

**Chief of Naval Operations
Adm. Jonathan Greenert**

Nov. 7, 2013

Senate Armed Services Committee Holds Hearing on the Impact of Sequestration on the National Defense

LEVIN:

Good morning, everybody.

The committee meets this morning to consider the impact on our national security of sequestration required by the Budget Control Act.

We welcome today our nation's service chiefs, Chief of Staff of the Army General Raymond Odierno, Chief of Naval Operations Admiral Jonathan Greenert, the commandant of the Marine Corps, General James Amos, and the chief of staff of the Air Force, General Mark Welsh.

I'd like to thank our witnesses on behalf of the committee for their service to our nation and for the service provided by the men and women with whom they serve, many of whom, as we meet here, are in harm's way.

We also appreciate the important contribution made by the -- made by our 800,000 DOD civilians, a talented workforce that has been hard hit by both sequestration and the government shutdown.

Sequestration is arbitrary and irrational. While we will learn more about its impacts on our national defense, with sequestration, as with continuing resolutions, government shutdowns and the recurring looming threat of a default on the nation's debt, we not only fail to sustain our national security, but also fail to meet our shared obligation to protect and promote public safety, health, transportation, education and the environment.

When we allow this to happen, we put at risk much of what we do and stand for as a nation, and we undermine our position in the world.

Throughout the two years since the enactment of the Budget Control Act and its provisions for sequestration, our military leaders have been warning us of its harmful consequences.

If sequestration continues, the services will have to cut active and reserve components' end strength, reduce force structure, defer repair of equipment, delay or cancel modernization programs, and allow training levels to seriously decline, which will reduce our ability to respond to global crises, thereby, increasing our nation's strategic risk.

Sequestration has raised questions among our allies about our ability to manage our affairs. It's introduced uncertainty into the availability of resources to support operations in Afghanistan and around the world, has accelerated the decline of a nondeployed force whose readiness was seriously underfunded for more than a decade before sequestration, and has painfully furloughed much of our dedicated Defense civilian workforce.

I know that our senior military leaders are deeply troubled by the impact of sequestration on morale of both our military and civilian workforces.

LEVIN:

It makes little sense to tell members of our military that we'll pay their salaries, but we can't afford to train them. And we can't justify telling our dedicated civilian workforce, many of whom are veterans and some of whom are disabled veterans, that they aren't essential and that they're gonna be furloughed and they're not going to be paid.

Another year of sequestration only compounds the damage that will be done to our forces and our national security. If sequestration is allowed to continue into F.Y. '14 and beyond, we will be left with a smaller and less ready military that is significantly less capable of protecting our interests around the world.

I look forward to the testimony of our witnesses on the impact that the sequestration is already having and will have on the Department of Defense and on our national security.

We're all delighted to have Jim Inhofe back with us today in full force and looking terrific.

Senator Inhofe?

INHOFE:

Thank you, Mr. Chairman. I appreciate it very much.

I'd made a request to have this -- this hearing and another one before this after the House had their SCMR hearing.

It is my concern, Mr. Chairman, that everything you said is true, but the general public is just not aware of it and the crisis that we're facing right now.

Over the last five years the significant cuts to our national security spending have forced our men and women to endure a steep and damaging drop in capabilities and readiness. We'll have a chance to talk about this, incidentally, during the questions.

Our naval fleet is at a historical low level. Air Force, the smallest in its history. The Army may shrink to a force we haven't seen since the turn of the 20th century.

As our security is being threatened by terrorism, the rising China and rogue nations like Iran, North Korea, the men and women charged with protecting this nation are being undermined and forced to endure devastating cuts to the tools they need to keep America safe.

We've been told that over the next three years as much as \$150 billion in sequestered cuts will be taken from accounts used to make sure that our military men and women are better trained and equipped. We'll show that with these charts.

I know some Americans are wondering why this matters and that these cuts may affect their everyday lives, if they really do. And the simple reality is that the world around us is not getting any safer.

I've often said that recently, you know, I look back wistfully at the days of the Cold War. We had things that were predictable. And that's not the case anymore. We have rogue nations that have the ability to -- and developing the ability to have weapons of mass destruction and a delivery system.

And we're -- we know that's happening. It's just something that hopefully this hearing will bring this to the attention of the American people.

The tide of war isn't receding. It's America's leadership, trust in American security partners and our ability to protect this country that's receding.

We're already seeing the effects of an absent America. We're at a point where our allies don't trust us and our enemies don't fear us.

As America retreats from its role as a global leader, we'll be -- we'll have more failed states like Syria and Libya as breeding grounds for terrorism. We'll have more brutal dictators, like Kim Jung Un, acquiring weapons of mass destruction, and more aggressive adversaries like China attempting to bully our partners in the South China Sea. But we'll have fewer options of how to deal with them.

And this is why I'm so troubled with the disastrous path that we're on. In the face of the mounting threats to America, we're crippling our military, the very people who are vital to our security. And our military leaders use the term "hollow" to define the forces of the future.

The chairman of the Joint Chiefs warned us that continued national security cuts will, and I'm quoting now, "severely limit our ability to implement our defense strategy and will put the nation at a greater risk of coercion," and it will break face (sic) with the American people.

I think another quote that I carry with me is one that Admiral Winnefeld, our number two person in the overall military that we have, he said, there could be a time -- "be, for the first time in my career," this is Admiral Winnefeld, "instances where we may be asked to respond to a crisis and we'll have to say that we cannot."

This faith is -- is sacred to me. Our nation relies on the small part of our population to volunteer to risk their lives on our behalf. The faith is being threatened by a growing divide between security our nation expects and the resources being provided them to give us that security.

Our witnesses testified before the House in September about the potential of not having the readiness and capabilities to succeed in even one major contingency operation. Now, that's something that all of us assume and most Americans assume that we still could defend against two MCOs. That's just not true.

And, in fact, that if we have to go through with this sequestration, we may not be able to do even one. And that's why it's so important that we hear from you folks that have the credibility to make sure that the American people understand this.

Well, I think about peace obtained through strength. We know that Ronald Reagan's probably rolling over in his grave right now, seeing what's happened to the military strength of this country.

So that's what this hearing is all about, Mr. Chairman. And I look forward to this being an opportunity for all of us at this table to use the information that comes from this hearing to make America aware of the problems that are facing us.

Thank you, Mr. Chairman.

LEVIN:

Thank you so much, Senator Inhofe.

LEVIN:

Admiral Greenert.

GREENERT:

Chairman Levin, thank you very much for mentions our civilian personnel. Those are our ship mates. We still have quite a few still hurting from the tragedy at the Navy Yard. So I appreciate you mentioning them in your opening statement. Senator Inhofe, welcome back, it's good to have you here. And we all miss Congressman Ike Skelton, all of us in the military.

Distinguished members of the committee, thank you for the opportunity to testify on the short and the long-term effects of sequestration and our perspective on the strategic choices and management review.

This morning I'll address two main points, our budget situation and our plan for fiscal year '14, and the near and the long-term impacts of sequestration.

Mr. Chairman, presence, that remains our mandate, your Navy's mandate. We have to operate forward where it matters and we've got to be ready when it matters, and we have to be able to respond to contingencies with acceptable readiness. Recent events this year alone have clearly demonstrated our ability to do that with deployed forces.

Navy assets were on station within a few days where need and offered options to the president whenever the situation dictated, North Korea, Egypt and in Syria as an example. Now this ability to be present reassures our allies and ensures that the U.S. interests around the world are properly served.

In 2014 sequestration will further reduce our readiness and surely reduce our ship and aircraft investment. The budget control act revised discretionary caps will preclude our ability to execute the 2012 Defense Strategic Guidance both in the near term and the long term. Restrictions associated with a continuing resolution preclude transfers funds across programs, increasing needed program quantities and starting important new programs.

The impacts of sequestration will be realized in two main categories, readiness and in investment. Now, there are several operational impacts, but the most concerning to me is that reduction in our operations and maintenance will result in only one non-deployed carrier strike group and one amphibious ready group trained and ready for contingency response.

Our covenant with the combatant commanders is to have at least two carrier strike groups and two amphibious groups deployed and to have another three, of each, in or around the continental United States ready to respond to a crisis on short notice.

So, for example, right now we have one carrier strike group deployed in both the Arabian Gulf and in the Western Pacific. And our one response carrier strike group, the Nimitz, is in the Eastern Mediterranean. So consequently, because of fiscal limitations and the situation we're in we don't have another strike group trained and ready to respond on short notice in case of a contingency.

We're tapped out.

In 2014 we'll be forced to cancel aircraft and ship maintenance and this will inevitably lead to reduced life in our ship and aircraft. Ashore, we will conduct only safety essential renovation of facilities further increasing the large backlog in that area. We'll be compelled to keep a hiring freeze in place for most of our civilian positions, and that will further degrade the distribution of skill, experience and the balance in the civilian workforce which is so critical.

We will not be able to use prior year funds to mitigate sequestration cuts in our investment accounts like we did in fiscal 2013. Without congressional action we will be required to cancel the planned procurement of a Virginia class submarine, a littoral combat ship and an afloat forward staging base ship and we will be forced to delay the delivery of the next aircraft carrier, the Ford,

and delay the mid-life overhaul of the aircraft carrier, George Washington. Also, we'll have to cancel procurement of at least 11 tactical aircraft.

Mr. Chairman, the key to a balanced portfolio is a spending bill, and secondarily the option to propose to the Congress the transfer of money between accounts. This at least would enable us to pursue innovative acquisition approaches, start new projects, increase production quantities and complete the ships we have under construction.

Just to meet minimum that readiness needs, we need to transfer or reprogram about \$1 billion into the O&M account and about \$1 billion into our procurement accounts, mostly for ship building. And we need to do this by January.

After the strategic choices and management review was completed, our focus has been on crafting a balanced portfolio of programs within the fiscal guidance that we were provided. Further details of our approach into what we call the alternative palm are outlined in detail in my written statement which I request be entered for the record.

Now, in summary, we will maintain a credible and modern sea-based strategic deterrent, we'll maximize foreign presence to the extent we can using ready deployed forces and continue investing in asymmetric capabilities while with this committee's help we'll do our best to sustain a relevant industrial base.

However, there are several missions and needed capabilities specified in the defense strategic guidance that we cannot perform or keep pace with potential adversaries. And these will preclude us from meeting the operational plan requirements as currently written and defined by our combatant commanders with acceptable risk.

These are also detailed in my written statement.

Applying one fiscal and programmatic scenario we would end with a fleet of about 255 ships in 2020. That's about 30 less than we have today. It's about 40 less than was planned in our program -- our president's budget '14 submission, and it's 51 less than our force structure assessment, which we validated and submitted, of 306 ships.

So Mr. Chairman I understand the pressing need for our nation to get its fiscal house in order, and I'm onboard with that endeavor, but it's imperative that we do so in a thoughtful manner to ensure that we sustain the appropriate war fighting capability, the appropriate forward presence and that we be ready. Those are the attributes we depend on from our Navy.

I look forward to working with the Congress to find the solutions that will ensure our Navy retains the ability to organize, to train and to equip our great sailors and our civilians and their families in the defense of our nation.

Thank you.

LEVIN:

Thank you so much, admiral.

LEVIN:

Thank you all for your testimony. And thank you also for -- by the way, we're going to have a fairly short first round because we have votes at 11:45, two of them. We also have a large number of senators here, so we're going to have to start with a six-minute first round.

Thank you for mentioning Congressman Skelton. Most of us have worked with Ike Skelton for a long time. We -- our memories of him are extraordinarily fond and warm. He was a unique and wonderful human being and we really appreciate what he did for this nation in war and in peace. And we are grateful that you made reference to him. It's something, frankly, I should have done and have already done in a different way, but should have done here. Thank you for that reference.

The successful conclusion of the budget conference between the Senate and the House is essential if we're going to address the problem of sequestration. They are hopefully looking at various alternatives for getting rid of a mindless, irrational way of budgeting for 2014, the way it was for 2013, but much is going to ride on their success in finding a different approach to deficit reduction.

LEVIN:

Many of us have made suggestions to them as to how to come up with a balanced approach to deficit reduction which can substitute a sensible approach for an irrational approach called sequestration. And we're not going to ask you to get into that kind of detail because -- in terms of the work of the Budget Committee because -- the conference, because I -- number one, I doubt that you are privy to it, but secondly it's a little bit off the subject here today, which are the impacts of sequestration.

And the clearer those impacts are laid out -- and you have laid them out very clearly -- the more likely it is, I believe, that that budget conference will find a path to replace the sequestration in '14 with something which makes sense in terms of fiscal responsibility, but something that makes sense in terms of the security of this nation. 'Cause as you have very powerfully pointed out in both your oral testimony, your written testimony and your prior testimonies, sequestration is damaging to the national security of this country.

In fiscal year '13, the department was able to minimize impacts, in part, by using unobligated funds that were carried over from previous years, in part by deferring program costs into future years, in part by utilizing short-term cost reduction measures such as civilian furloughs and reductions in training and maintenance rather than making program decisions that would be more difficult to reverse. So my question of each of you is, if sequestration continues into fiscal year

2014 and beyond, will the department be able to continue to rely on those types of temporary measures, or, as I think you've clearly testified, would you have to start reducing force structure and canceling or curtailing major acquisition programs?

I think you've given us the answer to the second half, but can you go into the first half of that question? We were able to scramble around -- you were -- to a significant degree in 2013. Are you gonna be able to rely on those kind of temporary ad hoc scrambling measures if sequestration continues into 2014?

General Odierno?

ODIERNO:

Thank you, Chairman. You know, as we -- as you put it very well, scrambled in 2013 to come up with the dollars to meet our sequestration marks, there's things we did that, frankly, mortgaged our future. One is, obviously -- we had to take money out of two places, readiness, because we could do that very quickly. So we stopped training. We stopped sending individuals to be prepared at the national training center, joint readiness training center. You can't ever recapture that. So what that does, it delays the build-up of future readiness. So we will have to pay that price somewhere down the road, because we simply cannot ever get that back.

So although we were able to do it for one year, it comes at risk -- our risk to respond, our risk to do -- to -- if we have a contingency, will our forces be ready? And that's really incredible risk that I am definitely not comfortable with.

The second piece is we've had to furlough individuals who've worked for this government. And, frankly, they -- they're beginning to lose faith in -- in -- in their government. Are they able to -- will they be able to work? Will they be able to continue to serve? And so it has an impact on the force, as well. So those are temporary measures that we do not want to revisit again; and that we have to have more permanent solutions.

LEVIN:

Admiral?

GREENERT:

Mr. Chairman, first of all, we have a \$2.3 billion carryover. So, you know, '13 we deferred it into '14. Well, here it is. So that's sitting there, and you -- we have to pay about a billion of that. You can't defer it. These are contracts and things of that nature. So that's (inaudible) one.

Two, in '13 we actually had a quarter of maintenance and training, because we didn't start dealing with this until the new calendar year. Well, we got a lot of maintenance done there that we won't be able to get done this year. So 34 out of 55 ship maintenance availabilities, we have

to -- that'll be gone. Training -- we will -- we were able to get some training done there; we can't get that there.

So we will have air wings. Of the nine air wings we'll have five of them in what we call minimum sustaining -- it's called tactical (inaudible). But the one that -- that'll affect us the most now will be investment. As you mentioned, we used prior year funds. What concerns me the most is our SSBNX. Now, that is our top nuclear strategic deterrent follow-on. And fact of the matter is, on a continuing resolution and because we want to grow that -- that program in '14, we're \$500 million off in '14. And so that -- that comes to roost in the schedule of that, and we're heel to toe.

Other shipbuilding -- we'll lose a Virginia-class submarine, a littoral combat ship and a float forward staging base, and -- and a lot of costs to continue. The forward carrier, as I mentioned in my oral statement, we need about \$500 million, again, to finish that carrier, and by spring we stop work on it, which is not very smart 'cause it's almost done.

Thank you.

LEVIN:

Yes. Thank you.

General Amos, can we continue the kind of of temporary actions we took F.Y. '13 into '14?

AMOS:

Chairman, there's -- there's no more money in the carryover from '13 into '14. We were 99.8 percent obligated at the end of '13. Now there's no money to bring over. So our -- our account is dry. We're gonna live with what we have and -- in '14 under continuing resolution.

And we've taken measures in the past to lean the force. Civilian hiring was frozen two years ago. We've already gone through our T8E (ph) travel accounts. We've taken our reserves, taken 'em off active duty to reduce the TAD (ph) costs. We've -- we've done all that, sir. There's -- there's really no more fat on our bones.

LEVIN:

General Welsh?

WELSH:

Chairman, I'd echo what you've already heard. We paid, as I mentioned, about \$1.5 billion out of prior year unobligated funds against our sequestration bill last year. That was about 25 percent. That will not be available this year.

We start on a C.R. for the beginning of '14 that is roughly just in O&M account \$500 million less than we had programmed for '14. The program didn't include the funding required to recover the readiness that we set aside last year. We -- we are behind the power curve and dropping farther behind the power curve.

LEVIN:

Thank you very much.

Senator Inhofe?

INHOFE:

Thank you, Mr. Chairman.

I, like the chairman, I -- I appreciate bringing up Ike Skelton. There're a lot of people at this table up here who never had the opportunity to know him. And during the years I served in the House we sat next to each other every Thursday morning at the House prayer breakfast and had got to know him quite well. And he's sorely missed.

I'd ask to have this chart placed up here so you can see it. I think those -- the four of you can see this. This chart was put together by both the minority and the majority on the Senate Armed Services staff to kind of try to -- to put into perspective where we are and -- and where we're going with this thing.

I know that a lot of improvements have to be made. We had a discussion yesterday on the Republican side about some of the things that will have to be done with personnel, with TRICARE and some of that -- those things. I would remind you that all of that you would find in the -- in the blue section down below. So it's not gonna really address the problem that we have, even though it is important.

Force structure -- you can see how important that is. Now, what we've done for those -- I think we individually have that same chart up here. You're talking about fiscal years '14, '15 on through fiscal year '23. So the force structure is -- is a -- you know, is very serious about modernization program. The modernization -- we all know when things get tight modernization and -- is one of the things that goes. But by far of greatest concern is the -- the orange area. It shows clearly that that is where readiness is, that's where training takes place there. And I would like to have each one of you respond to your concern about that particular part of this chart, the orange part.

How -- I've also said that readiness equals risk. Risk affects lives, lives lost. Would like to have each one of you kind of tell what you think in terms of the people being at risk and lives lost might be affected by what you're gonna have to do in this next fiscal year according to this chart.

ODIERNO:

Thank you, Senator.

This chart describes exactly the problem that the Army has. You know, we have three levers -- end-strength, modernization and readiness -- and we are taking down our end-strength. And we are looking at speeding up taking down our end-strength, but you only speed it up so fast when you start to lose the money that you gained by taking end-strength out.

So we have a huge readiness issue between '14 to '17 that we, frankly, will significantly impact our ability to respond in the way we expect to respond.

The other piece is we'll have to stop some of our modernization programs, which means we'll delay getting new equipment five to 10 years because we have to stop programs, and we'll have to restart them later on when we get back into balance.

ODIERNO:

So for us it is significant readiness issues. We will not be able to train them for the mission they're gonna have to do. We will have to send them without the proper training and -- and actually maybe proper equipment that they need in order to do this. So that always relates to potentially higher casualties if we have to respond.

INHOFE:

Admiral Greenert?

For us, it is force structure. We man equipment, Senator. And so, what that means is to reduce -- to -- to deal with a reduction like this, we have to reduce force structure.

So, this chart would underestimate, in the Navy, how much force structure we would have to give up in the near term in order to garner savings. And that -- that means, what do you do now?

Well, for me, it's forward presence. So I make sure the press -- the forces forward are ready, but those that are there for crisis response, right now I'm sitting at two-thirds reduction in that alone.

So you have to be there with confident and proficient people. And if they're not confident and proficient, then you're talking more casualties, and you have to keep apace with the capabilities of the future or you're unable to deal with a potential adversary. And that's increased casualties.

So we will -- we will be slipping behind in capability, reduced force structure and reduced contingency response. If we're not there, then somebody is out there, and they're gonna have increased casualties.

INHOFE:

General Amos, you covered this in a lot of detail. Anything you want to add from your opening statement in terms of this readiness sacrifices, how it relates to risk and lives?

AMOS:

Sir, the -- as you know, as I said in my opening statement, we've moved monies to maintain risk. Each service has a different orange wedge. Mine is smaller than that, but that's for the near term right now, because I'm paying that price to maintain that readiness to be your crisis response force.

But that will only last probably not later than 2017. I'll start seeing erosion in about a year and a half. So -- so we are paying that with other monies, infrastructure, training and...

(CROSSTALK)

INHOFE:

And that's what you referred to when you said in your opening statement, you used the phrase, "a formula for more American casualties"?

AMOS:

Absolutely. Yes, sir, senator. This -- we are headed towards a force in not too many years that will be hollow back home and not ready to deploy. And if they do deploy, they will enter harm's way, we'll end up with more casualties.

INHOFE:

In responding to the question, General Welsh, I heard yesterday someone talking to you about an experience you had up in Alaska. Could you share that with me in terms of some of our -- our fliers?

I'd remind people as they hear this, that the cost, not necessarily for an F-22, but to get someone to a level of proficiency on the F-15, F-16, is about \$7 million. So we're talking about huge investments in personnel.

Would you like to repeat the -- the statement you had made?

WELSH:

Senator, I've actually had this conversation multiple places in the Air Force. At one of our bases recently I was talking to a group of young pilots who are eligible for our aviation career incentive bonus. Of that group, there were six to eight in the group, none of them had accepted the bonus to that point in time.

INHOFE:

Not one?

WELSH:

Not one. That doesn't necessarily mean they're planning to leave the Air Forces, but it certainly means they're keeping their options open as a minimum.

By the way, it's not just pilots. I was at another base where a couple of very young airmen told me that they love the Air Force, but they were bored. Their -- their particular squadrons were not flying. They were sitting on the ramp because of the reductions last year.

And they said at the end of their -- end of their enlistment, they planned to find work that they'd be -- they thought was a little more exciting.

I haven't heard anybody in our military say they were bored in quite some time.

INHOFE:

Yeah.

WELSH:

So that got my attention.

INHOFE:

Well, I appreciate that.

My time's expired, but I just want to read one thing out of the -- on of the most alarming concerns that we had, have raised, was the belief that your service may not be able to support even one major contingency.

I'd like for the record -- now, when you stop and think about it, the collective service of four of you is 156 years. So we're talking about a lot of experience, a lot of history. And I'd like to have you for the record respond to that in terms of not being able to meet even one major contingency operation, if you'd do that.

Thank you, Mr. Chairman.

LEVIN:

Thank you, Senator Inhofe.

Senator Reed?

REED:

Well, thank you, Mr. Chairman.

Thank you, gentlemen, for your service to the nation.

And I think one of the issues that we have to ask, because so much turns on readiness is ready for what? And that'll be answered in some respects in the QDR, which will be affected, obviously, by the budget, regardless of whether we're able to work our way through these obvious problems.

So could you give us a sense, General Odierno, from the Army's perspective is what -- what you're looking at in terms of ready for what?

ODIERNO:

Thank you, Senator.

You know, as we learn from the past and look to the future, it's about having the capability to do a multiphase, combined arms, joint campaign that operates in a very complex environment that includes a conventional opponent, irregular warfare, counterinsurgency, because that's where future warfare is going and so, we have to train our forces to do that.

And, right now, the Army is great in counterinsurgency. We want to continue to keep that expertise. But we've got to build our combined arm joint capability to do a multiphase campaign for a -- for a major contingency operation.

We were supposed to begin training for that in '13. We were not able to because of the cuts we had to make in our training dollars. So we are now behind.

And that's the problem we have. Right now, we have a limited number brigades that are capability of doing that right now, and we're falling further behind as we move forward.

REED:

One of the reasons that we are so well-schooled in counterinsurgency is we invested over the last decade billions of dollars in counterinsurgency.

And, looking forward, is that gonna be a primary sort of mission or ancillary mission in your view as you look into the QDR?

And, if that's the case, we invested a lot of money for a capability that we're not -- might not be using.

ODIERNO:

Well, I would say that it is a capability that's going to be needed, but will not be at the forefront as it has been in the past.

REED:

Thank you, sir.

Admiral Greenert, the same question, essentially. I think it embraces a lot of the issues that we want to talk about.

GREENERT:

For us, it's to ensure that we have the sea-based strategic deterrent on track. And that's a top priority for us.

REED:

The Ohio replacement?

GREENERT:

The Ohio replacement, yes, sir.

And so, subject to my comments in my opening statement, this -- this issue we have with '14, to get the continuing resolution -- you know, we need to grow the program. I can't do that until we get a bill in '14.

Sequestration, we lose the ability -- \$150 million. It sounds sort of nagging, but we have to get design engineers hired. So even when we get the money, you can't click your fingers and hire 600 specialized design engineers. So we've got to keep this coherent as get along, because we're on a very tight schedule to -- when the Ohio phases out to deliver on time.

For us, also, it's the undersea domain. We have to own it, quite simply it's my job as the Navy, and to keep that on track.

And so, I'm concerned we fall behind in anti-submarine warfare, keeping apace of our potential adversaries. So that's a priority. Regardless of sequestration, we will invest in that.

It's integrated air and missile defense. And that gets into the electromagnetic spectrum, cyber and electronic warfare, and bringing those new capabilities in, from jammers to cyber warriors, et cetera.

It's also just flat-out presence. Quantity has a quality of its own, as we state, and being sure that we have the right ships with the right capability with my partner to my left, the Navy-Marine Corps team, that we can be where we need to take care of the little crises, the day-in and day-out, so they don't fester and become bigger crises, and we get into the situation of a major contingency.

REED:

Thank you, sir.

General Amos and then General Welsh?

AMOS:

Sir, the priorities for the Marine Corps are forward- presence and the ability to respond to any crisis today, not a week from now, not a month from now, but today.

So, as we move monies around, as I've said earlier, to maintain that level of readiness, we're trying to keep a balanced force. So as we go forward into the sequestered force, the QDR force, when it's finally sorted (ph) out, what we need to have in my service is a balance between modernization, readiness and personnel, the right amount -- not hollow, but high state of readiness forces.

So to do that, we are balancing this thing down, dialing all the dials, trying to make sure we end up with something that is not a hollow force and that is a ready force.

Amphibious combat vehicle, the replacement for our 40-plus-year- old tractors is the number priority for me, followed right after that by the F-35B which is performing well.

So, as we go forward, my focus, regardless of how big the Marine Corps ends up being as a result of how much money I get, will be a balanced, high ready -- high state of readiness force, ready to respond to today's crisis today.

REED:

Thank you, sir.

General Welsh, please?

WELSH:

Yes, sir. I think the dilemma that we all face is the choice of readiness today versus a modern capable force tomorrow. The Air Force is no different. That's the thin line we're trying to walk.

For us, we have a requirement for readiness to respond rapidly. That's what we bring to the joint force. We also have a requirement to be viable against a threat 10 years from now.

We are a high tech force. We are platform based as a force, much like the Navy. And we have to invest now to make sure we have the proper capability 10 years from now. That's why modernization of the F-35, the KC-46 and the long-range strike bomber is so critical to us.

WELSH:

The other thing that is a major concern for me is getting back to full-spectrum training, much like Ray Odierno is worried about. We have walked away from that over the last few years because of the demand of the war in Afghanistan.

Last year, we canceled our red flag exercises, which are our high-end training profiles. And we even canceled some of our weapons instructor courses, because we didn't have enough money to conduct them. That's where we train our Ph.D.-level war-fighters to lead and train the rest of the force. We have got to get back to that.

REED:

Thank you very much. A final brief comment, from the appropriations perspective, giving certainty in terms of a budget, not a C.R. -- because that would be very difficult in terms of no new starts, no -- not much of anything, but two years of certainty, and some relief, in fact total relief from sequestration would probably put you in the best position. I see let the record show, nodding heads.

LEVIN:

Thank you, Senator Reed.

Senator McCain?

MCCAIN:

Thank you, Mr. Chairman.

And I wish that every member of Congress and yes American were tuning in to your testimony today so we would have a sense of urgency that unfortunately is certainly not significant enough to bring us back into I think a rational approach to our nation's defense.

And I thank you for your service and I'm very appreciative to be around four Americans who have respect and admiration of the American people.

I share all of your views, but you've left out a couple of items. One of them is the continued cost overruns of our weapons systems.

Admiral Greenert, you just talked about you need \$500 million additional for the Gerald R. Ford.

Is that correct? you just mentioned that?

GREENERT:

That's correct, Senator.

MCCAIN:

And now -- you didn't mention we have a \$2 billion cost overrun in the Gerald R. Ford. Tell me, has anybody been fired from their job as a result of a \$2 billion cost overrun of an aircraft carrier?

GREENERT:

I don't know, Senator.

MCCAIN:

You don't know.

Actually, you should know.

You should know, Admiral, when we have a \$2 billion cost overrun on a single ship, now you're asking for \$500 million more.

I would ask the same question of General Welsh. Has anybody been fired because of the cost overruns of the F-35?

I don't think so.

We've had hearing after hearing in this committee concerning the first trillion dollar defense acquisition in history. The numbers are astronomical as to the size -- increase in size of your staffs. We have seen double and redoubling size of the staffs of the major commands and your own.

That's never been brought under control.

We now have 1.5 million civilian contractors and employees -- civilians and their contractors' employees and only \$1.3 million -- excuse me -- 1.3 million uniform personnel. That's got to be cut back. The number of civilian contractors and personnel have got -- they don't fight. They do great jobs, but they don't fight. You're going to have to -- this committee may have to impose cuts in the size of your staffs. They've grown astronomically, by the thousands.

Finally, I guess I would ask my -- the witnesses, despite what some may think, I agree with former Secretary Gates who said the, quote, "Entitlements," are, quote, "Eating us alive." Major one being health care costs growing -- consuming a larger and larger percentage of our budget.

I'd ask if you would favorably be inclined to address, one, retirement as far as increasing gradually, prospectively the number of years before retirement; Two, imposition of increase in fees for TRICARE which there hasn't been an increase since 1989 and also perhaps even looking at things like the contribution that used to be made for off-base housing and other costs that have grown so dramatically.

Maybe I could begin with you, General Odierno. And not only would I like the answer to that question, I'd be glad to hear you respond to my comments, particularly about cost overruns.

ODIERNO:

First, on compensation, we have to grapple with compensation within the military. The Joint Chiefs are working very hard with this issue. The cost of a soldier has doubled since 2001. It's going to almost double again by 2025. We can't go on like this. So we have to come up with compensation packages, not taking money away, but reducing the rate of increase of pay increases, of basic housing allowance you brought up, look at the commissaries, look at health care. We have to have a total package that allows us to reduce this cost.

MCCAIN:

Could interrupt one second? Do you know of a SIJ soldier, Airmen or Marine that joined the military because of TRICARE?

(LAUGHTER)

ODIERNO:

It would be difficult to answer that question.

What I would tell you, though, Senator is they do come with very large families and health care is a big issue for them. But that doesn't mean we can't work with that.

In terms of cost overruns, I agree with you. We are tackling this problem. I would tell you is (sic) we're holding people accountable, but not holding them accountable enough. We have to continue to work that, specifically with the issue that you brought up.

GREENERT:

Senator, these attributes of changes to compensation I would look at favorably. You're speaking at least my language. I'm sure my colleagues feel the same way.

It's about 50 percent of every dollar DOD goes to personnel predominantly as compensation. And if we keep going this way, it will be at 60 and then it'll be at 70 in a decade plus. We can't do that. I think it's our responsibility to take a hard look at it.

When I talk to my people, they say my quality of life is pretty good, Admiral, that's the pay, the compensation that you mentioned. They say, but my quality of work, I need some help. I got gaps. I want training. Where is my chief? I want to go to the bin and get spare parts. That's what I want to do with that kind of money.

MCCAIN:

And it's been referred to, some of the best and the brightest are considering their options which is something that never shows up on a profit and loss basis. Is that correct?

GREENERT:

Yes, sir, you're absolutely right. If I could talk to headquarters staff just a second. We've been assigned a goal of 20 percent as we're working to build our budget. We're going beyond that. We got a goal of money, we're looking at four times that reduction. We were looking at -- we had a goal of 400, for example, of civilian personnel. We're looking at five times that.

We're taking a hard look at that, Senator.

We're going beyond the big headquarters. We're working our way down to the subhead quarters. As you look at this orange and you look at the blue efficiencies, our piece of that, to get at that, we're looking at about 25 percent of our reduction is in overhead and contractors. So we're taking a pretty robust look. And we look forward to briefing your staff when that time comes.

AMOS:

Senator, you'll find I think a ready audience up here for benefits. It's more than just the TRICARE. It's everything. It all fits underneath the personnel.

I pay 62 cents on the dollar right now for manpower. That's not because Marines are more expensive. It's just my portion of the budget is smaller. That's going to go well over 70 percent by the end of the FYDP if something is not done. So you're gonna see the Joint Chiefs come to Congress through the president talking about a package of cuts and reductions, how we can cut that down.

So that's en route.

And as you're aware, the folks are looking at the retirement. So we're open to just about anything. It's in our best interest and our nation's best interest. We're reducing the Marine Corps if we stay on the sequestered budget by 28,000 Marines. Inside that, well over 20 percent of headquarter reductions. I'm eliminating an entire Marine expeditionary force, three star headquarters on the East Coast. 3 MEF -- excuse me, 2 MEF. It goes away.

I'm reducing infantry battalions, regiments, air groups pretty significantly. So we're pairing that down, Senator. And as it relates to somebody getting fired, I can't speak to that. I can talk pretty intimately about the maneuvering around among the F-35 program, with the management both at Lockheed Martin, the program managers office and within my service. As you know, we pay very close attention to it.

There have been cost overruns, but we're -- our vector is actually heading in the right direction on the JSF program.

WELSH:

Senator, the short answer is yes, I absolutely agree, we need to get entitlements and benefit reform. There's no question about that.

I hope we would roll the savings we could make from that back into the tools and training our people need to be fully ready. If we did that, they would understand the reason, and they would see the result in a meaningful way. If we take the money and use it for something else, it will be a bigger problem for them.

Cost overruns and growth, I fully agree with everything you said. There's no excuse. We have to fix it. We're looking at every headquarters, from the air staff to component war-fighting staffs. We're in the process of internally reducing two four-stars, 15 three- star positions and decreasing the number of people in headquarters around them.

We have to take this seriously, Senator. There's no other option.

LEVIN:

Thank you, Senator McCain.

Senator Udall?

UDALL:

Good morning, gentlemen.

I'll admit that I'm frustrated that this committee has once again asked you to come up here and testify about the harm caused by sequestration. We in the Congress created this monster and we keep dragging you up to the Hill to have you tell us how much damage it has done.

I met recently with my constituents in the great community of Colorado Springs last month. And they made it real clear to me that they're tired of Congress's unwillingness to compromise and solve the problem. And that view is echoed everywhere I travel.

The bottom line is that we all know that we've done serious harm to critical programs and our people. And it's very clear that none of this is really going to save us any money. I think you all have made that case very powerfully. In fact, it's going to cost us more in the long run than if we'd just buckled down and put in place strategic budget architecture based, for example, on the Simpson-Bowles plan.

You and the people you lead have been paying the price for our failure to lead and to act, and I'm sorry for that. I apologize for that. But what we've been hearing from our constituents and from you should make it clear that we need to reach a bipartisan agreement, pass a budget, and get back on track.

And let me in that spirit, General Welsh, turn to you. In your opening statement, you said that if you were given the flexibility to make prudent cuts over time, we could make the savings required under current law. Could you be more specific about the kind of flexibility that you're asking for?

I've been working with Senator Collins and others on pushing for better budget flexibility when it comes to making cuts government-wide. And it's important to know how we could get this right and how it could be most helpful.

WELSH:

Senator, in my view, and I think everybody in the room would agree, sequestration is a horrible business model. The mechanism of sequestration is a horrible business model. No successful business would try and downsize its product line or its cost doing it this way. Anybody would take a time period, determine what kind of savings you needed over the time period or what kind of reductions you needed over the time period.

You'd take the beginning of that time period to actually close product line, reinvest the capital or the manpower or the force structure saved into the successful product lines you wanted to continue, restructure your organization, and then create savings at the back end of this.

If we had nothing more than 10-year period to save whatever the number is, we understand we have to be part of the solution for the nation, the financial solution for the nation. No one is resisting that. This mechanism that makes us take big chunks of money the first two years is what is putting us into this readiness versus modernization dilemma. The overall cost of sequestration reduces our capability and capacity over time, but it doesn't break us. The mechanism is what breaks us.

And so I would just say that if we had the trust available to believe that the department would return \$1.3 trillion over 10 years, and we could show you a plan of how to do that, eliminating this abrupt nature of the mechanism at the front end, would be a much, much more sensible approach.

UDALL:

General, that's very helpful. And I know this committee's going to listen as we move forward.

Let me turn to the economies of the military communities if sequestration remains in place. I was thinking about General Odierno, the situation you face cutting down to 450,000, perhaps as low as 390,000. There could be real damage done to cities like Colorado Springs and many around the country. The same, General Welsh, would apply to the Air Force if you are forced to roll back more critical space and aviation missions.

In Colorado over the last couple of years, we've had some real challenges. We've had to battle floods and wildfires. And without the incredible support from soldiers and airmen, I can't imagine how much worse the losses would have if we didn't have assets like the Aviation Brigade at Fort Carson or the great airmen at Peterson and Schriever.

Could you comment on that and whether those studies have been done? And what additional information we might need to be smart about how these cuts are made?

ODIERNO:

What a lot of people don't understand is in many cases -- Fort Carson in Colorado, Fort Hood in Texas, Fort Bragg in North Carolina, Fort Campbell in Kentucky -- they are probably some of the most biggest generators of revenue for the states, period. And they don't realize that as installations go away, you're just not losing the soldiers and what they do. All the businesses that are around those installations for probably a 50-mile radius are impacted by the shutdown and loss of the impact of these installations losing people. And so the impact to the local and state governments is substantial.

We -- we have studies. I don't have the numbers with me for every installation, but we have numbers for every installation. When I go visit, they always brief me. This is the first -- this is the leading employer of the state; second -- it's either first, second, third, but it's very close to the top of leading employer in the state. And people -- many forget about this as we look at these reductions.

So that's in addition to what I'm concerned about is the national security impacts it has.

UDALL:

General Welsh, would you care to comment?

WELSH:

Senator, a \$1.3 trillion reduction to DOD over 10 years is doing to leave a bruise in lots of places. We have to understand how significant the pain is at each place before we make final decisions. But I -- but I think it's going to affect a lot of people in a lot of places.

I was just in Colorado, by the way, sir, and visiting with a bunch of the firefighters from Fort Carson, from Colorado Springs, from the Air Force Academy and Schriever and Peterson, and walking through the actions they took in battling the fires last year and this year. I was struck by the contribution they make to the community every day, not just when catastrophes occur.

Nobody wants to reduce that contribution. We lost in just the civilian furloughs last year as a corporate body 7.8 million man-hours of work. Double that for the government shutdown impact on our civilian workforce. That's also 7.8 million hours of pay that doesn't go into the community in which those peoples live. And so you can start to see the effects when we have these short-term losses of income. Long term, it would be more dramatic obviously.

UDALL:

Thank you, gentlemen. If I could -- I see my time is expired, but I want to make a couple of very quick comments. I want to thank the members of the National Guard units who came to Colorado from Kansas, Montana, Utah, and of course our Colorado Guard, for the incredible work they've done not only immediately after our floods, but now to help rebuild our highways. We're reopening these highways months ahead of schedule and it's really a testament to the work ethic and the teamwork that those units brought to our state.

Secondly, I want to again thank you all for coming. I'm sorry we're under these circumstances, but I'm -- I'm pleased to see Senator Inhofe here. He's too tough to let a few blocked arteries keep him from doing his work.

And then finally, I want to associate myself with all the remarks about Congressman and Chairman Skelton. He was a wonderful man. He was a mentor to me. He had a habit of saying, "You know, I'm just an old country lawyer," but that was the moment at which I would really listen to what Ike Skelton had to say. And I know everybody who served with him felt the same way.

So, Mr. Chairman, thank you for convening this important meeting. And we've got to get this right. Thank you all.

LEVIN:

Thank you, Senator Udall.

Senator Chambliss?

CHAMBLISS:

Thanks, Mr. Chairman.

And likewise, thanks to you for being here today, gentlemen.

In my 20 years serving on the House Armed Services and the Senate Armed Services Committee, we've never had in my opinion four finer leaders of our respective branches than the four of you. So, thanks for what you do every day.

As we look at what we're going to do relative to defense spending, I'm one of those who thinks without question that we need to spend more money; that sequestration, as each of you has said, is going to become a bigger and bigger problem.

But I also feel very strongly about the fact that whatever we are able to add to DOD spending, that we've got to offset is somehow. We've simply got to get our fiscal house in order. And I think if we're going to do that, the first place we've got to look for offsets is at the Department of Defense itself.

We asked in a hearing that Senator Ayotte and Senator Shaheen called on Tuesday of this week, we asked of General Dempsey -- Senator Manchin did -- for a list of programs or expenditures that the department does not want to spend money on that had been mandated by Congress. We thought we would have that list by today. I understand now we're not going to get it until next week.

But I think for certain, one item that's going to be on that list, General Odierno, is the purchase of Abrams tanks that you have been somewhat vocal on, that Congress keeps demanding that you buy, that you don't need. My understanding is that you are requesting a delay, or a halt in production until 2017 and that the cost of that was going to be -- the savings was going to be somewhere between \$436 million (ph) and \$3 billion over three years. I don't know what the exact number is, but either one of those is pretty significant.

Now, is that still the case, that you'd prefer to spend that money somewhere else?

ODIERNO:

It is. We have the most modernized tank fleet we've ever had right now. It is in great shape and in fact we're reducing our force structure so we're going to need less tanks, but yet we're purchasing more tanks that we don't need. And so the savings would be -- could be used in many different areas of the modernization programs that we need, for example, aviation.

CHAMBLISS:

OK. As we go into the authorization bill, rest assured that it's issues like that that are going to be addressed. And as we talk about sequestration, I know that a lot of these programs, they've taken years to develop and produce. So these programs that I'm gonna mention weren't necessarily created or authorized on the watch of the four of you, but they are significant.

General Welsh, I understand there're 12 brand new C-27J Spartans that were rolled right off the assembly line and immediately mothballed. Since 2007 DOD has spent \$567 million on 21 of these airplanes, but only 16 of 'em have been delivered, and a majority of those are sitting in storage somewhere.

Also, there were 20 C-27As that cost the taxpayer \$596 million, and they are -- they sit unused and are sitting in Afghanistan and slated to be destroyed, although there may be some movement to try to send those to another agency or entity. But the maintenance contract on those airplanes, I understand, was canceled in March of this year, and therefore, they're unusable.

General Odierno, the Army spent \$297 million to develop the long endurance multi-intelligence vehicle, which is a blimp-like aircraft that would hover over the battlefield that was canceled after one test flight and sold back to the contractor for \$301,000.

The Army and the Marine Corps are moving ahead, as I understand it, to purchase 55,000 trucks, known as the Joint Light Tactical Vehicle, to replace your current fleet of Humvees, which is probably understandable. But it's also my understanding that the committed cost of these per vehicle was \$250,000. And now it's gone to something like \$400,000 per vehicle -- not unlike what Senator McCain alluded to earlier.

General Welsh, also a recent audit by the DOD inspector general found that a contractor had overcharged DLA for spare aircraft parts that -- there was one part, an aluminum bearing sleeve that should have cost \$10 that DLA paid \$2,286 per item. And it resulted in a \$10 million overcharge.

Now, again, as I say, those are items that weren't necessarily created on your watch, but you're in the process right now of looking forward with respect to weapon systems. And I just hope you'll keep that in mind.

There's one other area that I just want to mention as we look for savings, and that's in the area of medical research. Now, I'm a beneficiary of the research that's been done in this country on prostate cancer, and I'm very thankful for that. They do a great job at NIH on prostate cancer research and every other kind of cancer research.

But what I don't understand is why the Army -- or excuse me -- why the military is spending \$80 million a year on prostate cancer research, why we're spending \$25 million a year on ovarian cancer research, and \$150 million on breast cancer research. We're also doing lung cancer research.

Now, if there are particular needs that the military has regarding military research -- and there are some because of particularly the casualties that we've suffered recently -- I can understand it. But these are types of research that simply have no place, in my opinion, at DOD. They ought to be done at -- NIH.

I understand further that there is not real coordination between the research done, medical research done at NIH and what is done at DOD.

So Mr. Chairman, that's not an item that these gentlemen have a lot of control over, but it's certainly an item that we need to look at. And the money would be better spent as a replacement for sequestration.

My good friend, a good friend to a lot of us, Senator Ted Stevens, was one of the ones who first asked for prostate cancer research money go to DOD. Several years later, he announced on the floor of the Senate that he had made a mistake. He should never have done that, and that that money ought to be spent on research, but it ought to be spent at NIH and not at the Department of Defense.

So as we go forward, gentlemen, with the -- in -- defense authorization bill in the next couple of weeks, I look forward to seeing that list that General Dempsey gets to us with respect to items that come out of each of your budgets that, hopefully, we can have the spine to stand up and say, irrespective of our parochial interests, we gotta look after our men and women and they need this money to be spent in other areas rather than in areas where the military themselves say we don't need to spend it.

Thank you very much.

LEVIN:

Thank you, Senator Chambliss.

And now Senator Shaheen?

SHAHEEN:

Thank you, Mr. Chairman and Senator Inhofe for holding this hearing today.

And thank you, gentlemen, for being here.

I would hope, as the sentiments expressed by some of our colleagues, that this Congress would deal with sequestration in a way that means that you don't have to be here year after year after year talking about the challenges that our military faces because we haven't done our jobs here in Congress.

Admiral Greenert, I would like to begin with you, because we believe that the Portsmouth naval shipyard is the premier shipyard for modernization and maintenance of our nuclear fleet. And I have a letter this morning from the president of the Metal Trades Council, Paul O'Connor, who talks about the impact of sequestration on the workers at the shipyard. I'm gonna ask you to comment, but I wanted to read just two phrases from this letter because I think it epitomizes the challenges that they're feeling from sequestration.

He says: "With nine and a half more years of sequestration hanging over our heads, nine and a half more years of furloughs and lay-offs, how will we attract the best and brightest young men and women to our most technologically sophisticated complex, precision-based industry?" He goes on to say: "The security, instability and volatility of sequestration on our shipyard and national workforce cannot be understated. The personal impact, mission impact and national security impact are real and contrary to the best interests of America."

Mr. Chairman, I'd like to ask that this letter be entered into the record.

And Admiral Greenert, I wonder if you could talk about what you're seeing with respect to the long-term impacts of sequestration. You've mentioned some of those, but if you could elaborate further?

GREENERT:

Thank you, Senator.

You know, I'm glad we get to see that letter, because it very clearly just states the debilitating effect of doing this year after year. And there's -- there's -- it's inefficient and you lose productivity. And this -- this fine gentleman described there, you can't get -- you can't hire people so you can't distribute your workforce. When you -- and you furlough them here and there, so where else are they gonna -- they're gonna go elsewhere.

Somebody has to write the contract. Somebody has to get the logistics done. And those are the people who, regrettably, we have furloughed. We thought we had workers, but you -- you can stand there with a wrench in your hand and a welding rod, but you need the paperwork. Hey, it's all a team and it's a long chain.

So that -- that's -- we think we are saving costs. We're just avoiding costs -- and we aren't even doing that. We're deferring costs. And it's a one-point-fill-in-the-blank factor later on. So that right there describes the maintenance conundrum that we have.

And by the way, that's in a nuclear shipyard, which is one of our more stable enterprises out there. Because, as you know, we hire people for the longer term, long planning and all that. It is a premier shipyard, and we have lots of use for it, if you will, in the future.

I'm concerned about -- and I didn't mention earlier, but the shore infrastructure. We have reduced dramatically the shore infrastructure in order to keep forces forward. So we went from 80 percent, if you will, of our motto, which is nothing unnecessarily all excited about, down to 55 percent. We're deferring work that's gonna come to roost.

Fortunately, in fiscal year '13, we're able to meet, thanks to the Congress, reprogramming and getting that 6 percent requirement done to recapitalize it. But in fiscal year '14, I'm very concerned. We have \$1 million we need to get to do that right. Hopefully, we'll get reprogramming or a means or bill to do that. But that infrastructure is very important to us.

SHAHEEN:

Thank you.

General Welsh, Senator Chambliss talked about some of the -- the areas where there is money being spent that may not be most efficient. And one of the things that we've looked at on the Readiness Subcommittee is the Air Force's proposal to spend \$260 million for two hardened hangars in Guam. Now, my understanding is that hardened hangars cost about twice as much as those that are not hardened. And I wonder if you could prioritize the need for that versus the other needs that you and the other members of the panel have identified with respect to readiness and training and the other challenges that we're facing.

WELSH:

Thanks, Senator.

I don't think it's a matter of comparing them in every case. In this particular case, the hardened facilities on Guam are a response to a combatant commander request to provide more resilient capability on Guam because of an increased threat of surface-to-surface missile attack. He didn't request that everything be hardened, just those key facilities you couldn't improvise if there was damage -- improvise for if there was damage on an air field. And that's what those facilities are based on.

So we are trying to support U.S. Pacific Command in that effort to meet his war plan requirements.

The readiness and modernization requirements are much bigger than \$256 million. And so I don't think that's the reason we can't be more ready today. Although, every dollar will help. The readiness problem we face over time is significant. To fully restore our normal readiness levels over the FYDP would be almost \$3 billion.

So we are looking with sequestration at a long-range problem that is significant. It's going to take us 10 plus years to get readiness back to the level we want under a fully sequestered budget. And we'll only get there by reducing the force enough that we can keep a smaller force ready, which means less capacity, less capability to respond globally, less options for national decision-making.

SHAHEEN:

We certainly all appreciate that. As Senator Chambliss ticked off a number of projects that have significant costs to them, this one also has sine significant cost. And when you add up those \$250 (ph) million projects, pretty soon we are talking real money. So I do hope that this is one you will continue to look very carefully at.

WELSH:

Yes, ma'am.

SHAHEEN:

Thank you, Mr. Chairman.

LEVIN:

Thank you very much, Senator Shaheen.

Senator Ayotte.

AYOTTE:

Thank you, Mr. Chairman.

I want to thank all of you for your service and for your leadership during these challenging times.

Let me just echo what my colleague from New Hampshire has just said about the Portsmouth Naval Ship Yard, Admiral. And where -- where are we if -- as we go forward with sequester in terms of fleet size, and the attack submarine fleet?

I know you mentioned in your opening testimony that one less Virginia class submarine would be built during the period that we would like to build it. So can you give as picture what the overall fleet looks like?

GREENERT:

Well, as I mentioned, the undersea domain critically important. We need 45 to 55 -- our goal is 55 -- we would be down to 48 submarines in 2020. I use that as a benchmark year. And, as you know, unfortunately due to sequestration we lost the USS Miami, which Portsmouth was -- was a project Portsmouth had. The overruns, the furloughs and the need to have to go to a commercial work force instead of using federal work force was just too much. We couldn't afford that submarine and continue to do the other.

AYOTTE:

And just so -- you know, my understanding is that we aren't meeting combatant commanders' needs with respect to the requests they make for the fleet now. What is the rough meeting of where we are in terms of combatant commander requests?

GREENERT:

Just in submarines, combatant commanders as they look at the world distribution of submarines for intelligence, surveillance and reconnaissance, they need about 19 submarines any time deployed. We can support about 10 to 11 and we distribute -- we broker how that works. So we're about 50 percent. And that is reflective of the overall fleet request versus what we can provide today.

AYOTTE:

Great, thank you, Admiral.

General Welsh, when do you expect the F-35A to achieve full operational capability?

WELSH:

We hope that happens in 2021, Senator.

AYOTTE:

OK. Thank you.

General Odierno, let me ask you -- you and I talked about it when we met, what is your assessment of the A-10 and its close air support capability? How important is the A-10 to the Army?

ODIERNO:

Thank you, Senator.

As I know General Welsh would say the A-10 is the best close air support platform that we have today.

In Afghanistan when they put the lightning pod on it, it became the most complete support system; that combined with the rover capability and its gun systems. And it's performed incredibly well in Iraq and Afghanistan. Our soldiers are very confident in the system as it goes forward. It's a great close air support aircraft.

AYOTTE:

Thank you.

Can I ask you something?

We talk about these savings (sic) issue. And something I know this whole committee signed off on but -- and I fought very hard to not get money appropriated for, but I think it highlights the issue that you've heard from Senator Chambliss and you heard as well from Senator Shaheen on some examples of, we're all concerned about sequester but also making sure we use the money allocated in the best way possible for our men and women in uniform.

And one of them that leaps to mind on -- on my end is the MEADS program where we spent \$3 billion between F.Y. '04 and '11. And, you know, I look at some of the choices that you're asked to make today. I just hope that we are not going to continue to spend any more money on programs like that.

Please tell me, General, that we aren't.

ODIERNO:

Well, we're very focused now.

We're not -- I mean, we have to make tough choices. We have to spend money on programs that are best for us. I would make one comment and I'll make a general comment.

You have to remember that as you look at cost per vehicle, things like that, the reason some are going up, because we are purchasing less of them because we have less money and less force structure. And that drives the cost up on some programs. But, we are looking very carefully. It's only the programs we need that we are going to invest in. We are not investing in programs we actually do need and so it's important we don't use money for programs that aren't going to directly impact our soldiers.

AYOTTE:

Before we leave, I want to ask about a topic particularly General Odierno, General Amos we had talked about it -- Afghanistan.

So how do you assess the situation in Afghanistan right now?

I'm worried that so many of our colleagues, frankly, aren't focusing on the fact we still have men and women who are serving in Afghanistan. What is it we need to do to secure our interests in Afghanistan?

Can you tell us where are we on this decision on what the follow- on force structure will be? and with that decision, can we get to a point wherever whatever that follow-on is, is actually too small to make sure we need to achieve not only the ISR issues that we have to address in Afghanistan, but ensuring that our own forces are protected.

So General, you and I talked about that. Where are we on Afghanistan?

ODIERNO:

Well thank you, Senator.

First, until we get the BSA approved, that's when we'll start discussing what the end strength is post-2014. We are certainly hopeful we will get that agreement with the Afghan government that allows our soldiers, sailors, Air and Marines continue to operate in Afghanistan.

What I would say is -- and the other thing I would say is, I believe we are making incredible progress in Afghanistan. We don't talk about that a lot. The Afghans have taken over. It's working. They are taking responsibility. But, we have to stay with them. It's important we stay with them and they continue to have the confidence with the multinational force behind them, both United States. That is key as we move forward.

As we make decisions on residual forces, there comes a time when if we get too small and our ability to protect our own forces is at risk. And then we have to make sure we communicate that to the president and joint chiefs had these discussions. We will communicate that as we move forward.

AYOTTE:

I understand certainly the feeling that people have of given the conflicts we've been involved in of wanting to withdraw. So what are our interests that are at stake in Afghanistan in terms of getting the BSA right and getting the correct ratio of follow-on forces?

And I know my time is up, but I think this is an important question.

ODIERNO:

So the -- you know, first off, we need the BSA to protect our soldiers. And once we get -- soldiers, sailors Air, and Marines that are operating there. And that allows them to do their job and continue supporting the Afghan.

You know, in Afghanistan, it has come so far. It is hard to describe to someone who has never been there how far that country has come. The progress that has been made, the security that the people feel. The fact that the Afghan security forces are stepping up in a big way to support their own people, but they're not ready to completely do that on their own so it's important.

We have to provide new kinds of support, training, advising, building their institutions, making sure they continue to move forward, because there are those that want to go back and take control and there are extremist organizations that will directly threaten the United States.

We have come too far, we've invested too much for us to back away from that now. Because we are close and on the cusp, I think, of being successful. And I think it's important that we understand that and we should draw lessons from what we are seeing in Iraq to that as we move forward.

AYOTTE:

Thank you.

LEVIN:

Thank you very much, Senator Ayotte.

Senator Donnelly?

DONNELLY:

Thank you, Mr. Chairman. And I want to thank all of you.

It is an honor to have you serve and lead our country.

And General Odierno I was privileged to serve with Ike Skelton. And he was to me the model of how to serve with dignity, humble, hardworking, incredibly smart. And as I know you know his reading list was also required reading for the rest of us, as well.

DONNELLY:

The question I have is -- and this ties in, Admiral Greenert, to a conversation we once had. And you mentioned earlier today about at one time paying benefits was one-third, it looks like it's heading to two-thirds.

For each of you, what is about the proper balance in terms of those kind of costs and everything else?

General Amos, you'd mentioned it's at 70 percent now, or heading there. What is about the right balance for each of your forces?

General Odierno, if you'd like to start?

ODIERNO:

We -- we would -- the best case for us is we want personnel costs to be somewhere between 42 percent and 45 percent of our total budget. And we're past that now. We're over that at this point.

DONNELLY:

Admiral?

GREENERT:

I agree with General Odierno. We're -- right now, we're at about 50 percent. I think that's OK. That's about right.

But then we need to look internally and say, OK, what's growing the fastest and what does it mean to our constituency? Does it really affect them that much? And what makes them a better sailor, soldier, airman, Marine?

So there's that piece, too, of a balance across those entitlements.

AMOS:

Senator, I -- I think somewhere -- I'd be thrilled if I was in the low 50s. I don't know that it's realistic, that I'll ever get in the 45 percent to 50 percent mark, simply just...

(CROSSTALK)

DONNELLY:

Well, I think we recognize it's different for each force.

AMOS:

It is. It is. And it's a shared budget within the Department of the Navy. So I'd be happy -- it's just a function of being able to get that down. And there are ways we can do that.

And we absolutely have got to commit ourselves as the Department of Defense and as a Congress to help us do that.

That's -- that's gonna just erode my buying power to the point -- saw a study, we took a brief probably three or four weeks ago that said if we stay on the course we're on, somewhere around 2025, we'll have 98 cents of every dollar going for benefits, for -- you know, and it's just -- you just project it out, extrapolate it.

DONNELLY:

Right.

WELSH:

Senator, depending on what you include in your accounting of the pay, entitlements and benefits package, we're somewhere between 38 percent and 50 percent right now.

The problem for us is that range would be fine. It's the growth that we're worried about.

By the way, I think we owe you and the other members of this committee and Congress a vote of thanks for the incredible job you've done compensating the great men and women who serve in all of our military services over the last 20 years.

But the growth in that category is now the thread to modernization and readiness. So we just believe we need to control that growth over time.

DONNELLY:

And, as a follow-up, and I know you've -- you're all doing this, it would be helpful to get your best ideas on how to accomplish that on our end, as well, as we look forward to how we put these budgets together for the future, to hit that proper and right mix.

Does -- does flexibility help all of you? And how significant would that be?

ODIERNO:

Senator, it depends on how you define flexibility. If you're saying flexibility within each budget year, it helps a little bit. But in my mind it helps just around the fringes. It's probably different for every service.

What we need is flexibility across the whole sequester action. As was -- as General Welsh, I think, mentioned earlier, that's what's helpful because -- because the front-loaded nature of it, it throws us off skew of how we sustain our balance.

So if you gave us year-to-year flexibility, there's some things we can do. But in my mind, that's only around the edges and doesn't really solve the problem.

DONNELLY:

OK. And this would be to all of you, but, in particular, General Odierno and General Amos.

I was in Afghanistan in late April/early May. I was in Helmand province, as well.

And we -- we had metrics that we were looking at, and saying, if we're able to keep on these metrics, by December of '14, we'll be in a position to basically turn everything over to the Afghans with some presence of residual forces.

And there was some controversy -- I shouldn't say controversy, but disagreement by some there and others there, are we able to gonna continue to hit these metrics and stay on target?

And I was just wondering if you could fill us in on where we are?

ODIERNO:

What I would say is we're ahead of those metrics. In fact, you know, we've turned over responsibility to the Afghans in really over 90 percent of all of Afghanistan. There's only a very few places where they have not taken complete control of their own security.

So, in my mind, I think they're a bit ahead of the metrics that we originally had established back at that time frame. And they continue to move forward and do -- do better than we expected. Faster than we expected.

AMOS:

Senator, we're exactly in the same position.

Just to give you a sense for what I'm talking about, is we've transitioned about a year ago to training, advise and assist missions instead of offensive combat operations.

So we -- we've changed the training of our Marines going in there. We've put more senior leaders on the ground so they could partner with the Afghan kandaks, their battalions.

And -- and so, we built that structure, and we put a one-star general in charge of it, specifically to focus on that while all the other stuff was going on.

We've just cut that force back by 50 percent, brought the one- star general home, not because we're trying to cut the force structure, but because it's been met with such great success.

It'll -- by December 2014 will it be just phenomenal? No. But, I'll tell you what, it will be -- we will have -- I'm confident we will have set the conditions for the greatest opportunity for the Afghan people to take charge of their lives. I actually feel very good about it.

DONNELLY:

Thank you.

I see my time is up, Mr. Chairman.

LEVIN:

Thank you very much, Senator Donnelly.

Senator Vitter?

VITTER:

Thank you, Mr. Chairman.

And thanks to all our witnesses, particularly for all of your service to our country. We all appreciate that.

I understand that you all have clearly articulated real problems in readiness, number one, and, number two, that lack of readiness costs lives. And lives are directly at stake. And that concerns us all.

I think the last time this possibility of a real hollow force and significant lack of readiness happened was in the 1990s.

General Odierno, I'll start with you. Would you consider that challenge then -- or, excuse me, let me rephrase it -- would you consider our challenge today greater or lesser than that challenge then?

ODIERNO:

I believe our challenge is much greater today than it has been since I've been in the Army in terms of readiness. This is the lowest readiness levels I've seen within our Army since I've been serving for the last 37 years.

VITTER:

Well, General, I agree. And I think the numbers confirm that.

For instance, in the 1990s, this general episode I'm describing at that problem, the military described 80 percent of conventional and unconventional forces as acceptable with, quote, "pockets of deficiency".

Today. in contrast, at least on the Army side, you have said only 15 percent of Army forces are acceptable, with 85 percent being below that. Is that correct?

ODIERNO:

That is correct, Senator.

VITTER:

So that certainly puts numbers on exactly what you said, that today's situation is much worse.

Now, in the 1990s, there was a response to that. The administration, President Clinton's administration, made a specific proposal and worked with everyone, including Republicans in Congress, to get \$25 billion allocated for readiness.

Will there be a specific administration proposal anytime soon to this far greater challenge?

ODIERNO:

I think as -- I can't answer your question, Senator.

What I would say is I think it has to do, as the chairman said earlier, the negotiations that are going on for the budget deal. And out of that we hope that there'll be something that comes back to the Department of Defense that allows us to deal with this three to four- year window we've talked about in readiness challenges that we have and get rid of this sequestration, which is, as everyone has said here numerous times, a horrible way to do business.

VITTER:

Well, I'm familiar with those negotiations. I don't think anything is being discussed currently that approaches a specific, concrete response to this particular problem.

And I would urge, I know you all aren't the ultimate decision- makers, but I would urge the administration to put forward a specific proposal, as President Clinton did in the 1990s in a situation that I believe you're correct in saying was far less challenging, although it was serious.

General, I also want to ask about some readiness issues regarding joint readiness training and the like. And I have a particular interest in that because some of that happens at Fort Polk in Louisiana.

Sequestration has forced the cancellation of several combat training center rotations. Can you describe how important those rotations are and the impact on that readiness?

ODIERNO:

In F.Y. '13, we had to cancel seven rotations. And what that means is you have a -- usually it's a force of about 5,000 to 8,000 men and women who go there, who get a chance to train and really get certified in the kind of operations that we think they might have to deploy and do, so we weren't able to do that.

ODIERNO:

Not only that, you lose a significant amount of experience that are gained by your leaders.

For example, that equates to about 250 company commanders, about 50 battalion commanders, and seven brigade commanders who did not get the training that is necessary for them to do the operations -- and that also includes their soldiers. So that -- and if that keeps happening, it just continually degrades the readiness.

So in '14 what we're gonna have to do is we're gonna focus all of our dollars to seven brigade elements. So at least I can get seven brigades trained, because that's the only money I have to do that. Everyone else is gonna go untrained. They will not be able to do the training necessary.

VITTER:

So if that is accomplished for seven brigades only and no more, how would you describe the impact on critical core competencies and readiness?

ODIERNO:

What -- what that means is we're gonna have about a 20 -- little over 20 percent of the force, maybe 25 percent of the force that is trained in its core competency; the rest will not be trained in their core competencies.

VITTER:

And, General, I just want to underscore, the specific training we're talking about is the training that's most relevant to the sort of operations we face today, is that correct?

ODIERNO:

That's correct. If we had to deploy in the Middle East, if we had to deploy to Korea, if we had to deploy anywhere, that's the kind of training they are not receiving. And so what keeps me up at night is that if something happens and we're required to send soldiers, they might not be prepared in the way I think is -- the American people expect us to have them prepared.

VITTER:

Great.

A final question for any or all of you: Has the standards in terms of what we are preparing for, in fact, been lowered over the last few years -- the requirements, the readiness requirements?

ODIERNO:

Well, let -- let me -- I don't know if I'd say lowering. So what we've done -- let's take Afghanistan for -- for example. So the units who are getting ready to go to Afghanistan are training very differently today. As -- as General Amos mentioned, they're being trained to do training and advisory missions. So they're not training to do -- to do full spectrum operations, which we would normally train them to do because they are just going to do that (ph). So they have not been trained in that -- in the things we think are important as we develop the readiness levels in order to respond to contingencies.

VITTER:

But I guess what I'm asking -- let me try to be clear. Overall, you know, in 2010 and the QDR, the -- the requirement was to fight two wars on multiple fronts and win while engaged in significant counterterrorism operations. Hasn't that bar been lowered significantly?

ODIERNO:

It has.

VITTER:

As that bar -- bar has been lowered significantly, do you think the world has become a safer place?

ODIERNO:

No. As I stated earlier, I believe this is the most uncertain I've ever seen the international security environment.

VITTER:

Thank you. That's all I have.

LEVIN:

Thank you, Senator Vitter.

Senator Hirono?

HIRONO:

Thank you, Mr. Chairman.

And thank you all for your service and for acknowledging the contributions and service of Congressman Ike Skelton, with whom I had the privilege of serving in the U.S. House.

You've all testified of -- with quite a lot of specificity about the negative impacts of sequestration. And, you know, I look at the defense strategic guidance and -- and I think each of you have acknowledged that this is an articulation of future threats, challenges and opportunities. And we face enough challenges -- i.e. cost overruns of the cost of energy to the Department of Defense, increasing personnel costs with that (ph), and meeting the goals of DSD without the mindlessness of sequestration.

So there are some who say that we should just give you more flexibility, but in my view giving you flexibility, which takes sequestration as a starting point, is like moving the deck chairs on the Titanic. Would you agree with that?

WELSH:

Senator, flexibility is not the ideal solution. It's getting rid of the mechanism of sequestration.

HIRONO:

Yes. We need to replace.

WELSH:

Flexibility is a help if we can't do that.

HIRONO:

So would you all agree that what we need to do is replace sequestration with a more rational approach to what you all need to do?

WELSH (?):

Absolutely.

HIRONO:

All of you agree with that?

(UNKNOWN)

Yes, ma'am.

HIRONO:

There were some questions relating to the unsustainability of the percentage that personnel costs are with regard to all your budgets. And I would like to know, as we go forward, you must have

done some thinking on -- on what kind of factors would you apply in making recommendations on changes to your personnel costs. What would be your philosophical prospective going forward in making your recommendations?

GREENERT:

Well, Senator, I'll take a crack at it, if you don't mind.

We look at things that might -- that would be reversible. For example, if we were to slow pay raises or something to that regard, something that when done look at the impact on the constituency and can that be reversed, because we have to maintain the all-volunteer force. That's very important.

Two, it has to be transparent. Our folks, we have to speak to them, make sure they understand why, what, how, and what is the purpose, and where this all fits in, and their families, so that they see that.

Three, I believe there has to be a balance. I kind of alluded to this before. Pay, housing, TRICARE, these sorts of things -- tuition assistance to be able to go get a degree -- is the -- is the quality of their life. But also when they go to work, what is that quality? Do they feel appreciated in that job? Do they have what they need -- tools, personnel, oversight, leadership, and the training so that they're proud at what they do and they can do that? I think we need to balance those two as we look at it.

AMOS:

Senator, within -- I think there're kind of -- from my perspective, a couple categories. The first one is internal controls on things like bonuses and (inaudible) everything from reenlistment to things that we do to recruit and assess Marines. We -- we have gone back into that in the last 12 months and -- and culled out some significant savings. So that's -- so internally those are the mechanisms that we are balancing with regard to retention and -- and recruitment.

But to Admiral Greenert's point, this holistic package of kind of the -- of the force, you know, I've -- I've got a piece that we're writing on -- be careful we don't break the all-volunteer force. We -- we -- whatever we do -- I think there's plenty of room to maneuver, by the way, before you get there. So I'm not advocating there's not. But -- but we just need to be mindful that we've had this all-volunteer force. We've asked a lot of it. And they've actually done remarkably well. And it's probably a model for every nation around the world.

But inside of that there is room to maneuver on health care costs. We talked about TRICARE benefits -- not benefits but premiums. There is room to maneuver perhaps on pay raises. There is room to maneuver on basic allowance for housing. How much is -- right now it's typically on a 2 percent to 3 percent rise every year. Is that -- do we need to do that while we're in this? So there are -- there are things like that that we're working on.

HIRONO:

My time is almost up. But I take it that all of you would -- would make these kinds of recommendations with a view to make sure that we are -- are really mindful of the need to -- to support our troops and to support their families so that we are not going to take away the kinds of benefits and programs that -- that they rely upon, as you move forward to decrease these personnel costs?

ODIERNO:

Senator, that's exactly right. We -- we have to take into consideration what it takes to maintain the premier all-volunteer army. We all understand that, and that's forefront in our minds.

But if you get out of balance -- you know, I talk about -- the best way to take care of a soldier and a (ph) family is make sure he's properly trained, has the right readiness levels, and when he goes somewhere he comes back to his family. So we gotta balance that part of it with making sure they can live the quality of life for the service that they're giving to our nation. And we certainly understand that. So it's finding that right balance. And we think we have methods to do that, Senator.

HIRONO:

Mr. Chairman, my time is almost up. But I do have some questions that I will be submitting having to do with how sequester is impacting the research and development efforts across all of our services and making sure that we maintain an industrial base as one of you -- I think it was Admiral Greenert who mentioned that it is really important to maintain our defense industrial base and the impact of sequester on that goal.

Thank you, Mr. Chairman.

LEVIN:

Thank you, Senator Hirono.

Senator Lee?

LEE:

Thank you, Mr. Chairman.

And thanks to all of you for service to our country and for joining us today. I deeply appreciate it. And on behalf of the constituents that I have back in Utah, I express my deepest gratitude to you and those who serve under your command.

LEE:

For the last two years, we've heard a lot from a lot of high-ranking military officers like yourselves who have come before this committee and others in -- in front of the men and women that they command and in front of the American people to express the grave concerns they have about sequestration and what it could do to our military, our military readiness and everything we do through our military.

I've heard members of Congress on both sides of the aisle and on both ends of the Capitol express grave concerns about the impacts of sequestration, about what could happen. And I've heard my own constituents, people from throughout Utah, many of whom are currently serving or have served in the military, express similar concerns.

It's an interesting conversation. It's sad that we have to be having this conversation, especially since sequestration was something put in to law at a time when nobody believed it would ever happen. It was supposed to be so bad that we would do anything and everything possible in order to avoid it, and yet it has arrived.

So, my first question, which I'll leave open to any of you who might want to answer it, I'd like to know a little about the means by which, the format by which, the regularity with which you communicate these kinds of concerns, the sorts of concerns we're talking about today, about sequestration's impact on readiness and on the Department of Defense generally. How -- how and in what way do you communicate those concerns to the White House?

ODIERNO:

I would say that, first off, you know, as the Joint Chiefs, we meet twice a week to discuss many key issues, to include policy issues, health of the force issues. And we -- we clearly have discussions and then, you know, the chairman -- the chairman takes those to the White House.

But we also have periodic meetings with the White House. In fact, we have one next week where we'll have the opportunity to go over and discuss many of these issues with the president. I think he's been very open in meeting with the Joint Chiefs on these types of things. So, you know, there are forums in place to do that.

We also obviously meet on a regular basis with the secretary of defense, where we have the opportunity to talk about the issues we have, and he also takes those forward. So I think there's avenues there that are clearly -- that are open to us that we use on a quite regular basis.

LEE:

OK. So, if I understand you, General Odierno, you do meet regularly with the White House and you're able to communicate these openly, effectively to people in the White House at the highest levels, including the president and the secretary of defense.

OK. That is good to hear. My concern and one of the things that animates that question is that I have not sensed quite the same level of alarm coming from the White House as I have sensed when I've met with each of you. I have not sensed that same level of concern. We've seen a lot of action, a lot of energy from the White House going into efforts involving everything from gun control, to defending Obamacare, to fixing the website and so forth.

I have not heard the same level of concern, the level of alarm, that I'm hearing from you. And that does cause me some concern. It seems to me that if the administration did in fact think this situation was this dire, as dire as you're explaining it to us, I would expect to see that issue, those set of issues receive a lot more time and attention and energy from our commander in chief.

Going along with that, instructions on preparing for sequestration in 2013 were not even initiated until just a few months before it went into effect. And the president didn't consider the possibility of sequestration in his 2014 budget request, despite the fact that it is law, despite the fact that that law has not been repealed. It has not been modified in a way that makes it irrelevant or less relevant.

So, can you -- you, any of you describe for the committee what instructions, if any, you're receiving from the White House and from OMB with regard to how to deal with sequestration in 2014 and the budget for fiscal year 2015?

GREENERT:

We've been directed and we're in the process, as we sort of described before, to put together a budget that -- we call it the alternate POM, program objective memorandum -- which assumes sequestration levels, Budget Control Act caps. So that is being prepared and today we are deliberating on that, called the program budget review in the department.

There's also a secondary level that is under consideration that -- at a higher level that we also will deliberate over so that the -- there's an option available. But we are certain -- we are focusing on in the department right now the alternative, that is the Budget Control Act cap levels, if you will. But there are two -- there are two options.

LEE:

OK. Thank you, Admiral, for that. When you say "so that there is an option available," meaning so that we have options on the table -- options?

GREENERT:

There are options. And so what -- what option will be chosen and under what circumstances, I really couldn't tell you, Senator. But if you wanted to know what are we directed to do, that -- that is what we're doing. Just again, those two levels.

LEE:

OK. So presumably, those -- those options will be considered by the president and the secretary of defense, and at some point a decision will be made.

GREENERT:

Presumably, yes, sir.

LEE:

OK. Thank you, Admiral.

I see my time is expired. Thank you, Mr. Chairman.

LEVIN:

Thank you very much, Senator Lee.

Senator King?

KING:

Thank you, Mr. Chairman.

There's a lot of discussion about flexibility. It seems to me in this situation, a way to think about it is we're telling you that you have to cut a finger off and you get to decide which one. That's an unattractive form of having to make decisions.

I want to talk about morale and the effect of this. Senator Levin and I were in the Middle East this summer and the biggest impression I came back with was of an extremely favorable impression of the young people that we have working for the United States government in the military, in the intelligence community, in the State Department.

These are idealistic, hardworking, dedicated people who we're frankly not treating very well. They've been through furloughs. They've been through a shutdown. They've got the sequester. They don't know what their -- the future of their benefit programs are. Is this starting to play itself out in terms of retention and recruitment and morale in the services?

General Odierno?

ODIERNO:

Senator, thank you for the question. I would say that there's two pieces of that: civilian workforce and the military workforce. The civilian workforce, we are seeing -- I'm not saying significant morale issues, but there are questions by the civilian workforce because they've been through a furlough. They went through shutdown. And I think they're questioning the -- and a

reduction along with that. And so they're questioning, you know, how stable is their work environment, especially since it's still on the table.

In terms of the soldiers, the way I explain it is morale is good, but tenuous. Reenlistments are fine. Recruiting is going OK. Soldiers -- but there's a lot of angst, and the angst is kind of what you just said. You know, people talking about benefits. People are talking about, obviously in the Army, we're significantly reducing the size of the force, so they're worried about their future.

But what makes me feel so damned good about it is what you just described, is that they are -- their morale is high. They're doing exactly what we ask them to do. They're training as hard as they can with the money we give them. When they deploy, they are there trying to accomplish the mission to the best of their ability.

And that's what's so frustrating to me personally, because of their personal dedication to our nation and to our Army, and yet they have a lot of angst, both individually and with their families because of all this discussion that's going on, the fact they might lose their jobs, they might lose benefits, they might...

And so, but they continue -- what's inspiring is they continue to do what we ask them, and they do it to the best of their ability. And that's the best way to describe it, Senator, to you.

AMOS:

Senator, the -- I think our civilians -- I don't have any metrics for this yet because it's too soon to tell, but -- but when I talk to our civilian Marines, as I mentioned in my kind of -- in my opening statement, our civilian Marines are looking at this going, "I'm not sure; I love the institution; I love being a civilian Marine; I like what it stands for; I just don't have confidence in it now."

They're looking at this, not only what they've just gone through, but they're looking at the fact that sequester they know is going to require a cut in civilian personnel over -- over the next 10 -- it will require a cut in civilian personnel. There's no question about it. So you look at all the things they've gone through, and they're going, "Boy, I -- maybe I ought to look around."

So, I don't see people jumping ship, but I do worry about it, because they're the professionals. So that's -- that's the civilian side of the house, and they are the -- they're the shock absorber for us and they're the corporate memory.

Inside of my force, we're a young -- Marine Corps is a young Marine Corps; 67 percent of all the Marines on active duty today are on their first enlistment. So they're somewhere between 18 years old and probably 22. They didn't come in to sit back at home stations and be a garrison Marine. They actually like deploying.

AMOS:

So when you go visit them in Afghanistan, in Western Pacific, you don't get questions like, "Well, shoot, what's sequester going to do to me?" You know, I -- they know how to spell it, but that's about it. They want to know, "Hey, Commandant, is this going to be the last deployment I'm going to get on? Or am I going to actually be able to go to combat again or be able to go to WESTPAC again?"

So, our morale is high right now and going to stay high as long as we give them something to look forward to. The reorientation to the Pacific has just re-energized Marines as they think about Afghanistan, my gosh, we are coming out of there in 2014.

What's left?

Well we talk about Darwin, Australia, we talk about Japan, we talk about Guam. And they -- their eyes light up. So the morale in my service is pretty high.

Now, Senator, an anecdote.

GREENERT:

I had two of my systems commands -- engineering systems, ship and air. They have a lot of civilians, and they came to me and said, you're not going to have to worry about headquarters reduction and have a rift or reduction in force, we'll do it with attrition. We have a lot of people retiring.

And so that struck me, because that's a lot of seniority and talent and experience going out the top and we don't have a lot going in the bottom. So we'll be out of balance. I spoke about that in my oral statement.

One other anecdote. General Welsh mentioned kids getting bored. And so in the Navy we are starting to develop a situation where when you get ready to deploy, you're going to be ready. But boy, you're going to do it fast and do it hard. So, our pilots, a lot of our air wingers -- carrier strikers about the air wing, they are flying a lot and training a lot for about seven months. They barely have time to get their Will done, get their power of attorney done and they are deploying and they're gone six, seven months and they come back and longingly look out the window at their Hornet aircraft saying I wish I could fly again.

And so that have and have not when that gets into service records, you are going to get, you know, kind of a have and have not feeling about it. And I worry about that in morale and eventually retention.

KING:

I want to just end -- there's -- I would commend to all of you gentlemen an extraordinary speech by Robert Gates given in the last couple of weeks. And he put it -- what you've been saying all morning, but he put it bluntly and succinctly, he said, "The greatest threat to American national

security now lies within the square mile that encompasses Capitol Hill and the White House," and that we are the problem.

And it was very stark. And I think that it's point you've been making today. What we are talking about here isn't academic, it's not dollars on a balance sheet. It's lives, readiness and the ability to defend this nation.

Thank you, gentlemen.

LEVIN:

Thank you, Senator King.

Senator Fischer.

FISCHER:

Thank you, Mr. Chairman. And I would add my thanks to you four gentlemen for your service for this country and also my thanks to the men and women who serve under you for their commitment to keeping us all safe.

I would like to go on a different track here a little bit.

At the end of July, Secretary Hagel released a statement on the Strategic Choices Management Review. And in that, it's basically how the department is going to cope with the sequestration over the next 10 years.

General Odierno, in your testimony before the House Armed Services Committee you stated that the skimmer was based on assumptions which you described as rosy and somewhat dangerous. Specifically, you pointed out it assumes conflicts will last just six months, little to no casualties will be sustained, no follow-up stability operations will be necessary, U.S. forces deployed elsewhere will be able to complete, disengage and redeploy to support a major regional contingency and the use of weapons of mass destruction wasn't even considered.

Can you elaborate on those assumptions and the danger you referred to about building force structure based on those assumptions?

ODIERNO:

So if you reduce the requirement, you reduce the amount of forces that are necessary. So what happens is, we do not have the ability to replace our soldiers that have to accomplish mission -- you don't have enough. It's about quantity. And so -- you know, for example, that a war in Korea would last less than a year. You know, there is nothing that makes me feel that is a good assumption, that we won't have any casualties during a war somewhere around the world.

The fact that, you know, we do full disengagement. We just fought two wars, Iraq and Afghanistan -- so we did not disengage from other places around the world. So it's just not assumptions that I believe are appropriate.

And what I worry about is in the end, the weight of those assumptions are not going to be on me, it's going to be on our soldiers, our young men and women asked to do a mission that they simply do not have the capability and quantity of capability to accomplish, and it results in more casualties and it results -- which is the most, in my mind, critical thing.

It also makes rosy assumptions about our ability to quickly build a larger force.

You know, in the 2000s, while we were fighting two wars, first it took us four years to make a decision to say we can grow the Army. And then, once we did that, it took about 32 months to do it because you've got to recruit them and then you've got to train them.

And so, you can't do that within a six or eight month period. It's impossible to do. And we made assumptions we would magically build this huge army in a short period of time. It doesn't happen that way unless we go to national mobilization, we go back to a draft, we go back to many other things. Even then it would take longer than six months to a year, and probably still take two years plus to build an army.

So it's assumptions like that, that I think are incredibly risky as we go forward.

FISCHER:

Do you think this review is helpful in my what to help planning within your different departments and the department as a whole?

ODIERNO:

It is. There are some things that are good about it. Some things about priorities are good. Some things about efficiencies -- and a lot of people mentioned that today -- there are clearly efficiencies we have to garner out of our own budgets and we have to do that. Some of that is very good. I do significantly worry about these assumptions we make about our war-fighting capabilities which are rosy and somewhat dangerous.

FISCHER:

Thank you.

Admiral, do you have anything to add on the skimmer?

GREENERT:

Well, it was -- I think we need to keep in mind it was options for a future, which was described. And as General Odierno said, OK well that's nice, but we've never been able to predict that future.

And so it's kinda dangerous if you're wrong. And in the world that I live in, providing presence if we reduce force structure to a level where we are not out and about, our allies are wondering about our reliability. Our allies -- therefore potential adversaries can get out of hand, if you will. And then, we can pretty much have a mess, because we are not deterring those by being together with our allies. And that's a great deterrent effect.

Lastly, I would say the ability to produce ready forces, you've got to look into that very closely. And as General Odierno said there were some assumptions made and we've talked about the debilitating effects here in the industrial base. That can be extraordinary we need to consider that.

FISCHER:

I've had some comments made to me that President Reagan was able to build up the force fairly quickly when he became president.

Would you agree with that?

Both of you have said it's difficult to build force up quickly. Has it happened in the past? Do you think President Reagan did?

ODIERNO:

What he did was, he didn't increase the size. He increased the investment into the force.

And what -- during the Reagan buildup what we did is we increased our readiness, we significantly increased our modernization programs, which had an incredible impact on the capability that was developed during those (inaudible) times in the Army.

GREENERT:

Yes, sir -- ma'am, the delivery of in my world the ships and aircraft took place quite a bit after the investment, if you will. So the same thing occurs when you draw down. I mean, boom, they're gone and you say I'm going to stand it up again. You got to make sure you've got ship builders and aircraft builders, as well.

And so, President Reagan was fortunate in that regard he had a broad enough industrial base to be able to respond.

FISCHER:

General Amos and General Welsh, just briefly.

AMOS:

Ma'am, I'm with my colleagues on President Reagan. You know, we live with his legacy through the '90s. We had the Reagan buildup. So when we went through the '90s, the Gulf War, we used the equipment that came from the Reagan buildup. And we sustained that through the 25 percent, 28 percent reduction of force in the late '90s and the revolution in military affairs.

So -- but it takes a long time to build a force of people. But today's market, programmatically it takes a long time to develop ships, airplanes. We are seeing that right now with the Joint Strike Fighter.

FISCHER:

And your opinion of the assumptions in the skimmer, General Amos. Did you have an opinion on those?

AMOS:

Ma'am, say that again, please?

FISCHER:

On the assumptions that are listed in the skimmer. Did you have any thoughts you wanted to share on that?

AMOS:

I share my colleagues' apprehensions about the assumptions. I think they were too altruistic I do think it was helpful though, because it gave a range. They gave a range of what a service should look like. And I think that is helpful because it energized dialogue and got everybody kind of moving.

FISCHER:

Thank you.

WELSH:

Ma'am, another assumption that was in there that is significant based on where we are today is that SCMR was underlined by an assumption that a force was fully ready and that allowed you to execute the strategy. We're clearly not there today.

The other thing I would mention about the Reagan buildup is for the Air Force specifically during that time frame we purchased about 2,600 new aircraft to modernize our force.

In the latest buildup of our top-line budget between about 2000 and 2008, we built 260. So we did not modernize as the top-line went up. A lot of that is due to the rise in personnel costs that we've already discussed. So the force still needs to be modernized in some pretty critical areas.

FISCHER:

Thank you very much.

Thank you, Mr. Chairman.

LEVIN:

Thank you, Senator Fischer.

Senator Kaine?

KAINE:

Thank you, Mr. Chair.

And to the witnesses, appreciate your -- your patience with us.

The effect of sequester on Virginia is just so palpable in all the communities that I visit.

And I gave a maiden speech on the 27th of February as a senator. And I think most maiden speeches are sort of here's who I am or let me tell you about my state or let me tell you what I want to do. I don't think many maiden speeches were like mine, let's not do something stupid.

I had to make my maiden speech about let's not do something stupid because it was right on the eve of the sequester kicking in.

We cast a vote in the Senate to turn off the sequester, and there were 53 votes for that. But because of the ability to insist upon 60 votes, 53 votes wasn't enough to turn off the sequester.

And I just think it's always very important that we say this, and you might -- you couldn't be more diplomatic than I'll be, it's because of Congress. Sequester is because Congress hasn't done a budget.

Sequester is because we haven't been able to find a deal in normal order. We haven't been able to find a deal in super committees. We haven't been able to do anything other than kick the can down the road, continuing resolutions.

Congress could have fixed this. Congress shouldn't have put it in place. Congress can fix it. And the one bit of good news about this is there's a budget conference finally going on right now.

And one of the things I would certainly ask everyone connected with the military or who loves it, whether you're active, veteran, or just a patriot, tell the budget conferees, and there's some of us

around this table. Angus and I are both on the budget conference. Tell us to get a budget deal by the 13th of December. Because what you need is certainty and a path out of sequester.

There's been some questions today, Mr. Chair, along the lines of have you explained to the president how sequester is hurting national security? And I found those questions kind of odd.

The president submits a budget every year to Congress. And I imagine that you talk to the president about your needs. If Congress would just pass the president's budget or pass the DOD portion of the president's budget or pass something within the general time zone of the DOD portion of the president's budget, would -- would our readiness issues be much easier to deal with than they are under the sequester?

ODIERNO:

Yes, sir, they would. I mean, the pres. (ph) budget we submitted and testified to, I, for one, found that it was acceptable.

KAINE:

So -- so there isn't a need for a president to come and bring a special request for, you know, we're having readiness problems, here's my proposal for how we deal with readiness problems. All we have to do is pass a budget and get in the general, you know, time zone or area of what the president is proposing vis-a-vis the DOD.

And while it wouldn't eliminate all the challenges we have, we wouldn't be here looking at charts like this, would we?

General Amos, I want to ask you a question. I looked through your written testimony quickly. You said something pretty blunt in your opening comment. I thought -- I think I heard you use the word "ashamed". And I think it was in connection with you're sort of ashamed about the way we are treating maybe some of our civilians with respect to the furloughs.

I didn't write down the precise quote. And when I went back through your written testimony, I couldn't find it. Could you just refresh me on exactly what you said, because I want to ask you what you meant by it?

AMOS:

I could -- I just handed my oral statement back, but I said we -- we -- I'm ashamed of the way we've treated our civilian Marines.

As I look back at the -- at how we went through the furlough and how we went through the government shutdown, I'm looking at them -- and by the way, we -- we required them as soon as they came back to help us get this budget put in and get all the contracting done, close out all the deals at the end of the year.

These are the professionals that do that, senator. It's typically not military people that are trying to get the contracts in, trying to get all the money obligated. The professionals that are working on our airplanes, our ships, our tanks, our equipment.

And so, I -- to be honest with you, when I look at them in the eye, I'm embarrassed. I'm ashamed. Because I think -- I think they are every bit as much patriots as we that wear the uniform are. And I think we treated them poorly. That's what I meant by that.

KAINE:

Well, and I appreciate you saying that because, you know, again, we really are dealing with a problem that Congress created and only Congress can fix.

And, you know, peppering you with more questions about whether you're appropriately informing the commander in chief about these effects is -- is -- is an effort to kind of avoid looking in the mirror. You know, we just have to look in the mirror in this place.

And, again, Mr. Chair, we do have a good opportunity right now because the budget conference that should have started in March is now underway to try to find some certainty.

General Dempsey was with a number of us the other day. And he said the problem with sequester is it's money, it's timing, and it's flexibility. And all three of those create problems.

I worry about your planners. I think you've got some superb planners in all your branches and with DOD, but instead of letting your planners run free to plan how to deal with an uncertain world, we're tying up their time, making them figure out how to deal with an uncertain budget situation.

You don't have a budgetary number right now. You don't know when you'll have a number. And you don't know what the rules will be about the number that you will eventually get at some uncertain time.

So we are -- we are in an uncertain world. We are making your task almost impossible.

And so, I feel ashamed. I feel ashamed to have you come back here again and again and again and tell us the same thing and not see any action to do anything about it.

AMOS:

Sir, could I comment?

We're under a continuing resolution. You know that. It's a forced diet. That -- that prevents us from signing multi-year contracts. I've got \$815 million worth of military construction in '14. Three-quarters of it is for the -- is for the president's strategy, the -- you know, the rebalance to

the Pacific. I'm not gonna be able to commit that. I'm not gonna be able to do those kinds of things.

I was just looking through -- just to give some numbers in preparation for this hearing. And as a result of sequester alone and the amount of my -- my share is 10.2 percent or 10.3 percent over 10 years, it's gonna -- just in Marine aviation alone, it's gonna cost me \$6.5 billion of inefficiency.

So we talk about cost overruns, and we talk about all the other things we're gonna try to cull the money out -- \$6.5 billion. And that's because of multi-year contracts I either can't sign or I've got to cancel, so I've to pay penalties now and buy airplanes on an individual basis.

At the end of that, that's four JSF squadrons and two MV-22 Osprey squadrons, simply because of the inefficient way we're going about doing business in this sequester.

KAINE:

Well, Mr. Chair, I just hope if we have another hearing on this, I'm gonna suggest something that you're all too diplomatic and reasonable to do, but if we have another hearing on sequestration, I would suggest that you bring -- you can bring whatever charts you want, but I suggest you just bring a bunch of mirrors and put them up, so that we can look at ourselves in our own faces as we're talking about this.

It's the only place we're gonna solve this. This isn't on you to solve. It's not on the president to solve. Only Congress can pass a budget. A congressional budget doesn't even go to the president for signature. It's just fully within this body. It's fully within our power to solve this. And I pray that we will.

(UNKNOWN)

And the public gets this, Mr. Chairman. This is -- the public understands this. That's why our approval rating is below Al Qaida's. I mean, it's a sad state.

LEVIN:

I have two quick requests.

One, did each of you support the president's budget request?

ODIERNO:

Yes.

LEVIN:

Admiral?

GREENERT:

Yes, sir, I did.

AMOS:

Yes, Chairman.

WELSH:

Yes, sir.

LEVIN:

All right.

Secondly, would you give us, General Amos, the breakdown for the record of that \$6.5 billion that you made reference to?

Now, Senator Blumenthal?

BLUMENTHAL:

Yes, Mr. Chairman. I realize we're in a vote, so I'm gonna be very quick.

LEVIN:

And I'm gonna turn the gavel over to you.

Is it safe?

BLUMENTHAL:

That's an awesome responsibility, but I think I'm capable of it.

LEVIN:

Thank you, all.

Senator Blumenthal...

BLUMENTHAL:

Thank you.

And we are in the middle of a vote, so I'm gonna be very brief.

First, I understand, Mr. Chairman, in a glaring omission on the part of our committee, we have not yet wished General Amos a happy birthday.

Even though it's a little early, happy birthday.

AMOS:

Thank you, Senator.

BLUMENTHAL:

Let me -- let me ask, for the record, I don't want to take your time with this. But I agree with what Senator Kaine has just said about the responsibility being on the part of Congress. And I think part of the way to deal with this crisis -- and it really is a crisis -- is to perhaps modify some of the contracts long term, some of the procurement process, which is not your doing. You aren't the ones who in effect burden the military services with the way we do procurement and the contracts, which in effect penalize the United States when it fails to make certain orders or when there are cost overruns that are not your doing.

So I would like the panel to look at some of the procurement decisions, such as General Amos has just described, where we are in effect going to pay a lot more for weapons systems, whether it's airplanes or ships, as a consequence of sequester so that we have some examples. They don't have to be in charts (ph), but we need to be able to convince the American people about what the impact of sequester is. Because right now it's a word. It's a term that has little or no meaning to 99.9 percent of the American people.

And one of the other weapons systems -- you described one, General Amos, but Admiral Greenert, I understand that the -- the Virginia payload module, which results in a \$743 million design change to the Virginia-class submarine has been undermined by some potential cuts in the 2014 budget. I support that design change, the \$743 million design program. I think it will measurably and materially and significantly add to the capability of those submarines. And to remove the money for designing and researching it, I believe will be really a -- a loss of a tremendous opportunity. Would you agree?

GREENERT:

Yes, sir, I will. And as stated before, this -- we're talking about the undersea domain, it's a high priority for us. And so as I discussed the concept of reprogramming, we'll search for that money. And we're fortunate it's a long-term program and (inaudible) phases, but obviously the impact if we continue this will be dramatic.

BLUMENTHAL:

I also finally want to raise again, as I've done before, General Odierno, the MI-17 helicopter issue, where I understand there may be limits to what we can do to reprogram money. I just want to state for the record, \$1 billion to buy helicopters from the Russian export agency -- that is also selling arms to Syria, when we don't have Afghan-trained personnel to maintain those helicopters

-- will strike most Americans as a tremendous waste of money -- first, because we're not buying American helicopters, which we should be doing if we have to provide helicopters at all, and, second, because the Afghans can't use them as we would hope they would.

I understand that you may have a different position. You, meaning the United States Army or -- or the Department of Defense. But if we're gonna buy those helicopters we should be buying them from American manufacturers and training the Afghans how to use them.

ODIERNO:

Well, I -- I would just say, Senator, that I want to make it clear, we're not buying those helicopters for our forces. I want to make that very clear.

BLUMENTHAL:

I understand.

ODIERNO:

And, secondly, that's a decision that was made in theater based on their assessment of the ability for the Afghans to -- they think they could, in fact, learn and train on MI-17s because that's what they've had in the past. And that's why we're purchasing them. So we're the agent to purchase those aircraft for them. But that's a decision that was made by those closest to that issue.

BLUMENTHAL:

I understand, we're not using -- we're not buying those helicopters for American forces. They're being bought for the Afghans. But we are using American taxpayer dollars, which could be used for the Virginia payload module or any other of the very important needs that -- that you have and that we need to address.

So I -- I understand that those decisions have been made as a result of recommendations by commanders in the field, and I just want to state for the record my reservations about that decision.

So thank you very much. Thank you to each of you for your service to our nation.

I think I am in charge of gaveling to close, even though I don't have the gavel. But this hearing is adjourned.

Thank you very much for being here and your excellent testimony.
