

Stenographic Transcript
Before the

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

TO RECEIVE TESTIMONY ON DEFENSE MOBILIZATION IN THE
21ST CENTURY

Thursday, March 6, 2025

Washington, D.C.

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6 U.S. Senate

7 Committee on Armed Services

8 Washington, D.C.
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10 The committee met, pursuant to notice, at 9:30 a.m.,
11 in Room SD-G50, Dirksen Senate Office Building, Hon. Deb
12 Fischer presiding.

13 Committee Members Present: Senators Fischer, Rounds,
14 Ernst, Sullivan, Schmitt, Sheehy, Reed, Shaheen,
15 Blumenthal, Hirono, Kaine, and King.
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1 OPENING STATEMENT OF HON. DEB FISCHER, U.S. SENATOR
2 FROM NEBRASKA

3 Senator Fischer: Good morning. I would like to call
4 the hearing today to order. The hearing is on defense
5 mobilization. I am pleased to welcome three witnesses to
6 testify today.

7 Jerry McGinn is a widely published former DoD
8 officials who worked at the heart of the Pentagon's
9 industrial base efforts.

10 Chris Michienzi brings a similar resume. She spent
11 much of her career inside the Industrial Base Policy Office
12 at DoD.

13 And Dave Berteau comes to us from the Professional
14 Services Council. Before that, he served as the Assistant
15 Secretary of Defense for Logistics and Materiel Readiness,
16 early put industrial base revitalization -- there seems to
17 be an error here. And before that he served as Assistant
18 Secretary of Defense for Logistics and Materiel.

19 Welcome to the witnesses. Senator Wicker, the
20 Chairman of the Committee, is detained for a little bit,
21 and when he comes he will enter his testimony into the
22 record.

23 With that I would like to recognize the Ranking
24 Member, Senator Reed.

25

1 STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE
2 ISLAND

3 Senator Reed: Thank you very much, Senator Fischer,
4 and I want to welcome our witnesses. Dr. Christine
5 Michienzi, Dr. Jerry McGinn, and Mr. David Berteau, thank
6 you very much for joining us.

7 This is a very important conversation, and we are
8 fortunate to have such a distinguished panel before us.

9 Throughout history, we have consistently seen nations
10 with well-prepared militaries lose to nations with superior
11 industries. The ability to deploy well-trained troops and
12 advanced weapons to the front line is important in any
13 armed conflict, but the ability to sustain those forces
14 with adequate amounts of supplies and munitions is just as
15 important.

16 The Defense Acquisition University defines industrial
17 mobilization as, quote, "the process of marshaling the
18 industrial sector to provide goods and services, including
19 construction, required to support military operations and
20 the needs of the civil sector during domestic or national
21 emergencies." Put more simply, industrial mobilization
22 represents the Defense Department's ability to call on the
23 private sector in times of crisis.

24 I am concerned that the United States is not currently
25 prepared to do this effectively in a sustained, large-scale

1 or protracted conflict. The war in Ukraine and the
2 incredible amount of military support we have provided has
3 been vital for Ukraine's survival, but it has exposed our
4 own industrial base vulnerabilities. We have learned that
5 our capacity to provide vast amounts of artillery shells,
6 precision munitions, and other modern weapons in a rapid,
7 responsive way, is much more limited than we realized. Our
8 capacity has expanded significantly over the past 3 years,
9 but we have relied on existing tools such as the Defense
10 Production Act to overcome supply chain problems and
11 increase production. Any future conflict we may face,
12 particularly in the Indo-Pacific, will require much greater
13 levels of military-industrial capacity, as well as
14 interagency coordination to leverage a whole-of-government
15 response.

16 The process for large-scale mobilization dates back
17 the World War II era. When America entered the war, there
18 was an enormous increase in military production of ships,
19 planes, artillery, vehicles, and more, which eventually
20 earned us the title as the "Arsenal of Democracy."
21 However, we must not forget that the industrial ramp-up
22 actually began long before the war started, and did not
23 yield significant results until we were years into the
24 fight. This is an important lesson we should remember
25 today. Industrial mobilization does not occur overnight.

1 Further, while we have a useful model from our
2 experience in World War II, it is not a blueprint for the
3 future. We must recognize that the industrial base of
4 today is very different from any period in the past,
5 especially considering our reliance on information
6 technology and software-based systems. We will need to
7 mobilize different sectors of the economy and workforce
8 unlike any time before. Moreover, we cannot assume, as we
9 did in World War II, that our production facilities will be
10 safe from kinetic or cyberattack or that we will have
11 uncontested supply lines for materials. I would ask our
12 witnesses to discuss the lessons they have drawn from the
13 war in Ukraine and what processes they believe need to
14 start now so that the United States is prepared to win the
15 next contest.

16 This Committee has spent years examining the
17 challengers around this issue. We have worked to identify
18 supply chain problems and to improve investments in long-
19 lead items for the military. In recent National Defense
20 Authorization Acts, Congress has directed the Department of
21 Defense to stress-test its industrial mobilization and
22 supply chain capabilities. The Department has found a
23 number of challenges, including integration of software and
24 information technology, but it is clear that material and
25 labor shortages are the biggest problems to increasing

1 production.

2 Indeed, there is nothing more important for our
3 defense mobilization strategy than our workforce, the men
4 and women in the defense acquisition corps and the
5 personnel in the defense industrial base. We cannot solve
6 our industrial mobilization and acquisition problems
7 without an adequate supply of skilled and trained workers.

8 I would note that acquisition reform is necessary, but
9 it is not sufficient to address the broader issues of
10 industrial mobilization. In a crisis, having an acquisition
11 system that is efficient and effective is important, but
12 production capacity is far more so. Many of the policies
13 and processes we put in place in peacetime for the sake of
14 efficiency may actually be counterproductive in a prolonged
15 crisis. That is why I am so troubled by the mass firings
16 of the defense civilian workforce which the Administration
17 is undertaking right now.

18 The urgency around these issues has never been
19 clearer. As Russia continues its onslaught against
20 Ukraine, and China calculates its own potential expansion,
21 we have to make sure our defense industrial base is able to
22 adapt, scale, and outpace our competitors in the 21st
23 century. And I would ask our witnesses' thoughts on how we
24 might overcome this challenge, and how we can ensure that
25 the workforce in place is there to do so.

1 Thank you again to our witnesses, and thank you,
2 Senator Fischer.

3 Senator Fischer: Thank you, Senator Reed. Again,
4 welcome to the panel.

5 Dr. McGinn, you are recognized for your opening
6 statement.

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1 STATEMENT OF JOHN G. MCGINN, Ph.D., EXECUTIVE
2 DIRECTOR, GREG AND CAMILLE BARONI CENTER FOR GOVERNMENT
3 CONTRACTING, GEORGE MASON UNIVERSITY'S COSTELLO COLLEGE OF
4 BUSINESS

5 Mr. McGinn: Thank you, Chairwoman Fischer and Ranking
6 Member Reed and members of the Committee. Good morning.
7 It is a privilege to be here and thank you very much for
8 having this hearing on this important topic, which is a
9 critical issue facing the nation.

10 The United States has the most lethal and capable
11 fighting force in the world. Full stop. But as we have
12 seen in recent war games, as well as in challenges that
13 Senator Reed alluded to in production capacity for
14 munitions, we have real industrial base capacity
15 challenges.

16 These challenges led me to do a study that addressed
17 the following question, "How well is the U.S. defense
18 industrial base prepared to mobilize in the event of a
19 major conflict?"

20 The short answer, published in our report,
21 "Before the Balloon Goes Up," is that our ability to win a
22 major war with a near-peer competitor is very much at risk.
23 Unless senior officials across Washington and industry
24 pursue bold actions immediately, we face potentially
25 catastrophic consequences should the balloon go up in East

1 Asia or elsewhere.

2 Drawing on historical and recent case, we developed a
3 series of recommendations to enable industrial
4 mobilization. I would like to focus on two areas
5 specifically. One is the authorities and planning
6 capabilities, and then secondly, our ability to scale.

7 In the area of authorities and planning, as you all
8 know very well, the government's ability to mobilize
9 industrial base starts with our legal authorities and the
10 policies and plans. The famous War Production Board of the
11 Arsenal of Democracy in World War II helped organize
12 government and industry to address those challenges.
13 Similarly, during the Iraq and Afghanistan wars, the
14 development of the MRAP, the Mine-Resistant Ambush
15 Protective vehicles, the use of the Defense Production Act
16 was critical to help produce those vehicles. And then we
17 all saw the power of DPA during COVID.

18 Overall, our legislative authorities are strong, but
19 I think there are several opportunities before us. The
20 first, as you know, DPA is up for reauthorization this
21 year. DPA has had tremendous impact on rebuilding and
22 shoring industrial base capacity, and it is essential to
23 reauthorize DPA and keep it focused exclusively on national
24 security issues, particularly threats from China.

25 DPA Title III is an important tool for building

1 industrial capacity. The use of purchase commitments under
2 Title III would be a great way to enable strong demand
3 signal for industrial capacity and capabilities such as
4 specialty chemicals and critical materials. But currently,
5 purchase commitments are not allowed, or not enabled,
6 because the DPA funds are being appropriated with
7 procurement dollars, which expire, as opposed to
8 traditional DPA appropriations, which do not expire.

9 And there is a real opportunity in another section
10 DPA, Title VII, where we have two sections of authority
11 that have not been used since the Cold War, that are really
12 powerful. One is Section 708, which allows the creation of
13 voluntary agreements between government and industry that
14 allows collaborative industry-government engagement on
15 critical supply issues. We have a few of these available
16 now, but if we would really kind of invest in these
17 efforts, we could have that collaboration we had during the
18 War Production Board years.

19 The second section is Section 710, which allows the
20 creation of what is called a National Defense Executive
21 Reserve, which is essentially a group of industry experts
22 that can come into government during a crisis. This is a
23 tremendous authority that has not been used since the
24 1980s.

25 And the other thing we need to do on the planning side

1 is we have to restart mobilization planning. That ended in
2 the early 1990s. We have to build this across the U.S.
3 government, and then we also have to relook some of the
4 executive orders that govern DPA.

5 Transitioning from authorities to our capabilities, we
6 really have to focus on turbocharging our efforts to change
7 how we design, resource, acquire, and sustain capabilities.
8 As the Ranking Member talked about, it is not just about
9 acquisition reform. It is about how we buy. We have to
10 design things for production. We have to focus less on
11 requirements and have more adaptive ways to create
12 technologies. More resources would be helpful, of course,
13 but another way that we can go beyond appropriations is to
14 really tap the power of U.S. capital markets as one of our
15 strengths. So building on the authority that you all
16 created with the Office of Strategic Capital, there is
17 opportunity to grow the scale of investments, so private
18 capital can make larger bets in investments.

19 On the areas of production, we have gotten the
20 prototyping game down, but it is really now the time to
21 transition more to production, and there are ways to do
22 that through other transaction, follow-on production
23 agreements, more buying of attritable systems and unmanned
24 systems, and the like.

25 And then finally the area of sustainment is, frankly,

1 our biggest challenge, being able to do logistics at scale.
2 And there we can actually do things like create contract
3 line items, or CLINs, that develop surge capacities. So
4 instead of having canalized, very limited supply runs, you
5 can have the ability to grow that. And also, second
6 sourcing and multi-sourcing are important options to be
7 able to create more capacity.

8 One final point I would like to make is on allies and
9 partners. Our recent experience has made it crystal clear
10 we need a larger industrial base. Engaging our closest
11 allies, those with whom we go to war, through robust
12 industrial partnerships will help us build overall
13 capacity.

14 Unfortunately, time is not on our side. If the
15 Davidson window is correct, we have 2 years, and it takes a
16 while, as the Senator alluded to, to mobilize. The Trump
17 administration and Congress, in partnership with industry
18 and our allies and partners, must harness innovation,
19 manufacturing capacity, and other means to unleash the true
20 strength of our industrial base to deter our enemies in
21 today's very dangerous world. The time to do this is now,
22 before the balloon goes up. Thank you very much.

23 [The prepared statement of Mr. McGinn follows:]
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1 Senator Fischer: Thank you, Dr. McGinn. Dr.
2 Michienzi.

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1 STATEMENT OF CHRISTINE MICHIEZI, Ph.D., FOUNDER AND
2 CHIEF EXECUTIVE OFFICER, MMR DEFENSE SOLUTIONS, AND FORMER
3 SENIOR TECHNOLOGY ADVISOR TO THE UNDER SECRETARY OF DEFENSE
4 FOR ACQUISITION AND SUSTAINMENT

5 Ms. Michienzi: Thank you, Chairman Fischer, Ranking
6 Member Reed, and distinguished members of the Committee for
7 the opportunity to speak with you today on defense
8 modernization, which is essential for our nation's
9 security.

10 The defense industrial base necessary to build our DoD
11 systems is fragile, but this fragility did not happen
12 overnight. Key decisions by the U.S. government and
13 industry have played a very large role. For instance,
14 decades-long private sector and public policy approaches to
15 domestic production prioritized low, short-term costs over
16 security, sustainability, and resilience. So the
17 industrial base has become optimized for efficiency and not
18 resiliency.

19 Just-in-time deliveries versus inventories of long
20 lead time items cut warehousing costs and increased
21 efficiency but limits industry's flexibility and
22 responsiveness. And the DIB has many single and sole-
23 source suppliers due to the decades of consolidation.
24 Often those are foreign adversarial sources that are
25 cheaper but can introduce risk.

1 At OSD, I was in the trenches of mobilization efforts
2 for almost a decade. I was the lead for DoD for scaling up
3 production for all of the weapon systems we were sending to
4 Ukraine, a function I led for various crisis scenarios
5 since 2017. I was also very involved in DoD's efforts in
6 response to COVID-19, working with the interagency
7 partners, using the defense production authorities Jerry
8 talked about, Titles I, III, and VII, to execute CARES Act
9 funding to increase production of medical resources,
10 including prioritization and allocation of supplies, which
11 becomes important when we are trying to mobilize and surge,
12 and providing financial support to DoD's suppliers.

13 As the United States is supporting two conflicts and
14 preparing for potential conflict in the Indo-Pacific
15 region, it has become clear that the DIB is not equipped to
16 mobilize to support the existing activities, much less a
17 competition with China. Although there are, and continue
18 to be multiple efforts aimed at mitigating shortfalls that
19 support mobilization, there are some systemic issues and
20 causal factors that are not being addressed.

21 The most important of these is DoD's acquisition
22 behavior. I am not referring to acquisition reform here,
23 such as different ways of doing contracting, but to the
24 decisions that are made by the acquisition community that
25 are the root causes of many of our supply chain issues.

1 The industrial base is very seldom a consideration
2 when most acquisition programs make certain decisions, such
3 as increasing or decreasing procurement quantities, or even
4 analysis during major milestone decisions. When mitigating
5 supply chain issues, DoD is often treating the symptoms and
6 not the cause. I will highlight two representative
7 examples, but there are many more I can elaborate on.

8 The government is funding efforts to reshore and ally
9 shore critical supply chains, and partners and allies are
10 critical to solving this issue. However, if we do not
11 bring demand back to those more secure sources, they will
12 not survive. Even though DoD programs have the authority
13 to direct sources of supply, they most often do not,
14 letting industry choose. Because industry is profit
15 driven, they will almost always choose the cheapest source,
16 which is unfortunately often a Chinese or other adversarial
17 source, or a more secure source.

18 DoD reinforces this behavior by choosing the lower-
19 cost proposal among technically equal options. Industry
20 will not risk losing a contract by using a higher-cost
21 supplier, even if that supplier is more secure. DoD also
22 does not like to direct sourcing because it shifts
23 liability from industry to government if something goes
24 wrong with that material or component. But if we are truly
25 going to have secure suppliers for these critical items,

1 DoD and other agencies, because DoD is often only 1 to 2
2 percent of the demand, should be required to use a U.S. or
3 allied source if one is available, that meets requirements,
4 and also to incentivize industry to use those sources with
5 policies, such as price preferences and contract selection,
6 for instance.

7 Another example is one of the major constraints we
8 face when scaling production for weapon systems for Ukraine
9 and other crises, and something that continually plagues
10 DoD, which is obsolescence. The way DoD deals with
11 obsolescence is reactive and ad hoc, at best. With a few
12 exceptions, programs do not plan or budget for
13 obsolescence, choosing instead to wait until an
14 obsolescence issue occurs to determine a mitigation plan
15 and scramble to find funding to execute that plan before
16 time runs out.

17 Obsolescence was the main reason we could not make
18 more Stinger and PAC-3 Patriot missiles when the Ukraine
19 conflict started initially. Acquisition program managers
20 and even service acquisition executives have told me they
21 cannot afford to budget for obsolescence, but many studies
22 have shown that being proactive by planning and budgeting
23 in advance saves time and cost. Programs should be
24 required to plan and budget to deal with obsolescence more
25 proactively.

1 Lastly, as we have been trying to mobilize the DIB to
2 support various efforts, I am often asked why can't we do
3 what we did in World War II, as described in the book,
4 Freedom's Forge. I gave a lecture each year on
5 mobilization to the entire class of the National Defense
6 University's Eisenhower School, and one of the slides I
7 always presented was "Why not Freedom's Forge?" I outlined
8 the conditions that were very different between what was
9 happening, and Senator Reed mentioned one of those, and
10 what is happening now that make it impossible to replicate
11 that scenario. I am happy to discuss these in further
12 detail.

13 I will stop there by saying I appreciate the
14 Committee's leadership and focus on this strategic topic
15 and in helping in any way I can. I have submitted written
16 testimony for the record, and I thank you for the
17 opportunity to testify today, and am happy to answer any
18 questions you may have.

19 [The prepared statement of Ms. Michienzi follows:]
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1 Senator Fischer: Thank you, Dr. Michienzi.

2 Mr. Berteau, you are recognized for your opening
3 statement.

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1 STATEMENT OF THE HON. DAVID J. BERTEAU, PRESIDENT AND
2 CHIEF EXECUTIVE OFFICER, PROFESSIONAL SERVICES COUNCIL

3 Mr. Berteau: Thank you, Senator Fischer, Senator
4 Reed, and the Committee. We really appreciate the
5 opportunity to be here today.

6 I am David Berteau. I am the President and CEO of a
7 trade association, the Professional Services Council. What
8 I need to reflect for the record is I am here today in my
9 personal capacity, and opinions and suggestions that I make
10 today are my own and not those of my organization, who
11 would otherwise be considered guilty.

12 There has been a lot of talk about the World War II
13 example of full-scale mobilization, and really in American
14 history we have really only had two such examples, the
15 other one really being the Civil War. As old as I am, I
16 was not alive to participate in World War II, as part of
17 that process, but my experience is actually in a different
18 segment that has already been touched on a little, and that
19 is the Cold War, and particularly the Reagan buildup during
20 the Cold War.

21 I arrived at the Pentagon in 1981, served there until
22 1993, and was very actively involved in a number of issues
23 there. And there are a couple of lessons I would like to
24 propose to you from that period of time, that may be
25 relevant to the discussion today.

1 The first is that we actually had an operational plan
2 and a scenario on which we could calculate what our
3 mobilization requirements were. It was, in fact, Soviet
4 tanks coming through the Fulda Gap in Germany and invading
5 Europe. That was the driver. That was the thing that if
6 we did not prevail there, we would go nuclear, and a global
7 nuclear war was clearly not an option we wanted to pursue,
8 although we were prepared for that.

9 How were we able to use that? We were able to build
10 the requirements and actually secure the funding from the
11 Congress, because we had a common agreement between the
12 White House, the Pentagon, and the Congress as to what the
13 threat was we were facing and what the scenarios were on
14 which we would have to plan and be prepared to execute. So
15 the first thing is we had that common ground.

16 I do not think we have that today, and I think one of
17 the most important things this Committee can do is drive us
18 to get that common understanding of what the scenario is.
19 We had an operational plan, which is the fight today piece,
20 and then we had a scenario which is how that evolves over
21 time. We need that in place today.

22 And, by the way, by being able to do that, we were
23 able to propose funding for surge capacity, for war reserve
24 spares, for training, for sustainment investments, for
25 actually deploying and being able to show that we were able

1 to do this. And the appropriators would give us that money
2 because it was justified and everybody agreed on the basis
3 for it. We don't have that today.

4 An example of that, in fact, one of the lessons from
5 Ukraine is the multiyear procurement for expanding
6 munitions production capacity. The Pentagon's first
7 submission to the Congress was decremented by a lot of the
8 extra money that was going to go into building the
9 multiyear procurements for many of those programs because
10 there were higher priorities the committees had to achieve
11 than to put those in place. Ultimately that got fixed, but
12 it took a long time to get agreement on that. So we have
13 to have that agreed-upon set of scenarios on which to base
14 requirements.

15 The second thing that we learned from that Cold War
16 experience is the best way to deter was to demonstrate --
17 demonstrate, not put on paper, but demonstrate -- that we
18 had the capacity to deliver that. So every year we would
19 have massive exercises, where we would literally deploy
20 forces from the U.S. and sustain those forces in operations
21 in Europe, thousands and thousands of troops from all the
22 NATO countries combined, clearly showing the Soviets that
23 we could make it work. And that demonstrated capacity, I
24 think, is the second key lesson.

25 The third key lesson, that has been referred to a lot

1 here, is the partnership with industry, and that
2 partnership with industry is oftentimes an arm's length
3 partnership. Dr. Michienzi did a good job describing some
4 of the flaws in that process. And I think that partnership
5 has to include long-term contracts. It has to include
6 stable designs, so you can maximize productions. That is
7 one of the biggest advantages we actually had over Germany
8 in World War II. Hitler and his team could not stop
9 putting change orders into programs because new stuff would
10 come along and they would actually stop production in order
11 to do it, whereas we would actually move those new ideas
12 into the next iteration of different aircraft, so we
13 maximized production while still getting the benefits of
14 new technology and research and development. And we did
15 that throughout the war.

16 The fourth lesson is the reliance on allies and
17 partners. Senator Reed, you mentioned INDOPACOM and the
18 China threat. DoD uses the word "the pacing challenge." I
19 think it is actually much bigger than pacing, but it is the
20 threat, but it is not the only threat. And I think the big
21 difference between even the Cold War as well as World War
22 II is the changing nature of the threat and the much more
23 complex nature of that threat. Allies and partners are a
24 key piece to this.

25 And then the fifth lesson, I think -- and we did not

1 really learn this lesson very well through the Reagan
2 build-up -- is mobilization is much more than just defense
3 and much more than the defense industry. It is the whole
4 nation. You mentioned workforce, sir, and we have got a
5 shortage of workers. We have kind of come out of that
6 bathtub from COVID where we had twice as many vacant jobs
7 as we had people looking for work. But throughout the
8 industry, both in the production end and in the services
9 and sustainment end, we have got a shortage of workers
10 today that is continuing going forward there.

11 So those are five lessons I think that would be useful
12 for this Committee to undertake. And my one suggestion to
13 you is I think it is time -- and I do not think you have
14 time to wait -- I would suggest that this Committee direct
15 DoD to do, between now and the time you go to conference, a
16 full-blown exercise of, say, what do our mobilization
17 requirements really look like, what is the scenario on
18 which we base that. You need that as a Committee before
19 you finalize the fiscal year 2026 National Defense
20 Authorization Act.

21 And with that I will -- I have got negative time
22 to yield back, so I do not actually have any time to yield
23 back, but I stand ready for your questions.

24 [The prepared statement of Mr. Berteau follows:]

1 Senator Fischer: Thank you, Mr. Berteau.

2 We will have 5-minute rounds, and I will begin with
3 questioning.

4 I strongly believe the Administration should maximize
5 its use of the Defense Production Act. They have the
6 authority to address challenges in our defense industrial
7 base. However, I am concerned by the expanding definition
8 of what qualifies as national defense. For example, in
9 2022, President Biden invoked the Defense Production Act to
10 ramp up domestic production of clean energy technologies.

11 Dr. McGinn, how should the Defense Production Act be
12 used for defense mobilization? Should the DPA investments
13 be focused on areas clearly related to the national defense
14 of this country?

15 Mr. McGinn: Thank you very much, Senator Fischer.
16 Yes, the Defense Production Act is an incredibly powerful
17 tool, and it is best used for national security defense
18 purposes, and that is how it has been used during the
19 development of the MRAP during the Afghanistan and Iraq
20 war, that is how it was used during COVID, and that is how
21 it is being used to rebuild our defense industrial base in
22 areas such as rare earth processing, castings and forgings,
23 and the like, specialty chemicals.

24 So that is how it is best used. And the more it is
25 focused on national defense, it is not a political issue.

1 Therefore, it is a national security issue.

2 Senator Fischer: Thank you. And Dr. McGinn, how
3 should the Act be used for defense mobilization? Should
4 the investments be focused on areas clearly related to
5 being able to get that done? I'm sorry, Dr. Michienzi.

6 Ms. Michienzi: Thank you. I just wanted to make
7 sure. Yeah, it should absolutely be focused on
8 mobilization efforts, but some of the efforts that DPA is
9 funding now, it is difficult sometimes to realize that
10 those go towards mobilization. So things that Jerry
11 mentioned such as rare earth processing and critical
12 chemicals.

13 Senator Fischer: Would you look at any statutory
14 changes, to be able to make it work and make it identify
15 truly what is national defense? Is there anything we need
16 to be looking at here?

17 Ms. Michienzi: I think making sure that it is
18 centered on national defense issues and national security
19 is critically important, as Dr. McGinn mentioned, because
20 we do not want to dilute the efforts of the DPA that are
21 being very successfully used currently and can be used
22 going forward.

23 Senator Fischer: Okay. Thank you. Dr. McGinn, in
24 January of 2024, the Department released its first National
25 Defense Industrial Strategy, and later, in October,

1 released an implementation plan. What is your assessment
2 of the strategy?

3 Mr. McGinn: Well, I think the strategy did a very
4 good job at kind of bringing together a lot of efforts that
5 have been led across recent administrations. One of the
6 interesting, good things about this area is it is very
7 bipartisan. There have been a lot of similar themes being
8 addressed across the Obama administration, through the
9 Trump administration first, through Biden, and today.

10 And I think the strategy did a good job at identifying
11 the progress that has been made but also setting a vector
12 for the future. And I think there were a number of good
13 things in that report. I particularly liked the focus on
14 the importance of production as well as the importance of
15 working with allies and partners. The key will be kind of
16 how that is instantiated in the 2026 budget submission.

17 Senator Fischer: Are there any additional areas that
18 you would recommend the Department would consider that
19 maybe we are lacking from the previous strategies?

20 Mr. McGinn: Yeah, I think two things I would
21 recommend. One is mobilization. It is mentioned briefly
22 in the strategy, but there is no talk about restarting
23 mobilization planning. There actually are program elements
24 in the Army, Navy, Air Force, and Marines for mobilization,
25 but they are really all about prepositioning equipment and

1 the like. There is no kind of planning function that is
2 being done today. That all stopped, and that needs to be
3 restarted.

4 And then the other area, the strategy talks a lot
5 about building exportability in systems, that is building
6 systems so that we can share them with our partners and
7 allies. That requires investment, because you are going to
8 have different capability levels of different missiles,
9 going to different partners, depending on how close they
10 are. So that requires investments on the front, and if
11 that is a big priority, that needs to be invested in, in
12 terms of making exportability a priority in acquisition and
13 also investing in the technology needed to build that
14 capability.

15 Senator Fischer: Thank you. Senator Reed, you are
16 recognized.

17 Senator Reed: Thank you very much, Senator Fischer.
18 First, let me commend you all on excellent testimonies.
19 Thank you. Thank you very much.

20 Mr. Berteau, we have seen a lot of chaotic initiatives
21 over the last several weeks, significant cuts of workforce,
22 we have seen funding cuts that do not seem to be organized,
23 and tariffs in place on Canada and other countries who
24 presumably we would like to see work with us.

25 Can you indicate or give an idea about the impact on

1 these decisions with respect to mobilization of our
2 industrial base?

3 Mr. Berteau: Senator, let me think out loud with you
4 a little bit on that, because I do not have a prepared
5 script to answer that question. This is my eighth
6 transition of one President to the next. My first one was
7 President Carter to President Reagan. And every
8 administration needs to, and does, undertake to make sure
9 that the programs and projects across the Federal
10 Government are in line with their priorities, and I think
11 that is a lot of what is underpinning the efforts we have
12 seen underway. It is being done differently than many have
13 done, and one of the differences is stopping things while
14 you are reviewing it rather than keep going while you are
15 reviewing it.

16 I think from a government-wide point of view, this has
17 caused a bunch of hiccups, but more importantly, there is a
18 second element of that review, and that is do not just
19 focus on the things you are going to stop, the money you
20 are going to save, the reductions in workforce, unnecessary
21 workforce, that you are going to do, and so on. You also
22 have to focus on what you want to not only keep going but
23 go further and faster. And I think one of the things that
24 we are trying to focus on is what are those areas. Clearly
25 national security is a huge piece of that. Border security

1 is another one. There are probably others that will emerge
2 as part of that process.

3 So I think my personal concern is that you need to
4 actually undertake those places you are stopping or
5 reducing or realtering and keep in mind you need to be able
6 to keep the capacity and capability and competence in the
7 government contractor community to be able to work while
8 you are going forward. That is the touchstone, I think,
9 that I would advise this Committee to look at it for.

10 If I could add one thing on the DPA.

11 Senator Reed: Yes, sir.

12 Mr. Berteau: It is up for reauthorization this year.
13 It is obviously not the jurisdiction of this Committee. I
14 have been through two DPA reauthorizations, including one
15 in 1990, where we actually let the Act expire under a veto
16 threat because it got loaded up, Senator Fischer, as you
17 indicated, with a bunch of things that did not really, from
18 our perspective, contribute to national defense. And we
19 let the Act expire. That is a dangerous time to do it.
20 Saddam Hussein had just invaded Kuwait. And we did it, but
21 it turned out there were other authorities we could use,
22 for a short-term conflict such as that.

23 I do think this would be important, and input from
24 this Committee might be useful in that reauthorization in
25 terms of looking not only at how the DPA has been used over

1 the previous years but how it has not been used, and where
2 you ought to view it. I agree with Dr. McGinn in terms of
3 Title VII. DPA worked for me for a number of years. I
4 exercised Title VII authority a number of times, and I
5 think it really needs a refresh, because the nature in
6 which DoD would use that authority today, in today's global
7 economy, is very different than it was in the 1980s.

8 I am sorry for that sidebar, but I think that is an
9 important think for you guys to look at.

10 Senator Reed: Thank you, sir. Your comments, Dr.
11 McGinn. We are running out of time, so if you could, with
12 respect to the present sort of turmoil that we are
13 witnessing and the impact on the industrial base.

14 Mr. McGinn: Well, companies that support the
15 government play critical roles in lots of different
16 functions. The big thing that I am recommending is the
17 importance of us restarting mobilization planning. That is
18 not going to be impacted because it does not exist today.

19 So that is something that has to be developed and is
20 inherently a governmental function.

21 Senator Reed: Thank you very much. Dr. Michienzi, we
22 are much more reliant upon information technology and
23 software-based systems today than we were certainly in
24 World War II and other periods of mobilization. When it
25 comes to planning and preparing for industrial

1 mobilization, how does this reliance change the situation?

2 Ms. Michienzi: Well, luckily software and software
3 systems have been, I would say, more adaptable than some of
4 the hardware systems, as DoD tries to move forward. So
5 they do things like agile acquisition, you know, refreshes
6 and upgrades quite quickly.

7 So I think software is absolutely key to any
8 mobilization effort because that is what is controlling all
9 of our command and control, for instance, C4ISR. So yeah,
10 it is absolutely essential.

11 Senator Reed: Thank you very much. Thank you, Madam
12 Chairman.

13 Senator Fischer: Thank you, Senator Reed. Senator
14 Rounds, you are recognized.

15 Senator Rounds: Thank you, Madam Chair. First of
16 all, thank you to all of you for being with us here today.
17 We appreciate the time that you are taking from your
18 schedules.

19 For all of you, the fiscal year 2025 defense bill
20 includes a provision from my office, Section 1074, a report
21 on operational plans of the Department of Defense, which
22 requires an assessment of the operational plans of the DoD
23 in the event of multiple, concurrent contingencies or
24 protected conflicts. This requirement reflects the reality
25 that in the event the U.S. engages in hostilities with

1 China, other adversaries, such as Russia and Iran, will
2 press their own advantage in Europe, the Middle East, and
3 elsewhere. Basically talking about if we have a conflict,
4 we are going to have a conflict in more than one area or
5 one theater at a time.

6 What are some of the considerations that we must take
7 into account when talking about a multi-theater
8 mobilization, and what are some of the key shortfalls that
9 you believe the Department should identify and highlight in
10 their assessment? Dr. Berteau, would you like to begin?

11 Mr. Berteau: Thank you, Senator. Let me again go
12 back a few years. At the time of the Cold War, we really
13 only had one set of scenarios that we cared about, and that
14 was the Soviet threat in Europe. Everything else was
15 considered to be what we called a "lesser-included case."
16 That means whatever force structure and capability we would
17 have to counter the Soviet threat would probably be
18 sufficient to counter any other threat.

19 After the end of the Cold War, we changed that to
20 several different iterations from a planning process point
21 of view, including a two-war scenario, that essentially
22 being the Middle East and Iran, Iraq, and the Korean
23 Peninsula. It turns out, after 9/11, we discovered that
24 lesser-included cases might be lesser but they were not
25 included, so we had to have a big shift in terms of both

1 our strategy and our force posture to deal with that.

2 In 2012, I was charted by DoD to do the first
3 assessment of what the force posture would be needed for
4 the pivot to Asia, and what I discovered is there was no
5 basis for that. Again, this was a greater not included,
6 rather than a lesser included.

7 And so I think if you look at that evolution over
8 time, the request of your provision is a very valuable and
9 timely request. But it is important to note that that is
10 only where we are today. So from the operational plan
11 point of view it really focuses, from a combatant
12 commander's point of view, of if I fight today, if I have
13 to fight tomorrow, what do I have, what do I do, how do I
14 use it, how do I sustain it, support it, et cetera.

15 I think it needs to be much broader than that, of what
16 is it in Day 50? What are the lessons from Ukraine and
17 almost every war we have entered in? It may look like it
18 is going to be short at the beginning; it keeps on going.
19 And so where are you at Day 700? I think that is another
20 element that is useful to add on there, sir.

21 Senator Rounds: Thank you. Dr. McGinn?

22 Mr. McGinn: Thank you, Senator. Yes, thank you very
23 much for that provision. I think that is important to
24 really focus on operational plannings. But one of the
25 things that is missing in most operational planning is the

1 role of industry. One of the things that we saw when
2 supporting Ukraine is the challenge of production, that we
3 have got to really kind of be able to ramp that up, and
4 that requires really close government-industry
5 collaboration.

6 And during the Cold War we had these voluntary
7 agreements that created integrated committees, that were
8 focused on the production of 155 munitions, that were
9 actually non-FACA boards that allowed for close
10 collaboration between government and industry on production
11 issues.

12 So that needs to be part of the planning. We need to
13 do the war games that have that, because you have seen the
14 war games where if we have a Taiwan Strait scenario, we are
15 out of Schlitz in 2 weeks on munitions.

16 So we have got tremendous kind of industrial
17 implications to these operational scenarios that have to be
18 part of the planning going forward.

19 Senator Rounds: Thank you. Dr. Michienzi?

20 Ms. Michienzi: Real quickly, I will just add that the
21 National Defense Strategy drives how the Defense Department
22 looks at operational planning. So the current National
23 Defense Strategy stays focused on China. Previous National
24 Defense Strategies did include multiple conflicts at the
25 same time and looking at that from an operational planning

1 perspective. So National Defense Strategy would be helpful
2 here if we are going to really, truly look at that.

3 I do want to mention some of the impacts, though, are
4 the types of munitions that we are going to use. In
5 Ukraine, we are fighting mostly a ground war, so we are
6 using a lot of artillery, mortars, things that we are
7 absolutely not going to be using in a China fight. In a
8 China fight we are focusing more on service launched, air
9 launched long-range missiles. If we now have to add in
10 another fight, say Korea, we are back to a partial ground
11 war.

12 So it really matters which fights we are looking at as
13 to which parts of the industrial base we are trying to ramp
14 up.

15 Senator Rounds: Thank you. Thank you, Madam Chair.

16 Senator Fischer: Thank you, Senator Rounds. Senator
17 King, you are recognized.

18 Senator King: Madam Chair, congratulations on your
19 meteoric rise to the chairmanship.

20 Mr. Berteau, I was really interested in your approach
21 during the Reagan years of defining the scenario and then
22 defining the strategy to meet it. Isn't that what is done
23 now? I would assume that is exactly what is done. Or is
24 it being done in too broad a sense without focusing on
25 particular scenarios that would require a particular

1 response?

2 Mr. Berteau: So I should probably clarify my use of
3 the words. So you have an operational plan which, from my
4 perspective in history, is the today fight, with the forces
5 today and the theaters they are in.

6 Scenarios can go beyond that, both in terms of time
7 and in terms of geography. What we had in the Cold War was
8 almost no difference between the operational plan in the
9 fight today and what the long-term scenario would look
10 like.

11 Today, as we just heard in the discussion in response
12 to Senator Rounds' question, we have a wide variety of
13 potential conflicts that could arise. In addition, we have
14 got --

15 Senator King: But still, shouldn't we, within that
16 wide variety we should try to choose the most likely. You
17 cannot just throw up your hands and say, "We have a very
18 complex situation, and therefore we can't have a specific
19 response." Should we not we be saying, "Okay, this is the
20 most likely scenario, and that is what we should be
21 preparing for"?

22 Mr. Berteau: I think you are right, sir. You need to
23 figure out what you are going to base your requirements on
24 and what you are going to spend your money on, and what
25 comes first. You have to have a mechanism for

1 prioritization. I think it is probably a combination of
2 likelihood and probability, and I am certainly not
3 qualified to put those on there.

4 But it is also a question of where are the greatest
5 stressors, and what are the vulnerabilities if we cannot
6 meet those stressors. That could, in fact, require an
7 integration across multiple scenarios to look at what is
8 the aggregated or combined impact and effect and where are
9 the greatest things where we need to put our resources
10 first. We will never have enough money to do everything,
11 so the question is where do you put it first.

12 Senator King: The likelihood. A very quick, easy
13 question for everybody. Can we all agree that continuing
14 resolutions absolutely are not part of the solution to this
15 problem?

16 Mr. Berteau: Franklin Roosevelt did not face a single
17 continuing resolution through the entire build-up to World
18 War II and the execution thereof.

19 Mr. McGinn: Yes, I concur.

20 Senator King: All of you agree with that. And, of
21 course, that is one of the difficulties that we are in now,
22 and it creates all kinds of downstream effects with regard
23 to the industrial base and preparation and everything else.

24 Thank you for that. Let the record show continuing
25 resolutions are not the way to do business, particularly in

1 the defense area.

2 All of you have mentioned something very interesting,
3 which is allies are part of the solution. And it concerns
4 me that we seem to be embarked on a course that at least is
5 not encouraging to our allies, and in some cases is
6 definitely poking our allies in the eye. Talk to me about
7 the importance of allies in dealing with the production
8 necessary for a significant conflict, whether it is Japan,
9 the U.K., Canada, or other countries.

10 Mr. McGinn: Our allies are important, sir, a key part
11 of our industrial base, and we have a number of agreements
12 and collaborative programs. I mean, the largest fighter
13 program in the world, the F-35, we have a dozen partner
14 countries, I believe.

15 Senator King: So we cannot do this by ourselves. Is
16 that a fair answer?

17 Mr. McGinn: That is correct.

18 Senator King: All of you are nodding. Could you say
19 yes, because nods do not show up in the record.

20 Ms. Michienzi: Yes.

21 Mr. Berteau: Nods do not show up in the transcript
22 either.

23 Senator King: Exactly. One of the problems is the
24 consolidation within the defense industrial base. How do
25 we go about expanding the options available? One

1 suggestion we had from one witness earlier was to go to
2 major manufacturing facilities, Ford Motor Company, for
3 example, and getting them engaged in military production as
4 well as making F-150s. How do we expand the industrial
5 base? Everybody comes here and says we need to expand the
6 industrial base. Give me some practical suggestions as to
7 how that might happen.

8 Mr. McGinn: Senator, it is a great question, and I
9 think, one, we have to recognize the consolidation of the
10 industrial base that people talk about, it is largely a
11 function of spending. During the Cold War, during the
12 '80s, when Mr. Berteau was in the Pentagon, we were
13 spending 5.5, 6 percent of GDP. Now we are spending around
14 3. So you are going to have less companies in the overall
15 system.

16 And then something that Dr. Michienzi mentioned is
17 that when your acquisition is focused on efficiencies, you
18 want to buy the right system, for the right time. And what
19 that ends up with is very limited production runs and/or
20 production runs that last for, you know, when you have
21 platform programs like the F-35, the Bradley fighting
22 vehicle, the Abrams tank, they last for 40 years. So you
23 have a prime contractor that has that market position.

24 So my argument is that we have to change how we buy,
25 which means buying more systems, buying from multiple

1 sources, and you can do that very much with unmanned
2 systems. With some of the platform systems you can do
3 that, as well. There has been a lot of work done on
4 second-sourcing back in the '70s and '80s, where we were
5 buying munitions from two suppliers and that reduces costs.

6 So there are ways you can increase competition by
7 changing your buying approach, and that has to get away
8 from some of the efficiency focus and more on what
9 capabilities and capacities do we need.

10 Senator King: Well, and one of the particular things
11 that ought to be part of this is modularity, so that you
12 can upgrade without having to upgrade the entire platform.

13 Mr. McGinn: Madam Chair, would you indulge me for one
14 sentence? We just do not buy enough to keep more companies
15 in business. We just do not buy enough. The reason we
16 only have 2 1/2 manufacturers of tactical missiles is we
17 only buy enough to keep 2 1/2 companies in business.

18 Senator King: Thank you. Thank you, Madam Chair.

19 Senator Fischer: Thank you, Senator King. Senator
20 Sheehy, you are recognized.

21 Senator Sheehy: Thanks for appearing today. Mr.
22 Berteau, you talked about the World War II construct
23 obviously with regard to revisioning of product
24 specifications and how we evolved that.

25 I share the same concern, though, with regard to the

1 customer has created this problem, i.e., the Pentagon has
2 created this defense consolidation and the brittle supply
3 chain we have. And I am not confident that the government
4 can be the solution to it either. How do we incentivize
5 the industry, free market solutions, to actually create a
6 resilient and diversified supply chain, rebuild the
7 industrial base in a way that his resilient for a sustained
8 conflict.

9 Because during World War II, Japan and Germany had a
10 very centralized defense acquisition ministry, specified
11 everything from on high, and tried to control the entire
12 process from A to Z. And that worked very well early on,
13 but it could not keep up with the sheer quantity required.
14 And there is a certain amount of quality in quantity. So
15 that strength, for us, came from the free market. It came
16 from private companies, working in coordination, of course,
17 with the government.

18 But how do we take defense base that has largely been
19 atrophied to the point of almost non-existence for
20 quantity-level manufacturing, and how do we incentivize the
21 free market to outpace the government in fixing this
22 solution?

23 Mr. Berteau: Thank you, Senator. There are two ways
24 to approach that. When I got to the Pentagon, there is
25 this famous chart, if we went from 51 prime contractors

1 down to 5. When I got to the Pentagon, all 51 were there.
2 Why did they go away, during a build-up in which we were
3 doubling the size of procurement and research and
4 development expenditures in DoD?

5 They went away for three reasons. Number one is even
6 with those more dollars, there was not more quantity to
7 buy. Second is we began to put more and more regulations
8 on top, the compliance regulations. I am working on, and I
9 will be glad to provide it to the Committee when I am
10 finished, a comparison of the compliance requirements that
11 a government contractor has, not just defense contractors
12 but any government contractor, and what happens in the
13 private sector. And it is a list of at least 15 or 20
14 things that cost more, take time, and do not really improve
15 results, in my opinion. And I think that is an important
16 piece of it, as well.

17 Ford Aerospace, Fairchild Industries, Sperry, Bose,
18 GM, they all went out of the defense business, in the
19 middle of the build-up, because it was, two things. It was
20 no longer -- time, value, money in the private sector is
21 way different than the time, value, money in DoD. So the
22 returns were not there. The opportunities for better
23 returns elsewhere were there.

24 So you have to be able to counter that with government
25 policies and programs that offset that risk-reward basis

1 that the financial market is always looking for. And I
2 think that can be done, but that is not the path we are on
3 right now.

4 Senator Sheehy: So for any of you who choose to
5 answer, then, how does the government remove the
6 bureaucratic red tape that really creates the sclerosis in
7 the acquisition chain, that disincentivizes companies from
8 wanting to do business with the Pentagon, that we do not
9 have to have SpaceX and Palantir sue the government to buy
10 a solution that is better for the warfighter. And that is
11 what has been going on. A better solution could be sitting
12 on the shelf, but since it does not comport with a dizzying
13 array of byzantine regulations, either it is not purchased
14 or that company has to sue the government to give the
15 warfighter the equipment they need. So how do we change
16 those regulations, quickly, internally, so people want to
17 do business and want to support the warfighter?

18 Mr. McGinn: Yeah, great question, Senator. I would
19 start, again, what is unique about the government
20 contracting system is it is a monopsony. You have one
21 buyer or different sets of buyers. They can set the
22 market.

23 So the power is in the hands of the government or the
24 Department of Defense to change incentive structures,
25 because companies -- private companies, public companies --

1 they respond to incentives. And so the onus is on the
2 Department to change those incentive structures, and
3 Congress can help here. And a couple of ways that we can
4 do that, that will create more opportunities for companies
5 across the spectrum, is to bring the power of our capital
6 system that you allude to, to bear. Because if we want to
7 build factories in advance of need, that can be done
8 through the government investing, but we are not going to
9 be doing any more big CHIPS bills, that kind of government
10 investment.

11 But if you incentivize companies and create offtake
12 agreements or financing programs that enable them to make a
13 bet at below market rates, like the Department of Energy
14 has, and builds off what the Office of Strategic Capital is
15 doing, that is how you get lots of money, which is there,
16 the private equity and venture capital money, to invest.
17 And that will help build capacity and build competitors for
18 the Dept.

19 Ms. Michienzi: Can I just add one quick thing? I
20 think there also needs to be a recognition of risk
21 acceptance in the Department. Contracting officers are
22 personally liable for if something goes wrong with the
23 contracting. Program managers are promoted if they produce
24 things and nothing goes wrong.

25 So there is a very low risk tolerance in the

1 Department, and I think that contributes to the fact of not
2 introducing new supplies, not wanting to change things, not
3 wanting to bring in new industries. So I think there needs
4 to be that piece of it that accounts for it, as well.

5 Senator Sheehy: Thank you. Quantity, iteration, and
6 speed are key, and what won World War II for us was not the
7 capability of our technology. It was our ability to build
8 lots of things fast and get them in the hands of our
9 warfighter, so we have got to get back to that. Thank you.

10 Senator Fischer: Thank you, Senator Sheehy. Senator
11 Kaine, you are recognized.

12 Senator Kaine: Thank you, Senator Fischer, and thanks
13 to our witnesses.

14 My concern about mobilization is heavily on the
15 workforce side, and I think maybe because I am on the
16 Health, Education, Labor, Pension I look at a lot of things
17 through this workforce angle. But also in my dialogue with
18 our shipbuilders and ship repairs in Virginia and
19 elsewhere, I am very, very nervous about us not having the
20 workforce we need.

21 And I think this is sort of a long-term problem with
22 birth rates declining, and they are not going to change
23 immediately, and if they did we would not see it for 25
24 years. So I think there are some big picture solutions
25 like a workforce-based immigration reform that we are going

1 to have to grapple with to get this right.

2 But I would love it if each of you could just address
3 workforce strategies to help us with mobilization, and
4 maybe even include workforce strategies that we could do
5 jointly with allies. And I will start with Mr. Berteau,
6 because I know you talked about workforce in your opening
7 statement.

8 Mr. Berteau: Thank you, Senator Kaine. A lot of what
9 we have already talked about has an impact on that, but I
10 think there are two additional points that I would like to
11 make here. One is, in fact, the impact of COVID and both
12 the inflation and general costs and the increasing costs of
13 labor over the last 5 years.

14 Many defense companies, and many other contractors in
15 the rest of the Federal Government have bids that were put
16 in place, accepted by the government, and contracts
17 currently underway, that made assumptions about zero
18 percent interest rate, very low inflation, a balance
19 between job vacancies and those seeking to work, so a
20 stable workforce, low unemployment. None of that is true
21 over the last 5 years.

22 Many of those contracts have not been adjusted. In
23 fact, DoD is still issuing contracts today with an annual
24 inflation clause of somewhere 1 or 1.2 percent, both for
25 workforce, for wages and benefits, and for other costs

1 associated with that. That is not only unrealistic, it
2 leads companies to bid proposals that are inexecutable in
3 the end.

4 What have we done about this? This Committee actually
5 put some language in a couple of years ago in the NDAA -- I
6 think it was 3 years ago now -- that gave the Defense
7 Department the flexibility, where funds were available, to
8 offset some of those costs. We have seen very little
9 effort on the part of the Defense Department to look at
10 those economic price adjustments come into play.

11 What is the result? You know this. You have got a
12 starting welder salary at a shipyard, or even after a year
13 of experience, that is substantially less than what that
14 person can make at Walmart or Costco -- not standing out in
15 the cold or the heat. I mean, welding is an honorable
16 profession, but it is hard work. I am not saying being a
17 warehouseman at Costco is not hard work, but it is a lot
18 easier on the body.

19 So we have got to offset some of that or else we are
20 never going to climb out of this hole.

21 Senator Kaine: Could I ask Dr. McGinn and Dr.
22 Michienzi.

23 Mr. McGinn: Yes, thank you very much, Senator. I
24 think one of the strengths of the workforce, the defense
25 industrial base workforce, is the nature of the business.

1 Unlike commercial industries, we generally have longer-term
2 contracts, 5-year contracts, or 1-year with four options,
3 that enables stability in the workforce. It enables
4 companies to plan for the future.

5 However, when you have continuing resolutions, as
6 Senator King mentioned, and you have stability in budget,
7 it makes it harder for companies to do that. So the more
8 that Congress and the Department can create stable demand
9 signals -- and that is through things, like I mentioned, if
10 you do purchase commitments for certain capabilities that
11 you need, or you do multiyear procurement contracts, that
12 enables kind of the stability to grow and stabilize
13 workforce.

14 Senator Kaine: Great. And Dr. Michienzi, you have
15 got a minute 15, but the Chair may let you go just a little
16 bit longer.

17 Ms. Michienzi: Okay, thank you. It is a great
18 question, and I have been involved in this very much as we
19 have been scaling up production for Ukraine and other
20 obstacles.

21 You know, the quickest way to scale up is to increase
22 capacity, if you are not already operating at full scale.
23 But you need people for that, and it was always an issue to
24 get the people, even if you had excess capacity, getting
25 people to come on board to observe that excess capacity was

1 difficult.

2 A lot of it has to do with areas that these plants are
3 located in. By design, they are in rural kind of areas
4 that are not near exciting cities, so young people do not
5 want to move there. So I think things that can build
6 infrastructure and make those places better for young
7 people and make them want to go there and want to stay
8 would be helpful.

9 It also goes to, when we were growing up we wanted our
10 kids all to be engineers, right, not technicians. That was
11 not considered a valued job description. So we need to
12 make being a technician exciting, and there are some
13 efforts in the Department to do that. So make sure that
14 they understand that what they are doing is important, it
15 goes direct to the warfighter, et cetera.

16 And lastly, for allies, I have done a lot of work in
17 that area. I was the lead for the Guided Weapons Explosive
18 Ordnance Program with Australia. And one of the things
19 that we had proposed was, as they were trying to ramp up
20 their capacity to make munitions in Australia, which they
21 have not done in a long time, bring some of their folks
22 over to train here and fill some of the workforce shortages
23 that we had here, so it is a win-win. That is something
24 that we should pursue.

25 Senator Kaine: Which is sort of what we are doing

1 with AUKUS a little bit. We have Aussie shipbuilders and
2 sailors here, training with us, so they can go back and do
3 the same thing.

4 Ms. Michienzi: We need to do more.

5 Senator Kaine: Yeah. Thank you very much. Thanks,
6 Senator Fischer.

7 Senator Fischer: Thank you, Senator Kaine. At this
8 time I would like to ask unanimous consent to enter
9 Chairman Wicker's prepared statement into the record.

10 [The information follows:]

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1 Senator Fischer: This concludes today's hearing. I
2 would like to thank the witnesses for their testimony, and
3 we are adjourned.

4 [Whereupon, at 10:29 a.m., the hearing was adjourned.]