

**HEARING TO CONSIDER THE NOMINATIONS
OF: HONORABLE FRANK KENDALL III TO BE
UNDER SECRETARY OF DEFENSE FOR AC-
QUISITION, TECHNOLOGY, AND LOGISTICS;
HONORABLE JAMES N. MILLER, JR. TO BE
UNDER SECRETARY OF DEFENSE FOR POL-
ICY; HONORABLE ERIN C. CONATON TO BE
UNDER SECRETARY OF DEFENSE FOR PER-
SONNEL AND READINESS; MRS. JESSICA L.
WRIGHT TO BE ASSISTANT SECRETARY OF
DEFENSE FOR RESERVE AFFAIRS; MRS.
KATHARINA G. McFARLAND TO BE ASSIST-
ANT SECRETARY OF DEFENSE FOR ACQUI-
SITION; MS. HEIDI SHYU TO BE ASSISTANT
SECRETARY OF THE ARMY FOR ACQUI-
SITION, LOGISTICS, AND TECHNOLOGY**

THURSDAY, MARCH 29, 2012

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

The committee met, pursuant to notice, at 9:33 a.m. in room SD-G50, Dirksen Senate Office Building, Senator Carl Levin (chairman) presiding.

Committee members present: Senators Levin, Lieberman, Reed, Akaka, Begich, Blumenthal, McCain, Brown, Ayotte, and Cornyn.

Committee staff member present: Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: Richard W. Fieldhouse, professional staff member; Jessica L. Kingston, research assistant; Michael J. Kuiken, professional staff member; Gerald J. Leeling, counsel; Peter K. Levine, general counsel; Jason W. Maroney, counsel; William G.P. Monahan, counsel; Robie I. Samanta Roy, professional staff member; and William K. Sutey, professional staff member.

Minority staff members present: Ann E. Sauer, minority staff director; Adam J. Barker, professional staff member; Pablo E. Carrillo, minority general counsel; Paul C. Hutton IV, professional staff member; Daniel A. Lerner, professional staff member; Lucian L. Niemeyer, professional staff member; Michael J. Sistik, research

assistant; Diana G. Tabler, professional staff member; and Richard F. Walsh, minority counsel.

Staff assistants present: Kathleen A. Kulenkampff and Mariah K. McNamara.

Committee members' assistants present: Jeffrey Ratner, assistant to Senator Lieberman; Carolyn Chuhta, assistant to Senator Reed; Nick Ikeda, assistant to Senator Akaka; Gordon Peterson, assistant to Senator Webb; Lindsay Kavanaugh, assistant to Senator Begich; Lenwood Landrum, assistant to Senator Sessions; Clyde Taylor IV, assistant to Senator Chambliss; Charles Prosch, assistant to Senator Brown; Brent Bombach, assistant to Senator Portman; Brad Bowman, assistant to Senator Ayotte; and Dave Hanke and Grace Smitham, assistants to Senator Cornyn.

OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN

Chairman LEVIN. Good morning, everybody.

The committee meets today to consider the nominations of Frank Kendall III to be Under Secretary of Defense for Acquisition, Technology, and Logistics; James Miller to be Under Secretary of Defense for Policy; Erin Conaton to be Under Secretary of Defense for Personnel and Readiness; Jessica Wright to be Assistant Secretary of Defense for Reserve Affairs; Katharina McFarland to be Assistant Secretary of Defense for Acquisition; and Heidi Shyu to be Assistant Secretary of the Army for Acquisition, Logistics, and Technology.

We welcome all of our nominees, their families, and friends to today's hearing. And we appreciate the long hours and the other sacrifices that our nominees are willing to make to serve our country. Their families also deserve our thanks for the support that they provide which is so essential to the success of these officials.

The positions to which today's witnesses have been nominated are among the most critical positions in the Department of Defense (DOD).

The Under Secretary of Defense for Acquisition, Technology, and Logistics is the senior DOD official responsible for the oversight and management of an acquisition system that spends roughly \$400 billion a year to buy everything from planes and ships to scientific research and food services. The Assistant Secretary of Defense for Acquisition is a new position established 2 years ago to assist the Under Secretary in these important responsibilities.

If confirmed for these positions, Dr. Kendall and Ms. McFarland will play the critical role in the Department's efforts to rein in costs and cost overruns in its acquisition programs. There are too many acquisition programs which are hundreds of millions, if not billions of dollars over budget. We passed the Weapons Systems Acquisition Reform Act a few years ago to bring to an end poorly planned programs, excessive concurrency in development and production, inadequate acquisition planning, and failure to perform important contract oversight and management functions necessary to protect our Nation's taxpayers. We will expect strong leadership from Dr. Kendall and Ms. McFarland to hold both DOD officials and contractors accountable for failures of performance on defense acquisition programs.

The Under Secretary of Defense for Policy is the senior civilian DOD official responsible for advising the Secretary of Defense on matters of policy, including oversight of war plans and the planning and execution of the Department's activities in combating terrorism. If confirmed for this position, Dr. Miller will play a critical role in issues ranging from managing the transition of security lead to Afghan forces and drawdown of U.S. forces in Afghanistan, to countering the Iranian threat, to helping formulate the U.S. response to the Syrian regime's brutality against its own people.

The next Under Secretary of Defense for Policy will also put into effect the Department's recent Strategic Guidance which establishes the goal of a joint force that is smaller and leaner but that still meets the Department's global challenges. This includes rebalancing toward the Asia-Pacific region and the Middle East, including preventing Iranian efforts to destabilize the region, countering violent extremism, maintaining an effective nuclear deterrent, addressing the proliferation of ballistic missiles and weapons of mass destruction, protecting our operations in cyberspace and space, and building partnerships with allies and friendly nations.

The Under Secretary of Defense for Personnel and Readiness is the senior DOD official responsible for total force management, military personnel policy, including military family programs, health care, compensation, DOD civilian personnel policy, and many other related activities. If confirmed for this position, Ms. Conaton will play a critical role in the Department's efforts to address difficult issues ranging from reductions in end strength, transition assistance for separating service members, retirement reform, the rising costs of military health care, sexual assault, and changes in assignment policies relating women in the armed forces, to name but a few. We will also expect Ms. Conaton to take steps to achieve an appropriate balance among the military, civilian, and contractor workforces of the Department of Defense while ensuring that this workforce is appropriate to meet the Department's needs.

I would note that we have had an opportunity to work closely with Ms. Conaton when she served as staff director of the House Armed Services Committee. We know her to be honest, thoughtful and extremely capable in everything that she does. I am delighted that her former boss and a dear friend of ours—all of ours as a matter of fact—Congressman Ike Skelton and his wife Patty I think are—I see you right there. They are here. I did not have a chance to greet you before, but by God, they are here and they are able to with us for today's hearing. I know how proud they are of you, Ms. Conaton.

The Assistant Secretary of Defense for Reserve Affairs is responsible for overall supervision of matters which involve the Reserve components. If confirmed for this position, Ms. Wright will play a key role in ensuring access to and appropriate use of the operational Reserve and the appropriate balance between the Active and Reserve components.

The Assistant Secretary of the Army for Acquisition, Logistics, and Technology is the senior Army official responsible for oversight and management of the Army acquisition system. Just last year, the Decker-Wagner report on Army acquisition found that since 2004 the Army has spent more than \$3 billion a year, or more than

a third of its budget, for the development of major weapons systems. They have spent more than that amount on programs that failed and were ultimately canceled. If confirmed, Ms. Shyu will be responsible for the Army's efforts to address these failures and develop a stable, achievable, and affordable modernization strategy ensuring that the Army remains well equipped and maintained even as end strength and force structure are reduced. She will also be the official primarily responsible for mitigating risks to the industrial base resulting from program cancelations, delays, and restructuring arising out of upcoming budget reductions.

Each of our nominees is well qualified for the position to which he or she has been nominated. I look forward to the testimony of our nominees.

And I call on Senator McCain.

STATEMENT OF SENATOR JOHN MCCAIN

Senator MCCAIN. Thank you, Mr. Chairman.

I join the chairman in welcoming our nominees and their families today, and I congratulate them on their nominations.

And I also would like to join you in welcoming our dear and beloved friend, Ike Skelton, back before the committee that you and I had the great honor and privilege of working with for many years in behalf of the defense of this Nation.

I have found several instances which have been very troubling to me of the Department of Defense not complying with the Defense Authorization Act that we passed last December. I spoke to the Secretary of Defense about it, and until I get further clarification—hopefully we can get it done during the 2-week recess—but I will not vote to approve these or any other nominations until I am satisfied that there is the proper compliance with laws that are passed by the Congress of the United States by the Secretary of Defense, for example, the study about Guam which for 3 months there was not even an effort made to begin the outside study. And clearly the administration and the Department of Defense feels it necessary just to move forward without the input of the outside study that we had mandated after long debate and discussion. That is just one example of the concerns that I have.

I think we have a role to play, a constitutional obligation, and I think some of those obligations and role that we are playing are being ignored by the Secretary of Defense. So I will not vote to approve these or any another DOD civilian nominations until the Secretary of Defense convinces me that they are in compliance with and observance of laws that we pass here in the Congress and signed by the President of the United States.

Mr. Kendall, you have been the Principal Deputy Under Secretary of Defense for Acquisition and Technology for the last 2 years. I applaud you for your contributions to bringing the right tools and processes to bear on some of DOD's poorest performing programs. The Department has a long, long way to go. According to GAO, the cost of the Department's major defense acquisition programs has increased by \$135 billion since 2008. In the last 15 years, about one-third of the Department's major weapons procurement programs have had cost overruns of as much as 50 percent over original projections. I would like to hear from you what you

will do to improve the Department's future acquisition performance. I would also ask you to comment on the potential effects of sequestration if imposed on the Department's largest programs.

Ms. Shyu, you have served since November 2010 as the Principal Deputy of the Assistant Secretary of the Army for Acquisition, Logistics, and Technology. Over the past decade, the Army has been particularly unsuccessful in managing major acquisition programs, and the Future Combat System and the recently restructured Joint Tactical Radio System are egregious and costly examples of how not to meet a weapons system requirement. Taxpayers have a right to be frustrated and skeptical about the Army's ability to effectively develop and field major weapons systems. You have impressive credentials and I look forward to hearing how you will work to correct deficiencies and improve Army acquisition. As Senator Levin pointed out, the Future Combat System, according to the GAO, wasted \$300 billion of the taxpayers' money, a scandal of proportions that if most taxpayers knew about it, they would share the outrage that a lot of us feel.

Ms. McFarland, you currently are serving as the President of the Defense Acquisition University and have been Acting Assistant Secretary of Defense for Acquisition since October 2011. How will you, if confirmed, help minimize excessive cost growth and schedule delays in DOD programs and how will you identify lessons learned and apply them to future acquisitions? Future instances of what Mr. Kendall has labeled "acquisition malpractice" are unaffordable and unacceptable especially with the budget cuts that we are facing.

Just a year ago, Dr. Miller, the Senate of the United States ratified the New START treaty. At that time, the President also committed to modernization of the nuclear weapons complex. That commitment has been undercut in the fiscal year 2013 budget which seriously underfunds the weapons complex modernization plan. I would like to hear an explanation of the administration's position on a failure to fund, as had been committed in the past, the national nuclear security issue.

Ms. Conaton, the position you have been nominated to fill has been vacant for over 5 months, and the Inspector General of the Department of Defense continues to investigate whistleblower allegations against your predecessor. Much valuable experience and expertise in the personnel and readiness office has departed. While I give Dr. Rooney as Acting Under Secretary credit for her interim efforts, you will be taking over an office that is sorely in need of forceful, effective leadership. Such leadership has been lacking in articulating the policies that will enable the services fairly and without sacrificing readiness to achieve a drawdown of over 100,000 Active and Reserve troops. Leadership is needed that will result in critically needed changes in the defense health program and the inefficient disability evaluation system and in the unaffordable trajectory of military and civilian personnel costs.

Ms. Conaton and Ms. Wright, in your roles as civilian overseers of policies affecting the Reserve and Guard, it is essential that you help the services and help Congress to achieve consensus about the future role in resourcing of the Reserve and National Guard.

I thank the witnesses for their willingness to serve.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator McCain.

Congressman Hoyer has joined us. He is going to be introducing Ms. Conaton. And I know that you have got a very tough schedule. So we are going to go out of order here I think in order to accommodate you, Representative Hoyer.

Senator MCCAIN. I do not want to accommodate him. [Laughter.]

Chairman LEVIN. We will have a roll call vote on this.

We are being inundated by House Members and former House Members. You are sitting in front of a dear friend of ours, Ike Skelton, who we previously have introduced. And so now we will introduce you, Steny, so that you can introduce Ms. Conaton, and then we will excuse you if you wish to go, and then go back to the regular order.

**STATEMENT OF HON. STENY H. HOYER, U.S. REPRESENTATIVE
FROM MARYLAND**

Mr. HOYER. Thank you very much, Senator Levin and Senator McCain. Thank you very much, Senator Lieberman, Senator Reed, Senator Akaka, Senator Ayotte. Good to be with you all. Thank you for giving me this opportunity.

First of all, let me start with the transparent admission. I am not objective with respect to this nominee. What you are going to hear from me is totally subjective. I am a huge, unrestrained fan of Ms. Conaton. She is absolutely excellent.

I want to thank you for this opportunity to introduce the President's nominee for Under Secretary of Defense for Personnel and Readiness to all of you, realizing full well that you need no introduction.

I have had the privilege of serving in the House, as all of you know, for a long time and, very frankly, with many of you in the House. I have met many intelligent, capable, and talented men and women who came to work on Capitol Hill to serve their country. Erin Conaton stands out from this group as a proven leader who has been especially adept at helping bring the Pentagon and Congress together on important issues.

To that extent, particularly in her last role on Capitol Hill, she complemented the extraordinary leader, Ike Skelton, as chairman and ranking member of the Armed Services Committee. She reflected his personality, his bipartisanship, his commitment to America, and his patriotism. As Minority Staff Director of the House Armed Services Committee, Erin was the right hand of then Ranking Member Ike Skelton, as I have said. In that capacity, she worked closely with her Republican counterpart to ensure that measures benefitting the readiness of our military branches could advance through the committee without delay.

When Democrats regained the majority in 2007, Erin became the Staff Director for the full committee overseeing every piece of legislation affecting military readiness, acquisition, and personnel. During that time, I had the privilege of serving as Majority Leader, and my staff and I worked closely with her, and I was constantly impressed by her effective, professional, insightful, responsive and thoughtful approach to the job she undertook. Moreover, she has earned the respect of her colleagues on the committee and at the

Pentagon where women have traditionally, as we know, been under-represented in the ranks of leadership.

Her leadership of the committee staff during a period of two overseas military conflicts and increasing global demands on our service branches made her eminently qualified when President Obama nominated her to serve as Under Secretary for the Air Force in 2009. Erin has served in that capacity with distinction, ensuring that the Air Force and Congress have been working closely together to make certain it has the tools required to carry out our missions.

Prior to her career in the House, of course, Erin served as the Research Staff Director at the Hart-Rudman Commission for a National Security Strategy and as a financial analyst at Salomon Brothers.

She holds a bachelor's degree in foreign service from the Georgetown University and earned a master's degree and doctorate in law and diplomacy from the Fletcher School at Tufts. During her post-graduate years, Erin completed fellowships at the Central Intelligence Agency and the National Security Agency.

I cannot imagine a more qualified nominee, Mr. Chairman and Senator McCain, for this position. I am confident that, if confirmed, Erin will do an outstanding job as Under Secretary of Defense for Personnel and Readiness. And I strongly recommend her to you for confirmation.

And I thank you for this opportunity to speak on her behalf and, indeed, on behalf of our Nation.

Chairman LEVIN. Thank you very much, Congressman Hoyer. I know how much she appreciates your being here and we all appreciate your being here as well. Again, you are free to go if you need to, as I am sure you do, because of your schedule.

Mr. HOYER. Thank you. I am going to return to the House and see if we can pass the Senate's transportation bill.

Chairman LEVIN. Good luck to you.

Next we are going to call on Senator Jack Reed who is going to introduce two of our nominees. Senator Reed?

STATEMENT OF HON. JACK REED, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator REED. Well, thank you very much, Mr. Chairman.

Let me also recognize Steny Hoyer and Chairman Ike Skelton. I had the privilege of serving with both. Gentlemen, thank you for being here. It means a lot, I am sure, to the nominees.

But my duty today, which is more than a duty—it is a privilege and pleasure—is to introduce Frank Kendall and Jim Miller.

I have had the great privilege of knowing Frank Kendall for over 40 years. We were classmates at West Point. In that time, I have come to know him as a man of great character, of great intellect, great talent, and great dedication to his country.

Today Frank is joined by his wife Beth, by his brother Ron, and his sister-in-law Françoise, and they share with me great pride in his accomplishments.

Frank, after being commissioned, served 10 years in the United States Army, led troops in Germany. Then he went on to a distin-

guished career in business in the defense industry as Vice President of Raytheon Corporation.

He also has an extraordinary educational preparation for this job. He has a master's degree in aeronautical engineering from Cal Tech. He has a master's of business administration from Pace, and he has a law degree from Georgetown University. I do not know anyone who is better prepared to deal with the complex issues of acquisition and military policy than Frank Kendall.

And in the last few years, he has been Principal Deputy to Secretary Ash Carter. He has been there working with Ash to develop the Better Buying Power initiative. He was instrumental, as Senator McCain alluded to, in deploying the improvements made by Senator McCain and Senator Levin in their Weapons Systems Acquisition Reform Act of 2009. We all recognize there is a long way to go, but Frank I believe is the individual to get us there.

So, again, it is a distinct pleasure to recognize someone who I admire, respect, and I hope will be speedily confirmed.

Dr. Jim Miller has, as we know, been serving as the Principal Deputy to Secretary Michele Flournoy. He has done an extraordinary job. Dr. Miller is here today with his wife Adele and with his children Zoe, Collin, Lucas, and Adrienne. Allison is a way at college. Having to pay college tuition, I think we should give this guy a job or keep him working.

Jim just last week was here with General Allen. I think we were all thoughtfully impressed with his testimony, with his understanding of the issues. And as Chairman Levin alluded to, he has a huge range of critical issues as the Under Secretary charged with policy from the Iranian nuclear ambitions to developing our response to evolving conditions in North Korea to the crisis in Syria. And again, I cannot think of anyone better prepared than Jim Miller to do this.

He worked actively in the Quadrennial Defense Review, Nuclear Posture Review, and he has been literally, as I said, next to, standing beside and behind Secretary Flournoy when she has done all of her good work.

He comes with extraordinary preparation, a graduate of Stanford and with a master's and doctorate from the Kennedy School at Harvard University.

So again, I urge speedy consideration of this extraordinarily talented gentleman who has already demonstrated he can do the job.

Thank you very much, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Reed.

We are now going to ask the standard questions of our nominees, and you can all answer at one time.

Congressman Skelton, did you want to say a word? I did not have you on the list here to speak, but we clearly wanted to give you that opportunity.

We are all set. Okay. Thank you. Senator McCain very properly asked whether or not you might want to speak, and it is always great to see you and to have you and your wife here.

Standard questions for our nominees, and you can, again, just all answer at one time.

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

Mr. KENDALL. Yes.
Dr. MILLER. Yes.
Ms. CONATON. Yes.
Mrs. WRIGHT. Yes.
Mrs. MCFARLAND. Yes.
Ms. SHYU. Yes.

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

Mr. KENDALL. No.
Dr. MILLER. No.
Ms. CONATON. No.
Mrs. WRIGHT. No.
Mrs. MCFARLAND. No.
Ms. SHYU. No.

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

Mr. KENDALL. Yes.
Dr. MILLER. Yes.
Ms. CONATON. Yes.
Mrs. WRIGHT. Yes.
Mrs. MCFARLAND. Yes.
Ms. SHYU. Yes.

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

Mr. KENDALL. Yes.
Dr. MILLER. Yes.
Ms. CONATON. Yes.
Mrs. WRIGHT. Yes.
Mrs. MCFARLAND. Yes.
Ms. SHYU. Yes.

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

Mr. KENDALL. Yes.
Dr. MILLER. Yes.
Ms. CONATON. Yes.
Mrs. WRIGHT. Yes.
Mrs. MCFARLAND. Yes.
Ms. SHYU. Yes.

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

Mr. KENDALL. Yes.
Dr. MILLER. Yes.
Ms. CONATON. Yes.
Mrs. WRIGHT. Yes.
Mrs. MCFARLAND. Yes.
Ms. SHYU. Yes.

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

Mr. KENDALL. Yes.

Dr. MILLER. Yes.
 Ms. CONATON. Yes.
 Mrs. WRIGHT. Yes.
 Mrs. MCFARLAND. Yes.
 Ms. SHYU. Yes.

Chairman LEVIN. It is a long question, but the answer is yes, which I heard from each of you.

Okay. Now we are going to start with Frank Kendall, then go to Jim Miller, then to Erin Conaton, then to Jessica Wright, then to Katharina MCFarland, and then to Heidi Shyu. That will be the order that I will call on you. As I do call on you, you should feel free to introduce any family or friends that are with you. So let me start with you, Mr. Kendall.

STATEMENT OF HON. FRANK KENDALL III TO BE UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS

Mr. KENDALL. Thank you, Mr. Chairman. Chairman Levin, Ranking Member McCain, members of the Senate Armed Services Committee, thank you for the opportunity to appear before your committee today.

I am grateful for the confidence that President Obama has shown in me by nominating me to be the Under Secretary of Defense for Acquisition, Technology, and Logistics.

I want to thank Secretary Panetta and Deputy Secretary Carter for their support of my nomination.

If confirmed, I will be deeply honored to serve.

I would also like to thank my classmate from West Point, Senator Reed, for his support and his very kind introduction today. Senator Reed and I just attended our 40th reunion at West Point. Neither one of us can understand how all those other guys got so old so fast.

I also want to acknowledge Senator Reed is from Rhode Island, and I noticed an article this morning about a specialist, Dennis Weichel, who was killed in Afghanistan. He is a native of Rhode Island and he was killed saving the life of a small girl in Afghanistan. And that kind of dedication, courage, and commitment is what all of us that are here before you today believe in and are trying to support. And I wanted to acknowledge that loss and how much we all share that loss with Rhode Island.

Chairman LEVIN. Thank you for doing that.

Mr. KENDALL. Finally, I would like to thank my family for their support. My wife Elizabeth, Beth, is here with me today, as are my brother Ron and his wife Françoise, as Senator Reed mentioned.

I want to offer Beth my special thanks and appreciation. In October of 2009 at my first confirmation hearing, I thanked Beth for her support. After my 2 years in the Pentagon, first as Principal Deputy to Dr. Carter for a year and a half and for the last 6 months as Acting Under Secretary, Beth knows now exactly what she has gotten herself into, and I am deeply appreciative of her continuing love and support.

When I sat before this committee in October of 2009, I said that I too knew what I was getting myself into. That is even more true

today. I said then that I believe that the Department of Defense could do much better at equipping and sustaining our forces. I said that my background in operational units and defense research and development organizations and the Secretary of Defense's Office and the defense industry had all prepared me to make a contribution to achieving the goal of obtaining more value for the investments our country makes in equipping and supporting its soldiers, sailors, airmen, and marines. I believe today that I have much more to do and can do to contribute to this goal, and I would deeply appreciate the opportunity to do so.

If the Senate confirms me in this position, I will make every effort to live up to the confidence that will have been placed in me.

Thank you very much.

[The prepared statement of Mr. Kendall follows:]

Chairman LEVIN. Thank you very much, Mr. Kendall.

Dr. Miller?

**STATEMENT OF HON. JAMES N. MILLER, JR. TO BE UNDER
SECRETARY OF DEFENSE FOR POLICY**

Dr. MILLER. Chairman Levin, Senator McCain, members of the committee—and Senator Reed, thank you for that kind introduction.

3 years ago this month, I testified to this committee in a confirmation hearing for my current position as Principal Deputy Under Secretary for Policy. I thank the committee for the trust you placed in me by confirming me for that position. And it has been a great privilege to serve in that position for the past 3 years.

I am deeply honored to appear here today as the nominee for Under Secretary of Defense for Policy. I thank President Obama for the confidence he has placed in me as Principal Deputy and now as the nominee for Under Secretary for Policy. I also thank Secretary Panetta and former Secretary Gates for their confidence in me and for their outstanding leadership of the Department of Defense. And I also want to thank the dedicated team of civilian and military personnel in OSD Policy and throughout the Department of Defense, particularly those in harm's way today for all that they do for national security.

I want to especially thank our previous Under Secretary for Policy, Michele Flournoy, for her extraordinary service to our country. If I have the honor of being confirmed as Michele Flournoy's successor, I will hold her example of integrity and professionalism as my ultimate benchmark.

My deepest debt of gratitude is to my family, to my wife Adele, and to my children Allison, Zoe, Collin, Lucas, and Adrienne. Adele's and our kids' love and strong support has made my service in Government possible. For the past 3 years, they have put up with an often absentee husband and dad. I cannot thank them enough for their support. And with the consent of the Senate, Adele and I and the kids are ready to sign up for another tour.

As I have watched my kids grow up, one of the thoughts that motivates me to stay in Government is that the choices that we make as a Nation will shape their future. We all want to hand our kids and their generation a better world. I believe that this includes ensuring that the United States succeeds in ongoing operations and

ensuring that the United States retains the strongest military the world has ever seen.

Much has happened in the 3 years since I first appeared before this committee. President Obama said that we would bring the Iraq war to a responsible end and we did.

And as I had the opportunity to testify to this committee last week with General Allen, we are making progress in Afghanistan. We have had a difficult few weeks and no doubt more challenges are ahead, but our strategy is working. It is not time for plan B. It is time to continue the hard work of plan A and complete the transition to the full Afghan responsibility for their security by the end of 2014.

If I am confirmed by the Senate as Under Secretary, I will do all in my power to help the United States, our coalition, and the Afghans succeed to ensure that Afghanistan never again becomes a source of attacks on the United States.

If confirmed, I will also focus on other immediate priorities, denying, degrading, and defeating al Qaeda, stopping Iran from acquiring a nuclear weapon—as President Obama has said, containment is not an option—preparing for the fall of the Assad regime in Syria, and more broadly posturing the United States to cope and take advantage of the transformations brought about by the Arab Spring.

If I am confirmed, another top priority will be carrying out the Strategic Guidance that President Obama announced at the Pentagon earlier this year. Even as we deal with current operations in Afghanistan and across the globe, we are building the joint force of the future. The fiscal year 2013 DOD budget submission reflects a strategy-driven approach intended to provide a force that, as Secretary Panetta said and as Chairman Levin referred to, smaller and leaner, but agile, flexible, ready, and technologically advanced.

Consistent with our new Strategic Guidance, if confirmed as Under Secretary, I will work to continue to strengthen our posture in the Asia-Pacific. This includes addressing the challenges posed by the new regime in North Korea and continuing to work closely with our allies and partners in the Pacific.

If confirmed, I will also continue to ensure that our Nation and our military are on a firm footing to meet the challenges of tomorrow, including improving our Nation's posture in space and cyberspace, responsibly growing our special operations forces, reforming our systems of export controls which is a burden on industry and slows down our efforts to build partner capacity, advancing our missile defense posture to deal with the real threats from Iran and North Korea, and ensuring that we retain a safe, secure, and effective nuclear deterrent for as long as nuclear weapons exist.

Mr. Chairman, Senator McCain, and members of the committee, thank you for considering my nomination for Under Secretary of Defense for Policy. If confirmed, I am committed to continuing to work with the Congress to ensure that we succeed in Afghanistan, to advance our national interests by maintaining a strong global posture, and continuing to strengthen our alliances and partnerships across the globe, and to preserve and strengthen our military so that the United States is on a firm footing to meet the challenges of the future.

Thank you and I look forward to your questions.
[The prepared statement of Dr. Miller follows:]
Chairman LEVIN. Thank you very much, Dr. Miller.
Ms. Conaton is next.

**STATEMENT OF HON. ERIN C. CONATON TO BE UNDER
SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS**

Ms. CONATON. Chairman Levin, Ranking Member McCain, members of the committee, and your staffs, thanks for the opportunity to again be before you and thanks for the confidence that you have placed in me in my current position as Under Secretary of the Air Force.

Like my colleagues, I would like to start by thanking President Obama, Secretary Panetta, and Deputy Secretary Carter for the opportunity to continue serving, if you all see fit to confirm me.

I am deeply honored that Mr. Hoyer would take the time to come over and spend a few minutes with us, and I never want to correct the distinguished Minority Whip, but I did not actually finish my doctoral dissertation. So maybe that will be a post-Government project to be finished.

To Ike Skelton, sir, truly you are my mentor, and all that I know about the personnel and readiness challenges facing our military I learned from you. But it seems perfectly fitting to me that you and Patty are sitting as part of my family.

I am also honored to have my parents, Pat and Dan, my siblings, Shawn and Meegan, and my sister-in-law, the other Erin Conaton. But I would particularly like to single out my 7-year-old nephew William, my 4½-year-old niece Nora, and my 2-year-old niece Kathleen. The oldest two of them are going to be giving a report at school tomorrow on what they learned today. So I know that they are paying close attention.

I would also like to welcome three tremendous young women I have had the opportunity to get to know from McKinley High School, Venetia, Tahira, and Brook. They are fast approaching graduation, and I know each of them has an incredibly bright future ahead of them.

I have been blessed to serve under a great Air Force leadership team in Secretary Mike Donley and Chief Nurdy Schwartz. I have learned so much serving with them, as well as with two outstanding partners in my current Vice Chief General Phil Breedlove, as well as his predecessor, General Howie Chandler. These great leaders are a model of service and leadership. It has been an honor to serve with them.

My eternal thanks too to the team who has supported me in the Air Force for over 2 years and to the OSD team led so ably by Dr. Jo Ann Rooney. They have been great in helping me to start get smart on these issues.

There would be no greater honor than to represent our outstanding servicemembers, Active, Guard, Reserve, and civilians, and their families. It would be a privilege to be their advocate and to continue to advocate for the strength of the All-Volunteer Force and its readiness. As the chairman and Senator McCain pointed out in their opening statements, there are many challenging issues before the Department in this area. If confirmed, I would look for-

ward to the opportunity to work with my DOD partners and with this committee to address these challenges.

Thank you again for the opportunity to be before you.

[The prepared statement of Ms. Conaton follows:]

Chairman LEVIN. Thank you so much, Ms. Conaton.

Now Mrs. Wright.

**STATEMENT OF JESSICA L. WRIGHT TO BE ASSISTANT
SECRETARY OF DEFENSE FOR RESERVE AFFAIRS**

Mrs. WRIGHT. Chairman Levin, Senator McCain, honorable committee members, good morning. I am humbled and honored to be sitting before you this morning.

I thoroughly appreciate the confidence that President Obama has expressed in nominating me to be the Assistant Secretary of Defense for Reserve Affairs. I am grateful to Secretary Panetta for supporting that nomination.

It has been my great honor and privilege to serve our Nation in uniform for 35 years and as a civilian these past 16 months.

My career in public service would not have happened without the love and support of my family. My husband Chuck, who is here with me today, is my most avid supporter and champion. He is a combat-tested Army veteran who retired as a lieutenant colonel with 24 years of service. Our son Mike is in college and not able to attend this hearing, though I know he is here in spirit. He will graduate in May from Kings College with a degree in accounting and commission in infantry 2nd lieutenant following in his dad's footsteps.

I would also like to thank my parents, John and Cass Garfola, who live in South Carolina and not able to attend this hearing. They instilled in my brothers and me the importance of public service. My dad served in the China-Burma-India theater in World War II and spent a lifetime in steel mills. My mom started in the Army nursing program and served a 49-year career as a civilian nurse.

Throughout my career, I have seen enormous changes in our military. I enlisted as a member of the women's Army Corps and it culminated as the Adjutant General of the Commonwealth of Pennsylvania. I have worked my entire career promoting the Reserve components. These men and women number in the hundreds of thousands and carry the proud title of "citizen warrior". As you certainly know, they have put their lives on the line and their careers on hold through this past decade of war, and they have performed with honor and dignity.

Over the last decade, our Reserve components and the National Guard have transformed from a Strategic Reserve to an operational component. They fight and they serve alongside the Active component each and every day. If confirmed, it would be my privilege as the Assistant Secretary of Defense for Reserve Affairs to build on their success, to work hard to support the men and women who proudly serve our Nation as members of our Reserve components.

I am grateful to all Members of Congress and this distinguished committee for the energy and support that they have given our servicemen and women and their families. If the Senate confirms me in this position, I pledge to you that I will work diligently for the men and women of the seven Reserve components, their fami-

lies, and their employers. I am deeply honored to have been nominated and to serve.

Thank you.

[The prepared statement of Mrs. Wright follows:]

Chairman LEVIN. Thank you very much, Mrs. Wright.

Next Ms. McFarland.

**STATEMENT OF KATHARINA G. MCFARLAND TO BE ASSISTANT
SECRETARY OF DEFENSE FOR ACQUISITION**

Mrs. MCFARLAND. Thank you, Mr. Chairman.

Chairman Levin, Ranking Member McCain, and distinguished members of the Senate Armed Services Committee, thank you for the opportunity to appear before your committee today.

I am also grateful for the confidence that President Obama has shown in me by nominating me to be the Assistant Secretary of Defense for Acquisition.

I personally want to thank Secretary Panetta, Deputy Secretary Carter, and Acting Under Secretary of Defense Kendall's support for my nomination. If confirmed, I will be truly honored to serve and will work to serve in the highest accord with the highest traditions of office and integrity.

I am blessed with having some of my family here and friends and would like to thank them for their guidance and support that they have given me. My mother and father, Sonya and Wilbert Wahl, who are still working full-time and contributing to society and economy. My husband, former Marine Corps colonel, of 34 years of service, inclusive of two tours in OIF and one in OEF, Ron McFarland, and my son Jacob Brown.

As my mother was witness and victim to the horrors of World War II on the eastern side of Germany, her stories rarely told stay with me and led me to work for the Department of Defense. My family was always tight for money. My dad took me everywhere, and every moment he was trying to find another way to stretch his poor dollar as far as it could go. If I am confirmed, you can be assured that his lessons will continue to guide me.

I passionately believe in the high priority that this committee, the Congress, the President, and the Secretary of Defense have placed on improving the results achieved by the defense acquisition system. We need to maintain the best equipped military to support the policies of national security for this country and the new Strategic Guidance that the Secretary and the President recently announced. In order to do that, we must have a better trained workforce, a more efficient process that focuses on content and product, and the ability to measure how we, the Government, and industry are performing. We must improve our ability to extract every bit of value from the public funds we are entrusted with.

I consider this a monumental task, especially in this economic climate and with the continuing and emerging threats to our security. If the Senate confirms me, I will do everything in my power to live up to the confidence that has been placed in me.

Thank you.

[The prepared statement of Mrs. McFarland follows:]

Chairman LEVIN. Thank you very much, Mrs. McFarland.

Ms. Shyu?

STATEMENT OF HEIDI SHYU TO BE ASSISTANT SECRETARY OF THE ARMY FOR ACQUISITION, LOGISTICS, AND TECHNOLOGY

Ms. SHYU. Mr. Chairman, Senator McCain, and members of this esteemed committee, it is a great honor for me to appear before you as President Obama's nominee to serve as the Assistant Secretary of the Army for Acquisition, Logistics, and Technology. I am very grateful for this nomination, for Secretary McHugh's support, and the opportunity to be here today.

I would like to take a moment to thank my family for their constant love, encouragement, and support. My 102-year-old grandmother in Taiwan is unable to be here today, but she is absolutely here in spirit with me.

Chairman LEVIN. Why did she not fly in for this? [Laughter.]

Ms. SHYU. If she could fly, I can guarantee you she will be here.

Chairman LEVIN. Give her our greetings.

Ms. SHYU. Thank you, sir.

Chairman LEVIN. Tell her we miss her too.

Ms. SHYU. Thank you.

Mr. Chairman, I seek the committee's consent to serve as the Assistant Secretary of the Army for Acquisition, Logistics, and Technology. It has been my distinct privilege to serve in this position in the acting capacity in the last 9 months. It is an appointment that has resulted from my job as the Principal Deputy since November 2010. This service, along with my prior experience, has given me firsthand knowledge and valuable insight into areas of opportunities to fundamentally change the way that the Army acquires weapons systems for our soldiers.

Efforts to reform the acquisition systems have been ongoing for decades. The current fiscal environment has given these efforts a new sense of urgency. While I believe that the Army is heading in the right direction since the cancelation of the future combat systems, I pledge my dedicated efforts to this present task. If confirmed, I will prioritize affordability, competition, challenging unrealistic requirements, and emphasize sound management. More must be done to ensure that the current and future modernization efforts are built on the best possible foundation for success.

For more than 30 years, I have held a number of leadership positions within the defense industry that took me from entry level engineer to corporate vice president. I have direct experience in turning a vision into a system that is fielded to the hands of our warfighters. This experience will assist me in meeting challenges in performing this role.

Again, Mr. Chairman, I am honored by this nomination. I believe that I possess the background, the experience, commitment, the ethical discipline taught to me by my 102-year-old grandmother, and the judgment that is necessary to perform this important job.

I look forward to your questions and comments. Thank you.

[The prepared statement of Ms. Shyu follows:]

Chairman LEVIN. Thank you very much, Ms. Shyu.

I think we have a vote at 11:30 I believe, and we are going to work right through that vote, as I mentioned. And we will have a 7-minute first round.

I want to start by reading from an e-mail that a friend of mine received from his son in Afghanistan from a forward operating base

in Afghanistan. Dr. Miller, you made reference to the loss of another American hero, and that kind of triggered my decision just to read a few paragraphs of this e-mail to his folks.

While the news certainly and rightly has paid a lot of attention to a few horrible incidents of Afghan army and police turning on their American counterparts, including a fairly horrific incident in our sister battalion resulting in the first two casualties of our deployment, I can say I have been nothing but amazed by the strength of the bonds that have been formed between American troops and the Afghan National Army. The reaction of our ANA counterparts to the insider attack on my sister battalion's company outpost was truly telling. Their first reaction was fear. They were deeply concerned that we would abandon them over this, that we would blame them for the actions of a few who turned their weapons not only on Americans but also on their ANA brothers who, I should mention, played an important role in counterattacking their traitorous comrades and bringing those involved to justice.

When we had a similar potential threat revealed in our area of operations, it turned out that the ANA was already working internally to stop it. And a couple of their soldiers who were at first erroneously suspected of being complicit were actually the proactive individuals who stopped anything well before it could happen. The ANA were in tears over the fact that they believed that we would never trust them again and suspect them always of being Taliban, people they literally risk their lives constantly to fight and honestly hate. I can say that I have truly never felt unsafe around any of my Afghan counterparts.

Dr. Miller, let me ask you a question about the Afghan security forces. They are on track to reach a goal of 352,000 personnel by later this year. And building on the capabilities of the Afghan security forces is key to transitioning the security lead to Afghanistan. And as General Allen testified last week, quote, transition is the linchpin of our strategy, not merely the way out.

Now, given the importance of developing capable Afghan security forces for our transition strategy, I frankly was surprised and concerned about news accounts of a U.S. proposal to reduce the size of the Afghan forces by a third after 2013 apparently based on concerns about the affordability of a larger force. General Allen assured us that the option of reducing the size of the Afghan security forces after 2014 to the level of 230,000 was based on a current projection of possible options and certain possible scenarios, but that no decision had yet been taken. I hope not. In my view, it would be unwise and unfortunate if we were to risk the hard-fought gains that we and our coalition partners and the Afghans have achieved by deciding in advance that we are not going to support an Afghan security force that is right-sized to provide security to the Afghan people and to prevent a Taliban return to power.

Do you agree, Dr. Miller, that first of all, we have not made a decision and that whether or not that we should have a 350,000-sized Afghan security force or whether or not that ought to be reduced to some number lower than that should be, number one, conditions-based and the affordability concerns predicted now for years from now should not be, at this point at least, the factor which controls that decision?

Dr. MILLER. Mr. Chairman, yes, I agree. And as we indicated in testimony with General Allen, the surge force of 352,000 should be sustained beyond 2013 and quite likely beyond 2014.

Chairman LEVIN. You also stated in answer to a prehearing question, Dr. Miller, that you support a, quote, responsible draw-down as called for by the President. Last June, the President announced his plan for drawing down the surge force in Afghanistan and said that after the initial reduction, which would be completed by this year, that the withdrawal of our forces would continue, quote, at a steady pace. That would be between the summer of this year and 2014 when most all of our combat forces would be removed under current plans from Afghanistan.

My question, Dr. Miller, do you support the President's plan for U.S. troop reductions to continue at a steady pace after September of this year?

Dr. MILLER. Mr. Chairman, yes, I do, and we have not yet defined what the steady pace will mean in terms of numbers. Sir, as you know, General Allen intends to conduct an assessment at the end of September as we have drawn the force down to about 68,000 Americans, have a hard look at any al Qaeda presence, at the strength of insurgency, and critically importantly, at the strength of the ANSF and then make a recommendation up the chain of command to the President. And that would be a timeline for a recommendation and a decision this fall.

Chairman LEVIN. Thank you.

Let me now ask Mr. Kendall about our industrial base, and I will ask Ms. Shyu as well. I have a real concern about the industrial base including our second and our third tier suppliers, particularly for the ground combat and tactical vehicles that we know are going to be coming into our inventory and are going to be developed and produced. So I want to know what steps you plan to take to address the potential loss of industrial capability or capacity associated with reductions at the same time that we need to prepare for the next generation.

Mr. KENDALL. Mr. Chairman, we are watching the industrial base probably more closely now than any other time since perhaps the end of the Cold War. We are taking account of it as we make budget decisions in particular because we are no longer in a period of growth in the budget. This year, as we went through the budget preparation process, we had meetings at the very senior level specifically to look at industrial base issues, and we did take some steps because of them.

We are concerned about the tiers below the prime level. We have undertaken an in-depth analysis of that. We are building a database to help us completely understand each sector and each tier so that we are aware of and can respond perhaps proactively, as much proactively as possible, when problems arise. The database that we are building is well underway and it is allowing us to identify some things and perhaps intervene earlier than we might be able to otherwise.

We are going to be limited in our resources. So any intervention in the industrial base is going to have to be on a case-by-case basis and probably fairly rare. But if there are niche capabilities that are

critical to us, we may well intervene, and there may be cases where just to keep competition for critical components we do the same.

So we are watching the industrial base very carefully. We are going through a difficult period. There is going to be, obviously, less money available to the industrial base. And as we stretch out production and delay programs in some cases, there are going to be smaller companies in particular that are impacted.

Chairman LEVIN. Thank you.

Ms. Shyu, do you have anything to add to that?

Ms. SHYU. Senator, I absolutely am equally concerned about our industrial base, in particular the impacts to our second, third, and fourth tier companies. My sister is a small business owner, so I absolutely understand the challenges in terms of running a small business. We are working aggressively with our prime contractors to identify FMS opportunities to fill in the bathtub. We are working very closely with OSD on the sector-by-sector and tier-by-tier database. As a matter of fact, just yesterday I spent a solid hour discussing issues in regards to our small companies. We are in the process of also working and assessing across our entire portfolio to look for opportunities for our small businesses. I think that is a huge area we can explore. And if confirmed, I dedicate my efforts to take a look at the industrial base.

Chairman LEVIN. Thank you very much.

If you would, Mr. Kendall particularly, give us a status report by the middle of—by, say, May 10th, if you would, on your assessment of the issue which you have addressed, particularly the second, third, and fourth tiers Ms. Shyu made reference to, suppliers in those areas. If you could give us the status report so we can consider that situation in our own markup, we would appreciate that.

Mr. KENDALL. We can do that, Chairman.

Chairman LEVIN. Thank you very much.

Senator Ayotte? Senator McCain is not yet back.

Senator AYOTTE. All right. Thank you, Mr. Chairman. I appreciate it.

I want to thank all of you for being here and for your dedicated service to our country and all of your families and friends for the support you have given all of our distinguished witnesses today.

I wanted to follow up on the chairman's question. Mr. Kendall, Ms. Shyu, what happens to the defense industrial base, particularly our second, third, and fourth tier suppliers if sequestration happens.

Mr. KENDALL. Senator McCain mentioned sequestration also. In a word, it will be devastating. We have already taken \$500 billion a year, roughly, out of the defense budget. So if we have to take roughly another \$500 billion, that is \$100 billion a year out of the budget. A lot of that would fall onto industry.

There is a provision under the Budget Control Act which would allow the President to exempt military personnel. There is a good chance that he would do that because that would be a devastating impact on our people. So that would increase the burden that would fall on the investment accounts, R&D, and production. And it would be fairly deep cuts. They would also have to be applied very indiscriminately. We would not be allowed to prioritize and

they would fall on unobligated balances. So we would have a devastating impact.

A lot of the work that we have done over the last couple of years to try to make more efficient acquisition decisions and get better contract structures would be broken. The tanker, for example, which the Air Force went through a very laborious and difficult process to get under contract on a sound acquisition strategy. We would break that fixed-price contract.

Senator AYOTTE. You are talking about the KC-46A.

Mr. KENDALL. Yes.

Senator AYOTTE. Yes, it would jeopardize that contract.

Mr. KENDALL. We would jeopardize that.

Senator AYOTTE. If sequestration goes forward.

Mr. KENDALL. We would jeopardize a number of contracts where we would have to take cuts that would break the contract from our side. Then we would have to go renegotiate. So you are essentially opening it up and you have to go get another price. Once we are in a situation—and we did a competition, for example, for the tanker. So that was very effective in getting the price down. Once you do not have a competitive environment, then it is much more difficult for us to negotiate a lower price.

The littoral combat ship is another one where we have good prices out over the next few years. We would break that deal as well.

So across the Department, there are places where a devastating impact would occur. And of course, that ripples down to all tiers in the industrial base.

Industry is already very concerned about this. Some of the major firms have approached me about their concerns about having to provide notice of potential layoffs because there is a provision in the law that requires them to do that just in pending sequestration.

So it has been described by various people in various ways. Secretary Lynn talked about sequestration as being something that was so crazy—it was intended to be so crazy that nobody would ever do it. And the people have done a very good job of making it that crazy.

Senator AYOTTE. So crazy that nobody would ever do it.

Mr. KENDALL. So crazy nobody do it and they did a really good job of that.

My boss, Secretary Panetta, who is sometimes very frank in his language, has called it, I think, goofy and a meat axe approach. And in private conversations, he has used much stronger language than that.

Senator AYOTTE. Probably not good for this room. [Laughter.]

Mr. KENDALL. I will refrain from that.

But sequestration in a word would be devastating to the Department.

Senator AYOTTE. Thank you.

Ms. Shyu?

Ms. SHYU. Senator, I absolutely concur. If sequestration occurs, it would absolutely have a devastating impact on modernization. The bulk of the Army's budget is in the manning area, and that is not going to go down quickly. So the modernization account,

namely the procurement accounts, research and development accounts, which impacts our primes, our second, third, fourth tier companies are going to be significantly impacted. Everything we have judiciously worked last year to identify affordability, cost savings, cost avoidances will be gone.

Senator AYOTTE. So just to be clear so everyone understands and those that are watching this hearing, when we are talking about particularly second, third, and fourth tier suppliers, sometimes when those businesses go away, they do not come back. We are talking about small businesses that if they are put out of business by sequestration, then it is difficult often to bring that capability back. That is why we are concerned about our defense industrial base. And those are real jobs in this country, are they not, at stake?

Mr. KENDALL. That is correct. There would be hundreds of thousands of jobs impacted.

Senator AYOTTE. I appreciate that.

And one thing I wanted to follow up when we look at where we are with the \$487 billion in reductions over the next 10 years as a result of the Budget Control Act, Secretary Conaton and Dr. Miller in particular, we are asking for a 72,000 reduction in the end strength of our Army. Can you help me how we got to that number, meaning is this a number that the Army recommended in terms of end strength reductions?

And the other important question that I would like to get at is how many involuntary terminations will we have to give to our soldiers in order to accommodate the 72,000 in reductions because it is really hard to think about those who have gone and done multiple tours in Iraq and Afghanistan and handing them an involuntary termination.

So you can help me, first, how did we get to the number and, second, what does this mean in terms of involuntary terminations.

Ms. CONATON. Thank you, Senator. Given that I have been working in the Air Force for the last couple of years, I will defer to Dr. Miller, if he has insight as to how the exact number was chosen. It is my understanding, though, that the Army leadership had a great voice, as did the Marine Corps leadership, in looking at not only the numbers, but the ramp and how quickly folks are coming out of the force.

I share your deep concern that we ensure that we do this in a way that minimizes the number of folks who are involuntarily removed from the rolls. And so I know Secretary Panetta's commitment, and if confirmed, it would be my commitment to work with the services to make sure we do everything possible before we involuntarily remove folks and also strengthen the transition assistance program so that folks who are leaving our military have the best opportunity to gain follow-on employment or education or start a small business.

Senator AYOTTE. I appreciate that.

Dr. Miller, can you help us how we got to the number? Here is where I look at it is that we were withdrawing from Iraq. We were certainly drawing down in Afghanistan. So there was going to be some reduction. But would you be recommending to us 72,000 but for the Budget Control Act, and how did we get to that number?

Dr. MILLER. Senator, let me first confirm what Ms. Conaton said and that is that the Army was very much involved in the discussions about both the size of the force that would result by the end of fiscal year 2017 and the ramp in terms of the reductions. And that ramp was designed specifically to minimize the impact and to minimize the likelihood that anyone would have to be involuntarily separated.

In terms of the overall size of the force, as you know, that reduction will take it to about the level that it was at September 11.

Senator AYOTTE. Pre-September 11. Right? Before September 11.

Dr. MILLER. Just before September 11.

Senator AYOTTE. The world has changed since then, has it not, Doctor?

Dr. MILLER. The world has changed.

The reductions that will be phased in will leave an Army that is, between the Active and Reserve Force, still capable of conducting the full range of missions, capable of conducting stability operations, but not stability operations on the scale that we saw in Iraq and Afghanistan combined. If we find that we are in a situation again where that scale of operations is required, either the force will have to be grown back, and we know that we can do that and we need to build in that capacity or we will have to tap into the Reserves more or for a period of time more strain would be put on the force. So the number was selected at a level that still retains the full spectrum mission and the ability to conduct substantial stability operations and understanding that the force would have to grow in the future if we return to a scale of operations that we saw in OIF and OEF combined.

Senator AYOTTE. My time is expiring. But one of the issues that I would like to know about is was this a number that was recommended by our Army commanders, the 72,000. Is that the number that they gave the Secretary?

Dr. MILLER. Senator, this was a number that came out of discussions that deeply involved the Army leadership and obviously involved the Secretary of Defense and the leadership of the Joint Staff and which the combatant commanders were consulted on as well.

Senator AYOTTE. One thing that I would appreciate your taking to let us understand is if sequestration goes forward, what happens to the end strength of our Army as well. I think that is important for people to understand.

I appreciate all of the witnesses being here today, and I may submit some additional questions for the record. Thank you.

Chairman LEVIN. Thank you, Senator Ayotte.

Senator Lieberman.

Senator LIEBERMAN. Thanks, Mr. Chairman.

Thanks to the six of you for your willingness to serve. Really you are an extraordinarily impressive group in my opinion. I am struck by the gender imbalance in the six of you, which shows that this was obviously a merit selection process by which you come before us.

Dr. Miller, let me focus on you. The position you are coming into as Under Secretary of Defense for Policy is a really important position, and I have every confidence that you are ready, more than

ready, to fill it. I have been really impressed by the opportunities we have had to work together most recently. Just by your testimony last week alongside General Allen about Afghanistan, I thought you were very straightforward and very helpful to the committee.

So in some sense now you join the Secretary and Deputy as responsible for the security of just about the entire world. So do not let that give you sleepless nights.

But let me focus first on two areas of obvious concern. The first is Iran. Obviously, one of the contingencies to which the Pentagon has been devoting a lot of time and consideration is Iran. And I wanted to ask you about your thinking about the threat posed by Iran, how do you see it evolving, and what do you hope we do to get ready to meet the threat that Iran poses?

Dr. MILLER. Senator Lieberman, thank you for your kind words.

The threat posed by Iran includes, as they have talked about, the possibility that they would attempt to close the Strait of Hormuz and interrupt international shipping, including the transportation of oil. With respect to that, Secretary Panetta and others have made clear that that is a red line for the United States. We have had a number of ships, including carriers, transit through the Strait of Hormuz since a rather inflammatory statement was made by the Iranians, and they will continue to conduct that transit.

Iran poses a significant threat in the region because of its activity in support of insurgency and terrorist tactics. This is something that has been the case for some time and something that we are working with our allies and partners in the region to contain.

The most significant threat that Iran poses, as you know, is its pursuit of a nuclear weapons capability. And as I said earlier, the President has made clear that prevention is our policy and that containment is not an option.

Senator LIEBERMAN. Let me ask you to what extent concern about the threat posed by Iran informed the defense Strategic Guidance first and then the fiscal year 2013 budget request. In other words, have specific policies been arrived at and authorization/appropriations been asked for to meet that threat?

Dr. MILLER. Senator, Iran was certainly taken into account in both the Strategic Guidance and the fiscal year 2013 budget request. As you know, the guidance talked about the importance of both the Asia-Pacific and the Mideast and sustaining and in fact strengthening our posture there, and we have continued to do so. Iran also poses a potential threat to U.S. forces and coalition forces because of its anti-access and area denial capabilities, things like their small boats, cruise missiles, and so forth. And as we look at the capabilities that the DOD is developing to counter those threats, Iran is certainly a consideration.

Senator LIEBERMAN. Let me move now to Syria. Obviously, the killing by the Assad government of its own people continues, notwithstanding—I do not know whether a document was signed by Syria to agree to the Annan plan. If it was, history will show that it is not really worth even the paper the signature is on. And the reports since the announcement of Syria's agreement to the Annan plan indicate that the government continues to brutally slaughter its own people.

In this context, there will clearly be growing international pressure and domestic pressure, including from some of us up here, for some kind of external assistance to the Free Syrian Army and to the Syrian opposition. As Under Secretary for Policy, you will be in a key position to develop options to support that kind of intervention if the President decides to order it and to determine what is feasible and what is not. And I wanted to ask you what you are thinking about that challenge now, including particularly a topic we took up earlier with Secretary Panetta and General Dempsey, what we might be able to do that would allow us to disrupt Assad's command and control over his own forces.

Dr. MILLER. Senator Lieberman, the Assad regime, as you have said, has continued to conduct activities within Syria that are reprehensible and that reinforce in my mind and in our mind the fact that this regime needs to go and that it is in the interests of the Syrian people and of the international community that the Assad regime leave power.

As you know, we have provided nonlethal assistance at this point.

Senator LIEBERMAN. Just define that a bit about what we have provided thus far. I noticed the President made a statement with Prime Minister Erdogan in Seoul earlier in the week that they were both interested continuing that. Tell us what we have done so far and what we are thinking of doing in terms of nonlethal assistance.

Dr. MILLER. Sir, the nonlethal assistance to date has been materials such as food and tents and so forth, as you would expect for humanitarian assistance, and we will continue to look at additional opportunities to provide that assistance as part of an international effort.

At this point, a key challenge associated with considering lethal assistance is the reality that the Free Syrian Army and other groups do not have, at this point, a high degree of coherence, and so one needs to consider to whom that would be provided and what would be the ultimate disposition of any equipment. The answer to that question could evolve depending on what happens on the ground, and frankly, it also depends to a degree—the viability of any additional aid depends to a degree on the ability of the opposition groups within the country to come together. And as you know, sir, this administration has undertaken an effort to try to facilitate that.

Senator LIEBERMAN. Let me just ask one quick follow-up question because my time is up.

My impression from the reports from Seoul from the President and Prime Minister Erdogan was that the nonlethal assistance now would go beyond food and tents for, I presume, refugees and would include, for instance, communications equipment. Is that right?

Dr. MILLER. Senator Lieberman, I am not certain that a final decision has been taken on that. What I would like to do is get back to you with an answer.

[The information follows:]

[COMMITTEE INSERT]

Senator LIEBERMAN. Okay. Well, obviously, I hope it does. Thank you.

Thanks, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Lieberman.

Senator McCain.

Senator MCCAIN. Mr. Miller, I will not comment on your response to Senator Lieberman except to say thank you for the food and tents. I am sure the people who are being slaughtered in the streets of Homs and Hamas and other places and Idlib are very grateful for the food and tents.

The administration, I understand, has proposed that North Korea be provided with 240 tons of food aid. My understanding is that is about \$200 million worth of foodstuffs. Is that correct?

Dr. MILLER. Senator McCain, the amount of food is correct and the dollar figure sounds right to me as well.

Senator MCCAIN. Now, meanwhile the North Koreans apparently are planning on testing another missile. Is it your personal view that if they test that missile, that we should continue and provide them with the \$200 million worth of food?

Dr. MILLER. My view is that we should not.

Senator MCCAIN. Do you know what the administration's view is?

Dr. MILLER. Well, Senator, the view is that if North Korea goes forward with this test, we will stop this aid and stop the other steps that we have intended to take and have to have a complete reconsideration of where we go in the future.

Senator MCCAIN. Thank you.

Mr. Kendall, you and I have had numerous conversations about cost overruns. We had an interesting exchange with the Secretary of the Navy that when I pointed out that now with the carrier Ford there is a billion dollar overrun, he said, well, the next carrier we will do a lot better on.

Is it not true that the Joint Strike Fighter has been about \$150 billion in cost overruns? Is that about correct, Mr. Kendall?

Mr. KENDALL. I think that number is approximately correct, yes.

Senator MCCAIN. And do you anticipate further cost overruns in the Joint Strike Fighter besides the \$150 billion that has already been accumulated?

Mr. KENDALL. We are doing everything we can to drive down the cost of the Joint Strike Fighter. I do not anticipate any cost growth anything near the scale that you just described. We are still about—

Senator MCCAIN. Maybe only \$10 billion?

Mr. KENDALL. I hope much less than that.

We are still about 20 percent of the way through the test program. We are finding design issues as we go through the test program that we have to correct. So there are some cost adjustments associated with that.

Senator MCCAIN. Would you provide for the record for the committee what you think will be the additional cost overruns associated with the development of this aircraft?

Mr. KENDALL. I will, Senator McCain.

[The information referred to follows:]

[COMMITTEE INSERT]

Mr. KENDALL. We have estimates of the changes that we could expect through the test program. We can give you that. But there is some risk, of course, even associated with that.

But I do think that the Strike Fighter is getting under control. I would like to say just a couple of words about that if I may.

We are attacking the production costs by putting strong incentives on the contractor to control costs and to get the changes that have to be made cut in quickly. And we are focusing increasingly on the sustainment costs which are larger actually than the production costs. We have made some progress there this year in some areas but we slipped a little bit in some areas as well. That is where we think the greatest potential is. Dr. Carter testified a year ago about getting large fractions of that cost down, and I think we could approach that. So I have set a goal for us to accomplish that.

Senator MCCAIN. As far as the Gerald R. Ford is concerned, also would you tell us how much in cost overruns more we expect on that particular product. Okay?

[The information follows:]

[COMMITTEE INSERT]

Senator MCCAIN. Right now I understand it has been \$1 billion cost overrun. Is that correct?

Mr. KENDALL. When you take all the cost overrun, I think it is actually more than that, Senator McCain.

Ms. Shyu, you served as senior director for Raytheon's participation in the Joint Strike Fighter program?

Ms. SHYU. Senator, I was on the losing side, unfortunately.

Senator MCCAIN. What does that mean?

Ms. SHYU. That means our team, the radar system, everything we let, was on the Boeing team.

Senator MCCAIN. I see. But you did observe the progress or lack of progress of this aircraft.

Ms. SHYU. Yes, sir.

Senator MCCAIN. And your conclusion was?

Ms. SHYU. My conclusion is too much concurrency in the design development of the program.

Senator MCCAIN. And yet, Mr. Kendall, we are seeing concurrency practiced in a couple of the Army—on the JLTV, the Joint Light Tactical Vehicle, and the ground combat vehicle. Are they practicing concurrency?

Mr. KENDALL. The problem with concurrency, Senator McCain, is the degree of concurrency. Most programs start production before they have completely finished their developmental tests. The question is how much. In the case of the Joint Strike Fighter, which is an extreme example of concurrency, production was started more than a year before the first flight test.

In the programs that you mentioned, we will go somewhere into developmental test where we have prototypes that are fairly production representative and we will have confidence in the stability of the design. And what we are doing now is we are setting up exit criteria so that we do not make that production commitment until we are confident that the design is reasonably stable.

Senator MCCAIN. Are you confident that both of those programs, the Joint Light Tactical Vehicle and the ground combat vehicle, will not experience overruns?

Mr. KENDALL. I am not confident that any defense program will not experience an overrun. That would be quite a statement after the last 50 years of history.

Senator MCCAIN. Can you tell us what you estimate the cost overruns will be on these programs?

Mr. KENDALL. We are going to do everything we can to not have a cost overrun. So I do not have an estimate that would suggest that there would be one. It is a self-fulfilling prophecy. We are funding our programs to the independent cost estimates, and we are going to try to cap our programs there.

One of the things that we are doing now is setting affordability targets early for programs and forcing them to do the tradeoffs that have to be made so that they get under the cost that they initially put as a cap on the program. There has been a reluctance to do that in the past, and I think that will have a dramatic impact on the new starts that you talked about, both the Joint Light Tactical Vehicle and the ground combat vehicle.

Senator MCCAIN. Dr. Miller, one of the concerns that I had that I relayed to Secretary Panetta concerns the study that we asked for concerning the base realignment from Okinawa and Guam. One of the reasons why Senator Levin and I and the committee unanimously asked for this study is because the costs have gone from previous estimates of some \$6 billion to now \$16 billion with frankly no really hard numbers in sight.

So we asked for an outside assessment as to what plans should be for this much needed base realignment, and that bill was passed by the Congress of the United States in December and signed into law in December. 3 months later, they still had not let the contract.

I understand the contract for an outside study was awarded just a few days ago. But we asked for that study so that it would be part of the deliberations in developing the plans for the base realignment. So instead, you waited 3 months. I do not know why it would take 3 months to ask for an outside study. And now Senator Levin and I are being briefed this afternoon on the plans for base realignment. An outside observer, casual observer, would view that as a complete disregard of the instructions of the National Defense Authorization Act of 2011.

Maybe you can explain to me why it would take 3 months to ask—there are many outside groups—to conduct a study. And by the way, we asked for that study to be completed by the 1st of March so that as we deliberate on the defense authorization act for this year, that that would be part of our deliberations. Do you understand my frustrations, Dr. Miller?

Dr. MILLER. Senator McCain, I do. I am going to come back over and meet with you and Senator Levin and Senator Webb and walk through both what happened with this contract. There is no excuse for taking this long to get something on contract, and I will not make an excuse for it, sir. But we will have a proposal to show you and Senators Levin and Webb how we can still make good use of the work that you have proposed from this outside group. And they have already begun working and we believe we have a good plan, sir.

Senator MCCAIN. Well, I thank you for that, Doctor, but I hope also that you understand to some degree the frustration that we

feel. Senator Webb traveled throughout the region. Senator Levin traveled with him. We have had briefings. We have had conversations with not only American leaders and officials but foreign leaders and officials on this issue, Japanese delegations. And then we make an input and it is if not willfully ignored, certainly not pursued to fulfill the will of Congress and the legislation passed by the Congress and signed by the President of the United States.

So we look forward to meeting with you and others on this issue and the other issues such as MEADS and other concerns that I have raised.

I thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator McCain. And I join Senator McCain in the expression of frustration with not complying with the congressional—it is not just intent. It is the language of the law. So I share very much in that frustration and look forward to that meeting this afternoon.

Senator Begich is next.

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

I want to follow up on those comments, but also the discussion that went back and forth with Senator Ayotte in regards to what sequestration would do. And I think the word I heard—and I do not know if it was the word of the day—was “devastating”.

But I also think what you just heard is also devastating. That is billions that for years—let me give you an example. Last year, this committee unanimously agreed to get rid of the funding for MEADS, but you have now presented again in your budget to fund it, almost a half a billion dollars. It makes no sense.

Now, I know you will tell me the contract says this. Every contract ever let by any Department of any Federal Government, State government, local government is subject to appropriation. Subject to appropriation. Now, I know people say, well, we never really exercise that. Well, too bad. Contractors sign that. I was a mayor. That is how it works. You sign it. You understand if we do not give you the money because we do not appropriate it, then you are out of business. We do not do the contract.

So I understand and I know what is going on because people want to make the case later down the road a couple months from now we will try to delete the Defense Department out of the sequestration and then take it out of the hide of everyone else. Well, everyone is on the table until we resolve this because is it not more devastating that if we do not solve the deficit problem, sequestration is pocket change compared to what will happen if the economy crashes because we cannot deal with the deficit.

Who would like to dare to throw something on the table and answer that? Am I mistaken? I mean, is that not really—I think some of the folks in the military, DOD, have said the debt is the biggest security risk to this country. Did I miss that?

Mr. KENDALL. Senator, I cannot comment on the broader issue, but I would like to say a word about MEADS if I could.

MEADS is not just a contract. It is an agreement with two of our most—

Senator BEGICH. I understand that.

Mr. KENDALL.—closest international partners.

Senator BEGICH. Yes, and we pay 75 percent of it for a system we are not really going to use fully. So I understand that. I have had this debate in my office with folks from your—not your shop specifically, but from everyone from the Pentagon to the contractor because they get a little freaked out when we start talking about canceling a program. Well, we passed in the defense authorization bill do not do this program, and you present the budget for \$400 million more.

I understand all this international relationship activity, but we are paying the tab. Two of the countries, Germany—and I think it is Italy, the other one. Italy has no money. They are in their own problem. Germany questions this but I know the machinery has been busy to make sure we got letters from folks to say they are there.

I mean, I understand the word of the day is "devastating." I will use that word. It is devastating to hear all these cost overruns and lack of recognition and your comment—and I cannot remember how you exactly said it, but you said you will always have cost overruns.

Mr. KENDALL. Senator, what I said was that I cannot guarantee we will not. I am going to do everything in my power, if confirmed, to keep cost—eliminate them and actually save us money on our programs to come in below the budget. That is what we are challenging all of our people to do.

Senator BEGICH. That is good.

Mr. KENDALL. But the history suggests that that is going to be a very difficult task.

Senator BEGICH. It would be pretty much like almost 100 percent of the history. A high number.

Mr. KENDALL. We rarely have a program that does not have overruns, at least somewhat.

Senator BEGICH. That tells you the system is broken.

Mr. KENDALL. It tells me, after 40 years of experience in the system, that we have a lot of forces for optimism and that we make mistakes about what we can do and how long it will take and what it will cost routinely for a variety of reasons.

Senator BEGICH. I would say this. As a former mayor, if I had my purchasing department have a record like that, a high percentage of them would not be working there. There would be a different deck because obviously they are incapable of the long-term determination of what these values are. And I will tell you you can do projects if you design and change it, and let me give you one example.

When we built the convention center in Anchorage, \$100 million plus, you know, everyone feared it would go over budget. We did something that government never does. First off, we made a guaranteed maximum price based on a 35 percent design, and then we made sure the contractors, the people that actually owned the companies, personally guaranteed any cost overruns. None of this garbage about their corporations because that is phony baloney stuff. But suddenly when you get the CEO have to sign a \$2 million personal guarantee, just like every bank does for them—we are the best bank, the Federal Government.

I would encourage you for every contractor that does business with us that has a record of cost overruns, you tell the CEO and the CFO we have a new arrangement because they make a lot of money. When I look at these contractors, these CEO's make a lot of money. Put their name on the dotted line, and I guarantee you—just like we have here, you know, if our budgets and our operations, our personal offices go over budget, guess what. I have to write a check for all the employees that work for me here in the Senate. If I go over budget, I got to write a personal check. So change the deck and get a little more responsible.

This was not my line of questioning. I just got a little agitated here when I heard the word of the day ?devastating.? Somehow we are to blame for it. We are all in this mess. The lack of oversight over the years of the Defense Department and the cost overruns that you just heard cited, the lack of following through on things we pass here and tell you to do, you do not do. So let me stop my rant and get to my questions. I apologize. But you understand my point.

Mr. KENDALL. I do, Senator, and I agree with you completely we have to get better business deals. That is the essence of what we need to do. We need very strong incentives for our contractors to give them a very good reason, a very good financial reason, to do better. That is what they will respond to.

Senator BEGICH. Yes. Have the CEO's and CFO's sign on the dotted line personally.

I will tell you what happened on that project. Guess what. We got it done right on schedule. And guess what. Below the budget. It was amazing, an amazing thing. And we got more for the money we spent because they got innovative. I mean, so I am just giving you a thought here. Now, of course, the contractors did not like it, but guess what. They are still doing business in our city because they became a very good qualified and they use that now as an example to get business around the country of what they can do. They can use it.

So let me put you on hold for a second, if I can.

Secretary Conaton, let me ask you. And I am sure you were aware that I was going to do this to you on Eielson Air Force Base. It goes to the same thing. Here we are in the process of the Air Force determining that Eielson should have a reduction within the F-16's and shift them. They have estimated around 600 military personnel, undetermined civilian. For some reason, they cannot figure that out. But they have already identified the exact potential savings they are going to have because they presented it through the budget process. And the end result is they have calculated that in and everyone signed off on it. So it is all good.

But now they are sending a team up—will not even be there till mid-April—to determine what the savings are. Help me here. It seems a little backwards. I think usually you send a team in, do an analysis, and not just the Air Force but the secondary impacts. For example, they have no clue if Elmendorf, where they want to shift these, will have the capacity to house these new facilities, as well as the personnel to go along with it, and the air space that is a lot more crowded than ever before. We are the fourth largest cargo hub in the world. That is not the case it was 20 years ago

when they used that as an example. Now they think they can save money. So help me here.

Ms. CONATON. Sure, Senator. I know this has been a topic of conversation between you and Secretary Donley and General Schwartz. I understand that you still have some outstanding questions that you have not gotten complete answers to. So let me, on their behalf, promise to go back and follow up.

In terms of the timing, the simple reality was because of the need to achieve the savings that you referred to earlier in terms of meeting the Budget Control Act targets, we had to make a series of decisions in the time frame of the budget cycle inside the Department of Defense. Part of the reason that we do not have that change at Eielson kicking in until fiscal year 2015 is in order to do some additional work. And I definitely understand your frustration about the order in which this has been undertaken.

Senator BEGICH. I will just end as my time is up. They have told in the hearing we had—or not hearing but public meeting that families will be started to be moved or troops in 2013. That is not far away. So I am very nervous about the uncertainty they are sitting with in that community because they have been told in the next 7 months or so, 2013, this starts moving. And we are very nervous about the lack of understanding of the costs. So if you could respond back to us.

[The information follows:]

[COMMITTEE INSERT]

Senator BEGICH. Everyone who comes here gets this question. If you have Air Force tagged on you, you are going to get the question.

Ms. CONATON. I appreciate that, Senator, and I do promise to get back to you with some additional information on behalf of Secretary Donley and General Schwartz.

Senator BEGICH. Thank you very much.

Mr. Chairman, I have some other questions I will just submit for the record on rare earth issues and some other issues, and I will just submit them for the record. Thank you very much.

Chairman LEVIN. Thank you very much, Senator Begich.

Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

Mrs. Wright, I just had a question regarding the cuts in the Air Force—proposed cuts. When the Air Force decided to propose what I viewed as lopsided cuts to the Air Guard, it gave me pause, and the reason is that I think there may be a better way, a way that preserves the readiness at a fraction of the cost, and I believe we could do this by leveraging the expertise, skill, and combat experience in the Guard and Reserve.

My question is the fiscal year 2012 NDAA directed that the Department provide Congress with a report on the difference in costs between the Active and Reserve components. Would you agree that we should wait until we have the most up-to-date and accurate information before imposing those cuts to the Guard and Reserve?

Mrs. WRIGHT. Well, sir, I will tell you that the services, along with the Air Force, had a very difficult decision to make with this last budget. I believe they put their best effort forward managing capacity and capability, and they made responsible choices.

Senator BROWN. Yes, but do you think we should wait for the report for the most up-to-date information before we go cutting? I can think of Westover where we have C-5s that are basically 80 percent battle-ready versus Active components at 40 percent, give or take, and yet we are going to be shifting and cutting and moving. I got to be honest with you. It does not make a heck of a lot sense when you got 80 versus 40, you got battle-ready versus not, and you have teams that have worked together forever and they are potentially going to be dismantled or moved. How does that make sense? Would that report not help determine where the cost/benefit analysis is before we do something that we may not be able to recover from?

Mrs. WRIGHT. Sir, I do understand the issue, and I do know that there are four different cost/benefit analyses going on within the Department. One was directed by Congress. And I believe that the Air Force has really looked at a lot of different cost methodologies when making the decisions that they have recently made.

Senator BROWN. So you are saying we should or we should not wait? It is just simply should we wait or should we not.

Mrs. WRIGHT. Well, I believe the Air Force has already paid attention to the cost/benefit analysis that they have used for this particular budget.

Senator BROWN. So the fact that we directed that they do a report and the difference really is irrelevant then. Is that what you are saying?

Mrs. WRIGHT. No, sir. I believe that they clearly will be paying attention to these upcoming reports also when making further decisions.

Senator BROWN. Ms. Conaton, what do you think?

Ms. CONATON. Well, Senator, I know you had an opportunity to have this discussion with Secretary Donley and General Schwartz.

My answer, I guess, is similar to what I said to Senator Begich, which was the nature of the timeline we were on in terms of having to achieve the reductions in the budget under the Budget Control Act forced a very intensive period of analysis leading up to the budget. And I know Secretary Donley and General Schwartz have explained to you that their thinking and Secretary Panetta's thinking is that with the new strategy and with the operational demand they see going forward, that is what led them to be more comfortable with the cuts that you have seen as part of the budget. And I definitely appreciate your perspective. This was—

Senator BROWN. It is not just mine. It is quite a few members of the committee.

Ms. CONATON. Yes, sir. No. I understand. This was, I think, one of the most difficult decisions that was made certainly within the United States Air Force and definitely respect your opinion on that.

Senator BROWN. Well, I got to tell you. The Army, I think, has struck a very solid balance between Active, Reserve, and Guard. I got to tell you the Air Force, on the other hand—I think I can speak for a lot of folks here. It is like they are taking all their toys and say, oh, we got them now, and then the Reserve and Air Guard are getting I think the short end of the stick.

I would like to maybe just shift gears for a minute on what you think the role of women in combat is. Do you think it is appro-

priate? Do you think that by removing the barriers for those women service members rising on the rank based on their talents and capabilities regardless of gender is appropriate?

Ms. CONATON. Yes, sir. I agree with the recent report that the Department put forward which would open up some additional 14,000 positions that had been previously closed to female service members. I also agree with Secretary Panetta that this opportunity to expand those positions will give us lessons learned for where we take next steps. And I know the Department is committed to trying to look at making positions available based on women's qualifications and physical abilities rather than on gender per se.

Senator BROWN. I think, quite frankly, they need to go a little bit further than that. I know personally our military fellow was a Kiowa pilot commander of men and was in Iraq and Afghanistan. If that is not the front lines, flying Kiowa missions and shooting people and weaponry and the like and targets, I do not know what is. So I would actually encourage you in your position to advocate to, if qualified—if qualified—they should have the ability to serve like men. I have been in 32 years. I see them serving and I have served with them regularly. As I said, if they are qualified, they should have the same opportunities because there is that inability to rise up. There is a reason we do not have many four-star female generals and that is because of the barriers that have been placed.

On TRICARE, I might as well stick with you. TRICARE is something I feel that was a contract between the men and women who have served as part of their effort to serve and serve well. And I understand that there are budgetary pressures, and I agree with former Secretary Gates when he said health care costs are eating the Department alive. I understand that. But I will tell you I believe it is wrong and I think there are others—this very specific benefit that we promised to a very small group of people in this country, and I think it is wrong to tell those who signed on the dotted line—those who had very clear understanding of the contract that they signed. And I am sorry listening to your contract is now changing. In last year we had to increase your premiums. And guess what. We are going to increase them again.

To what extent have TRICARE managers executed best practices from the private sector to better manage health care costs so those costs are not going to be as high as maybe proposed?

Ms. CONATON. Well, Senator, I am not yet in the position, so I do not have great detailed knowledge on what has occurred up to date.

Senator BROWN. I thought you were running the whole thing. [Laughter.]

Ms. CONATON. But, sir, what I do know is that the effort to deal with health care costs—and as you point out, I think Secretary Panetta is on the record before this committee saying that in this year alone it will be close to \$50 billion in health care costs.

But those costs have to be gone after in a couple of different ways. Obviously, you have highlighted the TRICARE fee increase, but there has also been a number of efforts to get at the cost of provider care and also making the Department of Defense's own TRICARE management more efficient. This is an area that I would

intend to spend a great deal on if confirmed. So I appreciate the concern.

Senator BROWN. Thank you and good luck to everybody, all of the witnesses. Thank you.

Chairman LEVIN. Thank you, Senator Brown.

Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman. I would like to add my aloha to this esteemed group of nominees that we have before us today. And I would like to begin by thanking you for your public service over the years that you have given our country and your desire to continue to serve our Nation in these very important roles.

I also want to thank your families and also your friends who are here who have supported and will continue to support you.

And I want to say a special aloha to my good friend and brother, Ike Skelton, who is here. There are so many memories that we have had on the House side. They are great memories.

If confirmed, each of you will face significant challenges—and you know this—in your new positions. But looking at your background and experiences, I feel confident that you will be very able to handle the tasks that are before you.

Secretary Conaton, as you know, foreign language skills and cultural understanding are critical in carrying out the Department's mission. However, our Nation has a shortage of employees with these skills. Often we compete with the private sector for individuals with these abilities. What steps will you take to ensure the Department has the language and cultural skills that it needs?

Ms. CONATON. Senator, thank you very much. I completely agree with you that language and foreign culture knowledge has not only been critical over the last 10 years, but I think it is a set of skills that our military needs to maintain. If confirmed, sir, I would first go and look at the whole range of programs that we have currently underway to see where they are successful and where they perhaps have room for improvement and where we might find additional sources of recruiting folks with resident language capability, as well as those who have an affinity for language and could pick it up more quickly. But, sir, if confirmed, I would love to come, sit, and talk and get your perspective before I get underway in that work.

Senator AKAKA. Thank you very much.

Dr. Stanley and I have been in contact and we have talked and in this particular case about a replacement commissary at Barbers Point on the island of Oahu. I understand that the commissary also recommended building this replacement commissary in light of the ever-growing demand for this benefit in West Oahu has been there. If confirmed, I hope you will keep me informed on the progress of this project.

Ms. CONATON. Senator, yes, if confirmed, I would be happy to get up to speed on where that stands and come back and visit with you.

Senator AKAKA. Thank you so much.

Ms. CONATON. Thank you.

Senator AKAKA. Secretary Kendall, last year the Department named a new director of Pentagon pricing. In this budgetary envi-

ronment, we must continue to do everything we can to improve the procurement process and efficiently use our taxpayers' money. In my opinion, this includes realistic requirements making sure that we get good cost and pricing data from potential vendors, and that the Department has a skilled and capable acquisition workforce to analyze proposals to manage the acquisition projects. My question to you is how does the Department ensure it has reliable cost and pricing data and is developing the skilled workforce needed to manage our major acquisitions?

Mr. KENDALL. Thank you, Senator Akaka. The two questions are closely related. The skilled workforce is the basis by which we are able to assess the pricing data that we receive from industry, and we do that as we examine our contracts. We have increased our use of that for some of our contracts in order to ensure that we are getting fair, reasonable prices from our vendors.

The workforce has been under a great deal of attention both for Dr. Carter and myself and with tremendous support from first Secretary Gates and now Secretary Panetta. There was a recognition a few years ago—and I want to compliment the committee in particular for their Defense Acquisition Workforce Development Fund initiative, which came from this committee, which has given us the resources to increase the size of the acquisition workforce and to bring on key skills like pricing you mentioned, but program management, system engineering, and particularly contracting so that we have a better sized workforce relative to the workload. There was a tremendous drawdown in the 1990's.

I am focusing my attention much more now—and I would, if confirmed—on the quality of that workforce and its capacity to do its job, the training it receives, the mentoring it receives from people who are retiring out of the system, capture those skills before they leave. We have a ways to go in terms of building up the capacity within the workforce. Given the drawdowns that we are having in the overall budget, it is going to be hard to sustain the growth that we have had, but we want to hang onto what we have got under DAWDF, perhaps get a little bit more, and then turn increasingly to the skill set of the workforce.

Senator AKAKA. Thank you.

Dr. Miller, with respect to Afghanistan, many believe that the U.S. and its partners need to work with Pakistan and other neighboring states to reach a political settlement even if such a settlement might be favorable to the Taliban. Dr. Miller, can you discuss your view of a political potential settlement?

Dr. MILLER. Thank you, Senator Akaka.

First of all, our work with Pakistan is extremely important both in our own bilateral relationship and in ensuring that we are able to succeed in Afghanistan. As you know, we currently have in Pakistan sanctuaries in which Taliban fighters have been able to operate and come across the border, and although Pakistan has done much more in recent years to deal with them, we continue to work with them to try to do yet more.

With respect to a political settlement in Afghanistan, this is the so-called conversations on reconciliation and at a lower level fighters on reintegration. We have seen about 3,800 former Taliban fighters come off the field—3,800 or so in the last couple of years

through reintegration and expect that that effort will continue. That is led by the Afghan Government.

With respect to reconciliation and the potential conversations with the leadership of the Taliban, first of all, those are essentially on hold at the present. But the objective is to structure a process in which Afghans talk to Afghans about the future of Afghanistan. And if the Taliban are to come into that political process, they have got to meet the criteria that have been established, including renouncing ties with al Qaeda, including entering into a political process and honoring the Afghan constitution. So the requirements for the Taliban to be able to participate as an outcome have been laid out very clearly by Secretary Clinton and by others in the administration. That door is open to them to come in, come off the battlefield, and legitimately participate should they be prepared to do so.

Senator AKAKA. Thank you.

I wish you all well and thank you for your responses.

Thank you very much, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Akaka.

And I am now going to turn the gavel over to Senator Reed who will recognize Senator Cornyn right away. The vote is on but they are holding it until 11:45 if you will be able to get your questions in.

I will leave with this request of you Mrs. Wright. You made reference, I believe, to a number of studies that are looking at cost/benefit methodologies relative to those proposed cuts in the Air Guard. I have real problems with those cuts. They are totally disproportionate to the reductions in the Active-Duty Force, and my staff is going to be in touch with you to get those studies to us so that we can see what it is that went into that decision because I agree with what Senator Brown said. They just appear totally disproportionate to me.

Ms. Conaton, I hope your nieces and nephew got enough material here today to write their reports.

I will recognize Senator Cornyn and give the gavel to Senator Reed.

Senator CORNYN. Thank you, Mr. Chairman. I hope they will share that report with us. Maybe we will learn something in the process. [Laughter.]

Dr. Miller, this will not come as a surprise to us, but thank you for meeting with Senator Kyl and myself and Senator Alexander about this topic. What I would like to do is get some of the substance of our discussion off the record on the record. And of course, that has to do with the shortfall for the National Nuclear Security Administration weapons activities.

Using the 1251 modernization plan which, as you know, was the basis upon which, I think it is fair to say, a number of Senators voted for the New START treaty as the baseline, the fiscal year 2013 request falls \$372 million short and funding between fiscal year 2012 and 2017 could fall \$4 billion short of the 1251 commitment.

What I would like to get from you and Mr. Kendall is your commitment to work with this committee and to work with the Congress to identify efficiencies within the national laboratories or

NNSA that could free up funding for the important weapons life extension programs and perhaps even fund the construction of the CMRR, the plutonium producing capability, on its original schedule. \$300 million is needed in fiscal year 2013 and \$1.8 billion over the next 5 years.

Will you give me your commitment, give the committee your commitment to work with us to try to find that money to keep that original program on track?

Dr. MILLER. Senator, you have my commitment to do so and to work with this committee, with the Congress, and with NNSA, the National Nuclear Security Administration. Since we have met, I have had an opportunity to talk with the Administrator, Tom D'Agostino, and I can reassure you, as we discussed privately, that he is committed to doing everything possible to find efficiencies in his program. And we will continue to provide support from the Department of Defense including through our cost analysis and program evaluation study that is underway today.

Senator CORNYN. Thank you very much.

Mr. KENDALL. I am going to make the same commitment, Senator Cornyn. We are actively working this issue with the NNSA.

Senator CORNYN. Thank you very much for that.

Mr. Kendall, you testified in front of the House Armed Services Committee about the Joint Strike Fighter and indicated that it made strong progress in 2011. And I share Senator McCain's frustrations—I am sure you have some—for the cost overruns. But I wonder whether all of us fully appreciate when you have a high degree of concurrency built into a cutting-edge program like this, just how accurate the original cost estimates can be because you are essentially developing this technology as you are building it and it makes things very challenging.

But my question is a little more specific about the time it is taking the Department to get F-35 production lots on contract. The fiscal year 2011 airplanes, lot 5, for which money was appropriated a year ago, are still not on contract. And the delay in finalizing that contract could potentially put the fiscal year 2013 funding for this program at risk. The reason I say that is because the appropriators in 2011 cut planes last year and cited the principal reason as the Department's delay in getting the fiscal year 2010 aircraft on contract. I would urge you to expeditiously finalize the contract and would be glad to hear any comment you would care to make on that topic.

Mr. KENDALL. We are in negotiations for lot 5 now, as I think you are aware, Senator Cornyn. We have an undefinitized contract. So the production is proceeding, but we have to negotiate a final price. And I cannot really talk about the details of that negotiation, obviously.

We appreciate the concern. We would like to have moved from where we seem to be doing undefinitized contracts each year, then taking a long time to finally definitize to a situation in which we can get a definitized contract earlier. So we are hopeful as we transition to lot 6, then to lot 7, that we will be able to do that. As we get experience, obviously, and we get a better understanding of the cost, it should be much easier to negotiate these contracts as we go forward.

Senator CORNYN. Well, this always seems like a very mysterious and arcane subject, which I think the lack of clarity that we all have makes it more likely that there will be cost overruns in the future. So I would welcome the opportunity to work with you and the Department, as I know we all would, to try to bring greater clarity to the process so we can, hopefully, keep this essential program on track. Since we put all of our eggs in the F-35 basket, as the saying goes, we better take care of the basket.

Mr. KENDALL. I agree with that, Senator Cornyn.

Senator CORNYN. I would like to ask one last line of questioning for Dr. Miller and Mr. Kendall. This has to do with the subject I have discussed with Secretary Panetta and also the Chief of Staff. This regards a contract that the United States Department of Defense has with a Russian arms exporter, Rosonboronexport, to provide 21 dual-use MI-17 helicopters to the Afghan military. The reason why this has become so important is because, of course, this is the same arms merchant that has sold weapons to the Syrian Government used to kill innocent Syrians who are protesting the tyranny of the Assad government.

And specifically what I wanted to ask you about is the original contract calls for \$375 million for the purchase of 21 MI-17 helicopters and spare parts. But reportedly there is an option to purchase for an additional \$555 million which would raise the total value of the contract to \$1 billion. I know I am not alone in being concerned that the Department of Defense would enter into a no-bid contract to purchase Russian helicopters when there are American-made helicopters that surely must be available to meet that requirement. And unfortunately, I think the contract undermines our goal for national security and is at odds with the U.S. policy toward the Assad regime.

I would just like to ask, Mr. Kendall, Dr. Miller, do you share my concerns about the Department of Defense's ongoing business dealings with Rosonboronexport? And I wonder whether you can add any comments that would give us some assurance that we are not doing business with the very same people who are aiding in the killing of innocent civilians in Syria.

Dr. MILLER. Senator, first of all, I want to say explicitly that we have had and have ongoing discussions with the Russians about any support to the Assad regime in Syria, and we will continue to do so.

The issue with the MI-17 in Afghanistan comes down to one that it is an aircraft that is first well-suited, extremely well-suited in fact, to the altitude and rugged terrain of Afghanistan, and it is one that the relatively small number of Afghan pilots that are currently in place and that we are continuing to try to train have an understanding of how to operate. So that the challenge that we have is that there is not another aircraft in the world that has the same combination of capabilities to be able to operate in Afghanistan, nor that the Afghan air forces will be able to train and fly on.

So understanding the concerns that you raise about working with Rosonboronexport, we are continuing the effort that started a couple of years ago to have an explicit transition plan over time so that we do not find ourselves in this position in the future. At the same time, because of the—and that is for the rotary wing support.

We are looking to be able to transition over time. Sir, because the transition is so important in Afghanistan and because, as I said, this aircraft is well-suited and the people that we have and are training the Afghan air force to fly it are capable of operating this, I just think it makes tremendous sense for us to continue with the MI-17 and to have that be the critical part of how we transition in Afghanistan. As we talked about previously, we stand shoulder to shoulder with the Afghans, but we are shifting the weight increasingly onto their shoulders. We need an aircraft that can allow them to be able to conduct these operations.

Senator CORNYN. Dr. Miller, you strike me as a very decent human being and a good man, no doubt a great patriot, and I know you must be troubled. I know you are doing your job and trying to deal with a tough situation. But it just strikes me as completely unacceptable for us not to continue to look for an alternative to purchasing these helicopters for the Afghan army, and if we need to help them with training for a different helicopter, they can be purchased from another source. That would strike me as a good thing, and I bet you would agree.

Dr. MILLER. Senator, I fully agree. At the same time, I do not see a viable alternative today or within at least the next year. I have, for the last couple of years, looked into—and to say encouraged would be an understatement—our work to find alternative platforms, and I will continue to do so. I think it is possible Mr. Kendall wants to comment as well. This is an important effort from a policy perspective, but it is one where we have got to get an acquisition of rotary wing capabilities that provides this set of capabilities that we can then have not just Afghans but others that we can sell to around the world for our own operations and for foreign military sales that could be used.

Senator CORNYN. It strikes, Mr. Kendall, as strange that the Russians can build a helicopter that meets Afghan requirements but U.S. manufacturers cannot. Is that your understanding?

Mr. KENDALL. The situation is they have a helicopter in existence that meets those requirements. We could certainly build a similar one if we had the time. It is relatively simple to operate and to maintain, and it operates well in the environment of Afghanistan.

Part of the history of this is that we attempted acquire MI-17s through other sources originally, and Russia controls the export of them fairly carefully through Rosonboronexport that you mentioned. And we were forced to go through that vehicle.

Unfortunately, we would be depriving the Afghan military something they desperately need if we were to follow the line that you suggested, and I agree with Dr. Miller on that.

Senator Reed [presiding]: Thank you very much, Senator Cornyn.

Before I recognize Senator Blumenthal, let me take my questions.

First, let me thank Secretary Kendall for remembering Sergeant Dennis Weichel, and his service and sacrifice, as you said, Mr. Secretary, personifies the American soldier, sailor, marine, and airman and all they do every day. Thank you for that.

And I think you also very eloquently stated that the decisions we make here, not just in DOD, but on this side of the dais ultimately are carried out by young men and women like Sergeant Weichel,

and we have to be very conscious of that in everything we do. And I think this group of nominees feels that intensely. General Wright, you have served and so many have served in different ways. So thank you very much for that.

Secretary Kendall, one of the issues that we have talked about is the nuclear infrastructure to create and maintain nuclear devices. There is another big part of that. That is the delivery platforms. And where you are facing a significant set of challenges, the lead procurement item is the Ohio class replacement submarine, but the Air Force is talking about the need ultimately to replace their fleet. You have to make, I presume, improvements in ground-based systems.

When the services look individually at the cost—and I have got more fidelity with respect to the Navy—these are very, very expensive platforms. They crowd out spending for other necessary ships in the Navy's case. And I think there is a very compelling case because this is a strategic issue that the services alone should not fundamentally share the burden, that in fact there has to be some DOD defense money because of the strategic nature committed to help the services. And I think the most immediate situation is in the Navy.

Can you reflect on that and share your views?

Mr. KENDALL. Yes, Senator Reed. The Department basically builds its budget as a budget for the entire Department, and we do make tradeoffs that sometimes cut across the Services' lines in order to do that. Last fall, what we went through was a period where we formulated the strategy, the Strategic Guidance that we published, and that was used to guide the budget process. So that was all done with regard to priorities to support the strategy. It was not about the service portfolio specifically. At the end, we came to a decision about the best mix of systems to do that, and we tried to take into account the long-term issues that you alluded to which include the 30-year shipbuilding plan which we just sent over which does show that the *Ohio* replacement does add substantially to that account. We are going to have to find some other way besides the shipbuilding account obviously to pay that bill.

We have put cost caps on both the SSBN-X, the *Ohio* replacement, and on the new bomber in order to try to control the costs and keep them within an affordable range. But there is going to be a challenge to us to do this, and it has to be done on a defense-wide DOD basis.

Senator REED. Part of your approach to this—and I know you have thought carefully about it—is not just in terms of capping systems but sort of the sequencing of when you build these systems. And I thought General Kehler's testimony in response to Senator Blumenthal—the STRATCOM commander—about the most survivable element in the triad is the submarine. And General Kehler is an Air Force officer. So I think that is a double endorsement.

Is that factor being considered too in terms of sequencing and funding in terms of what is the most survivable part that, if you extend, will give us more protections?

Mr. KENDALL. Yes. That factor is being taken into account.

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

Secretary Miller, you made it very clear that the policy of the President to prevent the Iranian Government from obtaining nuclear weapons—and that is a policy that I agree with and concur with. The President, as we are all aware, is pursuing some of the most aggressive diplomacy that we have ever seen with respect to the Iranian situation. I do not think a year or 2 ago I would have said that the Europeans are prepared at the end of June to eliminate their importation of Iranian oil. So there is some perhaps traction here. But this is a very difficult issue.

There are those that are talking about, though, an immediate or very close-on preemptive strike on the facilities. It seems to me that, as I look at their analysis, they are assuming a worst case on behalf of the Iranians, which is probably prudent to do in terms of their nuclear aspirations and what they would do with a nuclear device, but then a best case in terms of retaliation if such an attack was taking place. And it just strikes me that that type of analysis is not the best. You know, you have to assume, I think, a worst case for their aspirations and a worst case for their retaliation.

Do you want to comment on that approach and your thoughts?

Dr. MILLER. Senator Reed, as you know, this administration believes there is time for diplomacy to work, and as we have increased the pressure through sanctions and through other steps, we think that the incentives for the Iranians to come to the table and to take the steps needed to come into compliance—those incentives are increasing and the impact of sanctions is increasing. At the same time, as you indicated, all options are on the table at present and all options will remain on the table.

I guess I would add, Senator, that with respect to planning for scenarios, this is something—a potential conflict—I mentioned the Strait of Hormuz previously. The Department of Defense and the military is conducting planning across the full range of potential scenarios and will be as prepared as possible.

Senator REED. Thank you, Dr. Miller.

And thank you all for not only your willingness to serve but, in each and every case, your demonstrated service to the Nation already. We appreciate it very much.

Again, I will echo my classmate. I have been doing this for 40-plus years. Ultimately it is all about those young sergeants and boatswain's mates and crew chiefs that are out there protecting us.

With that, let me recognize Senator Blumenthal.

Senator BLUMENTHAL. Thank you, Senator Reed.

And thank you all for your service already and your service-to-be and to your families as well.

Ms. Conaton, I am concerned about the adequacy of the criminal justice system in the military in dealing with sexual assault. And I accept and commend your commitment to ending sexual assault and holding accountable anybody who commits it. I know that Secretary Panetta is as well. And yet, fewer than 21 percent of assault cases now go to trial and about 6 percent of the accused are discharged or allowed to resign in lieu of court martial. Only half of the cases prosecuted result in convictions. I wonder what is being done to improve that record.

Ms. CONATON. Senator, thank you and thanks for the leadership not only that you have demonstrated on this issue but the committee as well.

I completely agree with Secretary Panetta that not only is one sexual assault too many, but it is completely antithetical to who we are as a military and completely contrary to the values that the military espouses.

I think leadership remains critical on this issue. The fact that both Secretary Panetta and General Dempsey, as well as many in Congress, have taken up this issue I think is appropriately shining a spotlight on this, and we need to keep up that pressure.

There are definitely issues that go to how our commanders impose standards of behavior within their units and the training for those who would both investigate and prosecute. So as you know, Secretary Panetta has a very near-term evaluation underway as to the adequacy of the training both at the commander level, at the investigator level, and for servicemembers at large. So if confirmed, I would look very much forward to working with him and with the committee to see where we go next in terms of next steps.

Senator BLUMENTHAL. I know that he is about to propose or in the process of proposing some reforms and changes, and I would be very eager to work with you on improving the military justice system in dealing with these issues because I think a lot more and a lot better can be done.

Ms. CONATON. Thank you, Senator. It is my understanding that the Department is preparing a package of legislative proposals to come forward. As I am not yet in that position, I have not had an opportunity to review them but would look forward to working with you on that.

Senator BLUMENTHAL. I was very interested and thankful to see the part of your testimony dealing with medical research programs, particularly psychological health, traumatic brain injury, post-traumatic stress. And we have facilities in Connecticut, the Eastern Blind Rehabilitation Center, that deal with visual injuries. And I wonder if you could comment further on what will be done assuming that you are confirmed.

Ms. CONATON. Yes, Senator. You highlighted the research aspect of this. As we know that these injuries of the conflict of the last 10 years are going to be with us for some time to come, I think maintaining the focus on medical research in the areas of traumatic brain injury and post-traumatic stress will be absolutely essential.

But I think everything that the Department does for our wounded warriors, we have to keep in mind the fact that it is from their service that they are dealing with these injuries. Again, they are things that will be with them and their families over an extended period of time. And so if confirmed, I imagine these issues and wounded warrior issues more generally would be something that I would spend a great deal of time on and something I am personally very committed to.

Senator BLUMENTHAL. Thank you.

Secretary Miller, the issue of human trafficking in contracting and contracts on our bases overseas, a security threat—maybe I should address this question as well to Secretary Kendall. I have

introduced a bill. It has got bipartisan support here and in the House to try to impose stronger criminal penalties on contractors who engage in this practice, stronger preventive measures, and providing better remedies. I hope that you will support such efforts to combat human trafficking not only because of the threat to the integrity of our contracts and the cost to taxpayers, but also because it is a security issue since many of those brought to these bases can pose a threat to our troops. I wonder if you could comment, either you or Secretary Kendall, on that issue.

Dr. MILLER. Senator, I will comment briefly.

I agree absolutely that it is unacceptable and it is something that we have to deal with. I have not had the opportunity to review your legislation. I will do so and work with my colleagues as they operate in acting capacity.

Senator BLUMENTHAL. Thank you.

Mr. KENDALL. Senator Blumenthal, it was not mentioned by my background includes work as a human rights activist, and I am very interested in this subject.

We are doing some things already. I would be very interested in things that would strengthen what we are doing as far as contracting is concerned. So I would be happy to work with you on that.

Senator BLUMENTHAL. Thank you.

Let me conclude by saying that I share the concerns that have been raised about helicopters sold by the Russians to the Afghanistan forces. And perhaps you can tell me as simply and concisely as possible why we cannot substitute our own helicopters. In other testimony before this committee, the Russian helicopter was described in its sophistication as a flying refrigerator. And I am just wondering why the great American industrial base cannot provide a substitute for that product.

Mr. KENDALL. The problem is the immediacy of the need and the fact that we do not have a product that we can substitute immediately.

Senator BLUMENTHAL. A product that can be flown by the Afghans.

Mr. KENDALL. That has the same characteristics as the MI-17.

Basically there are a lot of people in Afghanistan who have already had experience with the helicopter, which helps. That gives us a head start in terms of training and so on. It is suitable for the environment. It is relatively simple to operate. It is relatively simple to maintain. So with an Afghan force that we are trying to build, it seems to be the right platform. And we do not have a ready substitute that we could use that is a U.S. product.

Senator BLUMENTHAL. And I hesitate to repeat what you have already said, but is there an effort underway to develop such a substitute?

Dr. MILLER. Senator, yes, there is. A couple of years ago, a rotary wing support office was created. The challenge is that we do not have available a platform that could meet the needs in the very near term. And I agree that this is a place that we should not find ourselves in the future, but this is where we are at least for the next year and perhaps for the next couple of years.

Senator BLUMENTHAL. Thank you.

One more question relating to the Joint Strike Fighter. Are you concerned that some of the supposed overrun is due to projections of inflation that seem to be at best somewhat speculative and therefore may not reflect accurately the real cost of the program?

Mr. KENDALL. Part of the increase that we are reporting today actually includes some inflation indices adjustments. There is a substantial piece of it that is that.

I think we tend to get a little too fixated on some of these numbers. I am trying to attack the costs. I am trying to look at the things that I can do something about and drive them down. The aircraft is at an affordable level now I think as far as production is concerned, but we can do better and we need to make it better so we can afford more of them.

The sustainment costs are too high. Dr. Carter testified about that a year ago, and we need to drive those down. I have set a target that I think is a cap on what we can do, and we have tried to drive to at least that, which is lower than the current estimate. And then we are going to try to drive it even lower. And that will be the subject of an awful lot of activity over the next coming year.

Senator BLUMENTHAL. Thank you very much. And again, thank you all for your service and good luck. Thank you.

Senator REED. Thank you, Senator Blumenthal.

Thank you, ladies and gentlemen, for your testimony and your service.

And with that, the hearing is adjourned.

[Whereupon, at 11:53 a.m., the committee adjourned.]