to go along with
3 the boasts he's made. The United States, in recent years,
4 has accused Russia of developing a nuclear ground-launched
5 cruise missile, in violation of the Intermediate-Range
6 Nuclear Forces Treaty. Given that Vladimir Putin already
7 has nuclear weapons that hold all of Europe at risk, why do
8 you think he would be considering developing such a missile?
9 What does that tell us about the way he conceives his
10 nuclear strategy as part of his overall security strategy?

11 Dr. Gates: The Russian Defense Minister, as early as
12 2007, approached me about doing away with the INF Treaty.
13 And he said, "The irony is, the United States and Russia are
14 the only countries that cannot have intermediate-range
15 missiles." And then he said, "Now, of course, if we do away
16 with it, we would not put those missiles in the West, we'll
17 put them in the south and in the east," meaning Iran and
18 China. I wasn't sure I believed that at the time, but --
19 so, they've been interested in getting out of this treaty
20 for several years. And just as we unilaterally walked away
21 from the ABM Treaty early in the second Bush administration,
22 it would not surprise me in the least to see Russia walk
23 away from the INF Treaty and have the opportunity to deploy
24 more of these missiles.

25 Senator Cotton: And should we, (a) consider their

1 offer and abrogate the INF Treaty, and (b) regardless,
2 should we consider to begin the development of new nuclear
3 warheads that would be smaller, more versatile, to counter
4 the threat that Vladimir Putin is beginning to pose?

5 Dr. Gates: Well, theoretically, my answer would be
6 yes, but I would tell you, practically speaking, I spent
7 virtually the entire 4 and a half years that I was Secretary
8 of Defense trying to get the executive -- first, the
9 executive branch and then the Congress to figure out a way
10 to modernize the nuclear weapons we already have. That
11 effort was a signal failure. So, until -- if I have to have
12 a priority on developing nuclear weapons, it would be to
13 modernize the ones we already have to make them safer and
14 more reliable, rather than building new ones.

15 Senator Cotton: Thank you.

16 Chairman McCain: Senator Donnelly.

17 Senator Donnelly: Thank you, Mr. Chairman.

18 And, Doctor, thank you so much.

19 As with some of our B-52 crews recently, they enjoy
20 flying them as much as ever. And we want to thank you also
21 because you are also a member of the Indiana University
22 family, and we are very, very proud of that fact.

23 I wanted to talk to you for a second about some of the
24 aftereffects of so many of the battles we have been in, and
25 that is the Veterans Administration and the work together

1 with the Department of Defense. And we've had glitches,
2 things like sharing health records, aligning the drug
3 formularies when the handoff comes, matching up disability
4 ratings. And I was wondering if, in your time, you have any
5 -- that you've learned any recommendations you have for us
6 that can help make that transition better, that can help
7 make DOD and VA work together better, any glitches you saw
8 that you think, "Look, this still exists." How do we remove
9 this, how do we take care of this?

10 Dr. Gates: I saw a lot of glitches. And, as I've
11 said, if there's one bureaucracy in Washington that may be
12 even more intractable than DOD, it's VA. And I would find
13 repeatedly -- and I worked with two Secretaries of VA that I
14 thought were of very high caliber people, and they were very
15 intent on helping veterans. The problem was that, when we
16 would meet, we and our deputies would meet, and we would
17 agree to do things, it would all fall apart the second he
18 and I weren't on top of it. And I -- this was one case
19 where I think I was better able, in the Defense Department,
20 to make sure things got done, but in VA, and particularly
21 under Secretary Shinseki, I just had the feeling that he was
22 sort of on the bridge of the ship, and he had the big wheel
23 in his hands, but all the cables below the wheel had been
24 cut off to every other part of the organization, and he was
25 just spinning the wheel.

1 We worked on electronic records. And, frankly, a lot
2 has been accomplished. Not nearly as much as could have
3 been. But, I've just -- I had the feeling -- first of all,
4 these bureaucracies were at each other's throats over whose
5 computer program they were going to use -- VA's or DOD's;
6 and we would go back and forth on this, and we'd get
7 briefings, and so on and so forth.

8 And so, I think that -- the bottom-line answer is to
9 reaffirm what everybody knows. That is, there are huge
10 problems in dealing with these veterans issues. My
11 objective had been -- I wanted the transition to -- for,
12 let's say, a soldier -- to be seamless, that he almost
13 didn't know when he passed from DOD into VA hands, because
14 it was all done electronically, and so on. And,
15 unfortunately, we're just not there. I mean, my own view on
16 these issues -- and I'm not an expert on veterans affairs --
17 but, I think the idea of -- if you can't get an appointment
18 at a VA hospital within a reasonable period of time, then
19 you're automatically granted a voucher to get help from a --
20 from somebody in the private sector so that you actually can
21 get treated quickly.

22 But, VA was as unprepared for long, protracted wars as
23 the Department of Defense was. They were dealing with,
24 basically -- their youngest people they were dealing with
25 mostly were Vietnam-era people, so people the Chairman's and

1 my age. And all of a sudden, they had this gigantic influx
2 of young men, mainly, who were grievously wounded and would
3 need rehabilitation for years and years, and they were
4 totally unprepared to deal with that.

5 Senator Donnelly: Let me ask you one other area that
6 you dealt extensively with, and that is trying to reduce
7 suicides in the Active Duty military. One of the areas that
8 we're pushing on, as well, is to try to move decision making
9 down to platoon leaders and others who deal every day with
10 the soldier. Do you have any additional recommendations
11 that you think could make a difference in reducing the
12 suicide rate?

13 Dr. Gates: One of the things that we discovered -- and
14 my guess is, it hasn't improved much since I left -- as we
15 went out to hire a significant number of mental health
16 professionals to work in our hospitals, to work with Wounded
17 Warrior Units, Warrior Transition Units, and so on, there
18 basically weren't enough of those professionals to be able
19 to -- for us to access to be able to make as big a dent in
20 the problem as we wanted.

21 One of the ideas that I had, that, frankly, I never got
22 the chance to push, was that, just as -- just as there is
23 legislation that -- if a young man or woman goes to medical
24 school and is willing to commit to some years of service in
25 the military, the military will pay for their medical

1 education. One thing you all might look at is whether that
2 could be extended to mental health professionals, as well.
3 And it would be a twofer for the country. First of all, it
4 would give the military more of these assets that we need,
5 and so we could have people at almost every base and post,
6 but, when they leave the military, they'll fill a very real
7 need in American society as a whole.

8 Senator Donnelly: Thank you.

9 Thank you, Mr. Chairman.

10 Chairman McCain: We'll take that suggestion on board,
11 Mr. Secretary.

12 Senator Lee.

13 Senator Lee: Thank you, Mr. Chairman.

14 Thank you, Dr. Gates, for being with us. You -- I
15 think you're somewhat uniquely qualified, based on your
16 experience as Secretary of Defense, to testify and to give
17 us advice on issues related to reform within the Pentagon.
18 We appreciate your service and your willingness to come back
19 today, even though, as you note in your book, it's not
20 exactly your favorite thing to do, to testify in these
21 hearings. And I can't blame you.

22 A lot of military analysts have lamented at some length
23 the growth, over the past two or three decades, of what they
24 sometimes refer to as the military bureaucracy, referring,
25 of course, to support staff and headquarters staff, whether

1 they be uniformed, civilian, contractors, or a combination
2 of the -- all of the above, and that a lot of this occurs --
3 this growth occurs at the expense of the military's core
4 operational forces. And so, in other words, we get a lot of
5 growth, a lot of movement, but not necessarily a lot of
6 forward progress, because we're not necessarily growing the
7 part of the military that actually does things, that
8 actually goes in and does the work that the military is
9 there to do. How much of this growth in headquarters and
10 support services occurred as the United States became
11 involved in the wars in Afghanistan and in Iraq?

12 Dr. Gates: Well, as your question implies, it began
13 before those wars, but I think that the amount of money that
14 began to flow to the Department of Defense after 9/11 really
15 removed any constraints for hiring additional people. And
16 so, you know, one of the things that -- as you're probably
17 aware, a couple of our commanders got into a lot of trouble
18 by giving interviews to various press outlets that got them
19 into trouble with the President. Well, what I discovered
20 was that several of these commands had gone out and hired
21 contractors to provide them with public relations advice.
22 This was not something that it seemed to me that a combatant
23 commander needed, but I think --

24 Senator Lee: At least not for the purpose of fighting
25 wars.

1 Dr. Gates: Well, at least not for the purpose of why
2 they were there. So, I -- when I -- in 2010, we put some
3 very severe constraints on -- in fact, we froze contractor
4 -- the number of contractors, and then put some restrictions
5 in place that would require the different parts of the
6 Department to begin reducing the number of contractors. We
7 also tried, as part of the overhead effort in 19- -- in
8 2010, when we found \$180 billion in savings in overhead --
9 the measures that we were taking included a number of
10 cutbacks, in terms of headquarters staffing. I mentioned
11 earlier, we had a -- as part of that plan, cutting 50
12 general officer slots. One of the things we discovered had
13 been a grade creep so that, where you might have a three-
14 star commander of the air forces in Europe at one time, you
15 now had a four-star. So, how do you push that back down?
16 Because they all have -- you know, if you go from three to
17 four stars, you get more staff, and so on and so forth. So,
18 I think we have kind of an -- we have a pretty good idea of
19 how we can go after those kinds of -- that kind of overhead,
20 but it requires -- as I suggested earlier, it requires a
21 continuing pressure on the institution, and accountability
22 of -- you know, "You said you were going to cut X number.
23 Have you done it? And if not, why not?"

24 Senator Lee: How about the -- how are these issues,
25 meaning the relationship between the size of the DOD

1 bureaucracy -- how is the size of the DOD bureaucracy
2 related to the scope of the missions that we become involved
3 in around the world? In other words, if the United States
4 were to take either a more involved or a less involved role
5 in addressing various crises around the world, what effect
6 might that have on the size of the headquarters and support
7 structures for the military services and combatant commands?

8 Dr. Gates: I think, particularly when it comes to
9 headquarters, whichever way you went, you could cut the
10 numbers.

11 Senator Lee: You could cut them, either way, whether
12 you're taking a more involved role or a less involved role.

13 Dr. Gates: Yes.

14 Senator Lee: So, it need not necessarily follow, from
15 a decision to get involved in a particular conflict, that we
16 have to grow the Pentagon, that we have to grow the support
17 staff or the military bureaucracy to a corresponding degree.

18 Dr. Gates: That's my belief.

19 Senator Lee: Okay. I see my time's expired. Thank
20 you very much, Secretary Gates.

21 Thank you, Mr. Chairman.

22 Senator Cotton [presiding]: Senator Blumenthal.

23 Senator Blumenthal: Thanks, Mr. Chairman.

24 Welcome, Secretary Gates, and thank you for your
25 service to our Nation, and your continuing service now.

1 I wonder if you could talk a little bit about the
2 connectivity between the Department of Defense and the VA.
3 And I know this was an issue very much on your mind when you
4 were Secretary. From what you've seen, has there been
5 improvement, for example, in the transfer of medical
6 records, in the services that are provided to our military
7 men and women when they are about to leave the military?
8 Could you give us your assessment?

9 Dr. Gates: Senator, we were beginning to make some
10 headway on sharing electronic health records when I left.
11 In all honesty, this is an area, in the 4 years since I've
12 been gone, where I've -- I'm not aware of what's actually
13 been done under my successors. And with VA, I would hope
14 the progress has continued, but I must say that, just based
15 on what I read in the newspapers and what I hear from
16 various veterans as I go around the country, I worry that
17 they don't see a lot of improvement.

18 Senator Blumenthal: I think you worry with good
19 reason, from what I know, from what we have been told in
20 these settings, in the VA, and other fora. So, I
21 appreciate that you do not have the same kind of access or
22 involvement, but I think your instinct and your observations
23 are well taken, that, in many ways, there has been very
24 little progress in the years since you've left. And I think
25 that the institutional barriers to progress really have to

1 be broken down and reformed. We're here about reform.

2 And, as I think you have observed, probably in this
3 very room on repeated occasions, nothing more important as a
4 resource than the men and women who serve. With all the
5 equipment and the organization, at the end of the day, it's
6 really the rewards and incentives that we provide to our
7 military men and women. And the transition to civilian life
8 is part of what we owe them and, afterward, the education
9 and skill training and healthcare that they need.

10 From your last 4 years in the civilian world, do you
11 have any observation about how well our schools are doing in
12 accommodating the needs of our veterans?

13 Dr. Gates: As in the public schools or higher
14 education?

15 Senator Blumenthal: Higher education.

16 Dr. Gates: Higher education? I think -- so, I have
17 affiliations with several universities. I'm the Chancellor
18 of the College of William & Mary, I'm -- was president of
19 Texas A&M. And so, I'd get down there from time to time.
20 We have a community college in our local town in Washington
21 State. And just taking those three examples, I think that
22 these -- I think many universities and community colleges
23 over the past few years have made extraordinary strides in
24 reaching out to veterans. All three of the institutions
25 that I just described have space allocated for veterans

1 organizations, a lounge where veterans can go and relax
2 together on campus, programs to help veterans, ways to get
3 veterans together to give mutual reinforcement so that men
4 and women who have been in combat in Iraq and Afghanistan
5 have somebody to talk to other than a 18-year-old who just
6 graduated from high school. And so, I have the sense that
7 -- you know, I know -- I've read in the papers about all the
8 scandals, in terms of misuse of VA funds, and so on. But, I
9 think at -- in terms of some of the for-profit schools, and
10 so on -- but, I -- my experience and what I've heard
11 anecdotally as I go around the country and talk to various
12 -- at various universities, from the most elite universities
13 to the biggest public universities -- I have the sense that
14 they're totally unlike Vietnam. These campuses are bending
15 over backward to make veterans welcome and to help make them
16 successful.

17 Senator Blumenthal: Thank you.

18 My time is expired, but I might just say, your
19 observations, I think, also are aligned with mine,
20 anecdotally. I don't have numbers or statistics, but peer-
21 to-peer relationships and veteran-to-veteran programs, where
22 veterans can provide relationships, and crisis intervention,
23 I think, are increasingly common, plus the OASIS program
24 that you just described, where veterans can go and find
25 other veterans, increasingly common, as well. So, I thank

1 you for being here today.

2 Dr. Gates: Thank you.

3 Senator Cotton: Senator Cruz.

4 Senator Cruz: Thank you, Mr. Chairman.

5 Dr. Gates: Senator.

6 Senator Cruz: Secretary Gates, welcome. Thank you for
7 being here. Thank you for your many, many decades of
8 distinguished service to our Nation and also to my home
9 State of Texas. It's very good to see you.

10 Dr. Gates: Thank you.

11 Senator Cruz: I want to start by talking with you
12 about the morale of the military, which is a concern that
13 troubles me greatly. The Military Times did a survey in
14 2009, and they asked soldiers whether the overall quality of
15 life is "good or excellent." And 2009, 91 percent of
16 soldiers said yes. In 2014, that number had dropped from 91
17 percent to 56 percent. Likewise, they asked whether senior
18 military leadership had their best interests at heart. In
19 2009, 53 percent of soldiers agreed with that statement. In
20 2014, that number dropped in half, to roughly 27 percent.

21 Do you share my concerns about declining morale in the
22 military? And, if so, what do you see as the cause of these
23 challenges?

24 Dr. Gates: I don't have any statistics, but I do have
25 the sense that there is a morale problem. And I think it is

1 -- I think it's due to several things. First of all, I
2 think it is due to the substantial and growing cutbacks in
3 the number of men and women in the military. So, people in
4 the military now are less confident that they will be
5 allowed to remain in the military, that, in the force
6 reductions, they will be turned out -- in essence, be fired,
7 and particularly for those who have some years in, and
8 probably have families, concerns about what they will do if,
9 because of forced downsizing, they end up out in the
10 civilian world again. I think that there's a morale problem
11 that derives from a lot of the budgetary uncertainty, in the
12 sense that, as I suggested earlier, people who joined the
13 military to fly airplanes, sail on ships, or drive tanks,
14 are finding they don't have the same opportunities to do
15 that anymore. That's the stuff that made it "fun" and that
16 was one of the things that encouraged them to stay.

17 So, I think that these and the budgetary uncertainties
18 and so on are all part of a challenge for our young men and
19 women in uniform.

20 And then the final one that I mentioned just a few
21 minutes ago, and that is, you go -- particularly the ground
22 forces -- you go from -- mostly young men who have been out
23 in Iraq and Afghanistan on these deployments, they have this
24 great sense of comradery and brotherhood with their fellow
25 soldiers and marines. They've given -- been given a lot of

1 opportunity to operate independently and in an
2 entrepreneurial way, and be innovative, and so on, and
3 they're being brought back and put in cubicles and asked to
4 do PowerPoints.

5 So, I think all those things together probably are
6 having a real impact on morale.

7 Senator Cruz: You know, in my view, another factor
8 that is contributing, in addition to every one you just
9 discussed, is having a Commander in Chief that fails to set
10 clear objectives, and, in particular, an objective of
11 winning, clearly and decisively, military conflicts in which
12 we're engaged. In your book, "Duty," you stated that
13 President Obama didn't appear to believe that this own
14 strategy for Afghanistan in the Middle East would work. Is
15 that still a concern you share?

16 Dr. Gates: Well, I -- what I wrote about and what
17 concerned me was that -- my belief that if a Commander in
18 Chief or a Secretary of Defense is going to send a young man
19 or a young woman into harm's way, they need to be able to
20 explain to that young person in uniform why that mission is
21 important, why the cause is noble and just, why their
22 sacrifice is worthwhile. And that was -- I think the
23 easiest way to put it, that was not a speech I heard the
24 President give.

25 Senator Cruz: No. Sadly, it was not.

1 One final question. The budget request that you
2 proposed in fiscal year 2012 called for \$615 billion in the
3 base budget for fiscal year 2016. That was the last
4 Pentagon budget that was directly derived from the threats
5 we face. By any measure, the world, I believe, has become
6 much more dangerous today than it was in 2012. Do you agree
7 with that assessment? And do you view that baseline of 615
8 as a -- 615 billion as a reasonable baseline, given the
9 growing threats in the world?

10 Dr. Gates: I would say -- I've been out of this for 4
11 years, but I would say that, certainly, the number of
12 challenges that we face in a variety of places in the world
13 are more complex and more difficult than when I put together
14 that FY12 budget. I have seen several assessments by
15 analytical groups that I respect, that are nonpartisan, that
16 basically say that the Congress and the administration
17 should go back to that FY12 budget as the base for going
18 forward. And I respect the views of those who say that, and
19 I, therefore, think that that probably would be a good idea.

20 Senator Cruz: Thank you very much, Mr. Secretary.

21 Senator Cotton: Mr. Secretary, if, as you said at the
22 beginning, the least sincere statement in hearing like this
23 is, "Mr. Chairman, I'm ready for your questions," perhaps
24 the least welcome statement is, "I have a few more
25 questions." Just two, though.

1 When we were talking earlier, you said that,
2 theoretically, you think that we would need to modernize our
3 nuclear warheads, build new ones, maybe smaller, more
4 versatile. That's a debate we can have. But, practically,
5 you had the devil's own time of just modernizing the
6 warheads that we had. Why do you think that is?

7 Dr. Gates: Well, there -- to be honest about it, there
8 was a great deal of resistance, both within the
9 administration -- this administration -- and here on the
10 Hill, to allocating the funds for modernizing our nuclear
11 enterprise. At a time when the -- sort of, the political
12 aspiration is to get rid of nuclear weapons, the -- it was
13 seen as the U.S. trying to improve or enhance our nuclear
14 capabilities, when, in reality, what we were proposing was
15 not any additional nuclear weapons, but simply, rather,
16 trying to make the ones that we already have more reliable
17 and safer than the very old designs that we have deployed
18 today.

19 It's a very expensive proposition, but I actually
20 allocated, within the defense budget, about \$4-and-a-half
21 billion that would go to the nuclear enterprise at the
22 Department of Energy, but, at the end of the day, it all
23 fell apart. But, it was part of the deal, actually, that
24 was made with the passage of the most recent strategic arms
25 agreement. Part of the deal that was made was that we would

1 modernize a good bit of the nuclear enterprise in exchange
2 for support for going forward with the newest arms control
3 agreement. The trouble is, to the best of my knowledge --
4 and, as I say, I've been gone 4 years -- but, to the best of
5 my knowledge, there has been no forward progress on that
6 modernization effort.

7 Senator Cotton: Since you pursued this effort, despite
8 the political headwinds, presumably you believe there are
9 few things more important than a safe and reliable nuclear
10 deterrent for our President to have?

11 Dr. Gates: Well, there is nothing more important than
12 that.

13 Senator Cotton: Thank you.

14 Final question. The Goldwater-Nichols Act reorganized
15 the Department of Defense to improve the quality of
16 strategy, policy, plans, and military advice for civilian
17 leaders. Do you think the organization set up by Goldwater-
18 Nichols provided you with the best possible ideas, options,
19 and advice while you were Secretary of Defense?

20 Dr. Gates: I would say that the policy papers and the
21 planning that I received both from the Office -- from the
22 Under Secretary for Policy under both President Bush and
23 President Obama were first-rate. Led -- that organization
24 was led, under President Bush, by Eric Adelman, by Michele
25 Flournoy under President Obama. And I thought I got very

1 high quality work from them. I thought that, on the
2 military side, I got very good planning and very good advice
3 from the joint staff and from the combatant commanders.

4 I think that the one place where the gap between
5 resources and strategy begins to diverge is, every 4 years,
6 when we do the Quadrennial Defense Review. And too often
7 the Quadrennial Defense Review, which is kind of what our
8 strategy ought to be to implement -- what our military
9 approach ought to be to implementing the President's
10 national security strategy, gets divorced from the budget
11 realities. And therefore, I think that reduces the value of
12 the Quadrennial Defense Review. When we did the one in
13 2010, we tried to bring those two back closer together, but
14 we didn't entirely succeed.

15 Senator Cotton: Thank you.

16 Mr. Secretary, thank you, not just from me, but on
17 behalf of all of my colleagues and the citizens we serve,
18 but, most importantly, the men and women of our Armed
19 Forces, who you led for 4 and a half years of war and whose
20 lives you helped save.

21 Dr. Gates: Thank you.

22 Senator Cotton: This hearing is adjourned.

23 [Whereupon, at 11:52 a.m., the hearing was adjourned.]

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