



SPECIAL PRESENTATION

**“BUILDING A MILITARY FOR THE 21ST CENTURY:
NEW REALITIES, NEW PRIORITIES”**

**KEYNOTE SPEAKERS:
CONGRESSMAN JOHN MURTHA (D-PA)**

MODERATED BY:

**LAWRENCE J. KORB, SENIOR FELLOW,
CENTER FOR AMERICAN PROGRESS**

FEATURED PANELISTS:

**CONGRESSMAN JOE SESTAK (D-PA),
VICE ADMIRAL, U.S. NAVY (RET.)**

**LT. GEN. MICHAEL M. DUNN, PRESIDENT, AIR
FORCE ASSOCIATION, U.S. AIR FORCE (RET.)**

**LT. GEN. STEPHEN SPEAKES, DEPUTY CHIEF OF STAFF,
G8, DIRECTOR OF FORCE DEVELOPMENT**

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MR. LAWRENCE KORB: Good afternoon, ladies and gentlemen. I'm Larry Korb from the Center for American Progress, and on behalf of my colleagues at the center, I'd like to welcome you to this discussion we're going to have today about a new report we put out called "Building a Military for the 21st Century: New Realities, New Priorities." And we have a terrific group of people here to comment on it and put some of the ideas that we put forward in perspective.

Now, what we're going to do is we're going to have Congressman Jack Murtha speak first. He'll speak for a few minutes and then take questions, and then he'll be followed by Congressman Sestak. We'll do the same thing and then he will also take questions. And then we will have a panel with myself and General Speakes and General Dunn.

So without further ado, then let me introduce Congressman John Murtha who – he is a person who's dedicated his life to serving his country, both in the military and in Congress. He had a 37-year career in the Marine Corps, retired from the Marine Corps Reserve as a colonel in 1990. He has been representing the 12th Congressional District in Pennsylvania since 1974, which is 34 years. And if you check, you'll find out of the almost 10,000 people who have – men and women who served in the U.S. House of Representatives, only 90 have served longer than Congressman Murtha.

He's well known for his knowledge of military affairs, and he's currently the chairman of the House Appropriations Subcommittee on Defense, where he oversees appropriations for the Department of Defense, which includes all of the services, plus the intelligence community.

In his Marine career, he volunteered to go to Vietnam from the Reserves, and many people forget that during the war in Vietnam, President Johnson did not call up the guard and reserve. So Congressman Murtha volunteered, and for his service in Vietnam, he received the Bronze Star with Combat "V," two Purple Hearts, and the Vietnamese Cross of Gallantry.

So please join me in welcoming our true American patriot to the platform.
(Applause.)

REP. JOHN MURTHA (D-PA): Well, thank you very much, Lawrence.

Let me begin by saying in the over 30 years that I've been in Congress, I've never seen a more difficult situation that this new president faces.

The Obama administration is inheriting two wars, a military stretched to the edge of its capabilities – and I've said the Army's actually broken a number of times. Some people don't agree with that, but as I go through the speech, you'll see why I say that.

Our economy is in a recession. Our federal deficit and debt are at unprecedented level. There is a pent-up demand to increase spending on infrastructure, health care, education and you can't forget the pending retirement of baby-boomer generation, which will put immeasurable pressure on social security and Medicare.

If we use history as a guide, defense spending will come under increased pressure in the coming years. Now, what I'm saying is there's going to be less defense spending. During the Vietnam War, defense funding increased to a peak of \$513 billion in 1968. That's in constant dollars. By the time the post-Vietnam drawdown was over in '75, when I came to Congress in '74, defense funding had decreased by \$172 billion, or 31 percent. That's a dramatic decrease, but that's what happened and I remember the battles we were having as we were pulling – well, our troops were actually out, but we were winding down the war and we were cutting off funds for the Vietnamese.

During the Cold War, defense spending increased to \$557 billion in 1985. Now in '89, I was sitting in 140, which is our committee room, and Joe McDade said to me, look at this. We looked at the television and he said, they're tearing the Berlin Wall down. So this is a few years after the Cold War ended and of course, defense spending decreased by 36 percent or almost \$200 billion.

Since that time, defense funding has climbed to a high of \$656 billion for 2008. Now, that includes the war spending, but I remember when Secretary Cheney used to come before the committee and complain that there should be 5 percent. That's what – of our GDP is what it ought to be of defense spending. Well, when he was vice president, it never got up to 5 percent and it's not likely it'll get to that figure.

Now, I don't predict how much of a change we'll see in the coming years, but I do know defense spending is going to be under severe pressure and our job will be to manage the current and future threats under a constrained defense budget. The challenge we face is to get it right and that's not easy.

I believe that a strong military is necessary to deter conflict and to prevent a war. From a military vantage point, we need a flexible and dynamic force that can be task-organized to deal with both conventional war, as well as irregular or asymmetric warfare.

Obviously, the immediate national security challenge facing the Obama administration will be redeploying from Iraq and then developing an achievable strategy for Afghanistan. This is an important point: achievable strategy in Afghanistan.

I read nine books in the last two months. I got interrupted by an election there for a while, but I read nine books and those nine books start in 1834, and they talk about what happened in Afghanistan with the British and the Russians and the British and the Russians and they're all kicked out.

I remember years ago when I went to Pakistan to the Zia funeral, and Shultz had asked me – I was on his plane – asked me to tell the mujahideen that we were going to keep the money coming because the money came through the committee that year, and

was going through Pakistan to the Afghans. And he says, but then ask them to let us get out. Let the Russians get out because the Russians had asked him to do that because they were killing all the Russians.

Well, I made my speech to them and these 13 mujahideen got up with their bandoliers and their guns and everything and they said, we're going to kill every Russian in the country. We're facing a very different foe in Afghanistan with a very different culture than we face in Iraq.

I'm concerned when I hear the mention of increasing our military presence by up to four brigades without a plan that outlines a realistic and achievable goal, not only for Afghanistan, but the entire region. I'm also concerned when the Army says it cannot increase the troop levels in Afghanistan until 2010. Imagine this. We're talking about 20,000 troops and we can't increase it because we're stretched so thin and this is something that the Obama administration will inherit.

Our military faces serious challenge with readiness and personnel. In 2001, all active Army divisions were rated at the highest readiness level. That's the ground divisions. They were fully trained, manned, and equipped. Since the beginning of the war, the readiness of our forces, both active and reserves, has deteriorated. Today, 10 percent of the Army ground combat units of the United States are rated – 10 percent versus 90 percent – are rated mission capable and this is not acceptable.

Our troops have been deployed over and over again. Many of them are on their fourth and fifth deployments. I just talked to a Special Forces Marine and he was deployed the sixth time and wounded on his sixth deployment. He was at a hospital out at Bethesda a couple of weeks ago. And that's the extent in how often we're deploying these young folks.

Since 2001 – and this is an interesting thing. I remember when I was over in Iraq not long ago, General Petraeus, when he was in charge there, said to me, we reenlisted – and he was very proud of this and I can understand it – 12,000 people on July 4th. I said, yes, what about the 120,000 that you've stop-lost? Now, at that time, that's what the figure was. Since that time, we have 185,000 that have been stop-lost.

When Secretary Gates came before the Congress in January, 2007, he said, the first thing I want to do is stop stop-loss. Well, stop-loss, since the time he came in, has increased from 8,000 in 2006, to over 12,000, a 50 percent increase. That's a draft. You're keeping people beyond their enlistment.

Now, what do we do about it? Somebody came up with the idea – and we funded it the last session – where we would give \$500 to every person who was extended beyond their enlistment. The Army's working this out right now. We didn't put enough money in for the full 185,000, but we intend to do that in the supplemental. We put enough in for just the people who are there now and there're some complications on how we do it and they're trying to work that out.

Army suicide rates, the highest level in decades; Army and Marine Corps, divorce rates are the highest in 15 years.

The Army and Marine Corps are growing their (in-strengths?), but in the recent past, the Army had to accept a higher percentage of recruits who would have previously been disqualified. I remember the Army coming before the committee and saying, we will not accept anybody unless they're college – high school graduates. Well, 94 percent were about the highest level they got to and I applaud that. I voted against the volunteer Army because I didn't think we could sustain a deployment in a wartime without a draft, but we've had to lessen our requirements for the people going in and 82 percent now have a diploma.

The Army and Marine Corps reenlistment numbers are up. It costs us \$2 billion, \$2 billion for bonuses for reenlistment and for enlistment since 2007. We can't even fill the number of medical scholarships. Until we gave a \$20,000 bonus, we couldn't fill the medical scholarships out there. I used to have 200 people apply to go to the academies. I have 40 vacancies. I had 18 this year. That's all, 18 applicants.

Now, John (Huggy?), who works for me, does such a good job, we still get 10 or 12 in. I've sent over 400 people to the academies over the years, but I'm not getting the applicants that I used to get.

And there are some of the personnel challenges that we face. The fiscal year 2009 costs are a staggering, \$153 billion and growing. We have to find the right balance between personnel and procurement. You can't expect to increase personnel and increase procurement, both of them at the same time, in a defense budget that is under pressure.

In terms of procurement, we don't have the industrial capacity we had in the past. I said, find out how many airplanes we built in 1943. We built 86,000 airplanes in 1943. We built 30,000 tanks in 1943. Airplanes last year, we bought 400, 200 more UAVs. Now, I don't say we shut down all our industry. We went to work. We couldn't produce more than we produced. I'm not saying our airplanes aren't more lethal than they used to be. I'm just saying how much more difficult it would be today to ramp up.

For instance, it took the Air Force five years to develop and begin to field the F-15, 16, five years. The F-22 took 19 years. Now that's – once you get a program out there, you'd better figure out how many you need. We can't even get a figure from the services about how many they need, so we can buy some stable amount. A 50-year-old tanker – they came to us about six or seven years ago and they said, we have to have a tanker. We cannot do without a tanker. I'm talking about a refueling tanker for the Air Force. Six years later, we don't have a tanker. It'll be two years yet before we have a tanker. We have to do something about the acquisition program in the Air Force.

Navy says, needs 313 ships. We sent over four ships year before last. That's how many they requested. That's how many – I don't say that's how many they requested; that's how many came over from after OSD and the OMB got done with the budget. We put in five or six more. I think we put in up to nine that particular year. We're putting

nine again this year. You can't get to 313 unless you have 10 per year, is what it amounts to.

And here's the other problem. They came to us about the 1000. They said, we want a 1000. They pushed that 1000. That's a destroyer, as you know. We want that – it's going to cost some money. We think three – we have estimates as high as \$7 billion for that destroyer, but that's what they want. Then they came to us, right before the markup, said, no, no, we don't want the 1000. We want the 51 back and we're going to do something with the 51.

Then before we marked up, they said, no, no we want the third 1000. Now that's what we're dealing with. That's what makes it so difficult for us to come up with a program and be able to stabilize things. We're trying to buy at a rate that makes sense. The more you buy, obviously, because of the research costs, the less it costs per unit, and we're trying to do that, but you can't do it when they're all over the lot with what they – when we ask for it.

Similarly, the Army started to develop the Future Combat System. Well, I looked at the bill. I was against the Future Combat Systems. I looked at the bill, I went out to look at it at Fort Bliss, and I changed my mind, but I said you can't – \$2 billion a year, you're not going to get the Future Combat System.

I can remember – the Comanche – the general had to have it. I remember General Shinseki – we have to have the Comanche. So here we are, years later. We're putting \$4 billion this year because of my pressure and because of the subcommittee and the Armed Service Committee saying, hey, you've got to do the Future Combat Systems. Let's do them.

Now these are some of the challenges, but we can't begin to address the challenges until we develop a comprehensive national security strategy, and I don't know what it is and in my position, I ought to know what the strategy is. For instance, I saw one of the top-level officials the other day say, well, we made a mistake – we didn't make a mistake going into Iraq because actually, we overthrew Saddam Hussein.

Well, we got Pol Pot. We got all these other dictators out over the years. We didn't overthrow them. That's not our strategy. Our strategy should be based on what affects our national security – period. And it should be – when we go into a battle, it should be with overwhelming force. So we made two mistakes.

First of all, we miscalculated. It didn't affect our national security. Then in addition to that, we didn't put the troops in that we should have put in in the first place. And that was – and it should not have happened. That's all there is to it – a terrible, terrible mistake.

As a matter of fact, I looked at the agreement between the administration and Iraq, and I have to say it's basically what I came up with three years ago. The contractors are not immune. There's a timetable, which they fought against all this time. Every time I

brought up a timetable, they were against it and they agreed to a timetable. They agreed to get them out of the cities. And I said, get them out of the green zone. We're doing all those things finally. And it's gratifying to see that happen.

But the short-term reactive strategy predicated – and this is what this administration did – predicated almost exclusively on events of September 11th. For instance, last week, plans were announced to dedicate 20,000 troops to respond to Homeland Security missions. What the hell does that mean? I don't have a clue what that means.

We're the guys that fund it. I ought to know what they have in mind. And the other thing is they talk about we want to have a regular force – what the hell do they call it – a mission – military's mission of irregular warfare. What's this modular thing the Army came up with? That's what this is supposed to be.

We have a hell of a time over in our committee trying to come up with the money for these things and finally the supplementals got to go. We cannot have a sensible, sensible budget and sensible appropriations if we don't get rid of the supplementals.

Now, I said seven months ago here that we need a national security strategy to focus on both short-term and long-term threats to the country, a strategy that utilizes a reinvigorated and robustly funded State Department. State Department teams – PRT teams are supposed to be State Department teams. They're not State Department teams. The Defense Department has funded those. And you know how they did it? They called up Navy Reserve people – and they're doing as good a job as they can – they gave them two weeks training. They sent them over there to head PRT teams.

Now, how did the Czechs do it? The Czechs said they advertised for people, hydrologists, for specialists in different areas and then they gave them six months training and then they put them out in the field – and very successful.

Now, if you talk to the military, they'll tell you our PRT teams are very successful, but it seems to me they'd be more successful – for instance, the Czechs told me that the thing they found was that drilling wells was very important to the families themselves and so you'd better be careful on how you handle drilling wells. And so they needed hydrologists to talk to the Afghans and find out how they did it and that's the way they did it.

So – and let me tell you, Dave Hobson, who is the member of the subcommittee and just retired, he said long ago, if you want agriculture experts, come to Ohio State. I don't know why Ohio State, what the hell they know over there, but Ohio State – if they come to Penn State, they might be able to get some agriculture experts. (Laughter.) But the point was people volunteer if there's a plan and give them some training and then send them overseas now.

And first of all, you've got to have good intelligence. I start my hearings the first of every year, and I started this back in 1880 – or 1989 – (laughter). Some people think it

was 1889. I started in 1989, having the intelligence people come before the committee. We spend more money on intelligence than anybody else in the world. I compared the results of our intelligence to Punxsutawney Phil. Punxsutawney Phil is in my – well, he used to be in my district. He comes out every year. He sees a shadow and 50 percent of the time, he's right.

Now, nobody likes to hear this, but they didn't predict the wall coming down. They didn't predict Russian troops were going to invade Georgia just recently. They didn't predict the Chinese were going to Vietnam years ago. The intelligence community has failed us. And in Iraq, I don't have to tell you how wrong they were in Iraq. So we need – we got 1,500 people there, administrators that are between the DNI and the CIA and the DIA. We need to re-look at that and come up with a better plan.

But for this very – for this reason – well, let me tell you what I see are the threats. The threats are in Pakistan, an unstable Pakistan. Why? Because they have nuclear weapons. And I keep asking who controls the nuclear weapons? They tell me they think the Army has control. I hope they do because that's worrisome because of their capability.

The second thing I worry about is Iran and I've been meeting with the intelligence people from Israel. I've been meeting with the intelligence people from United States. And there's a difference between what one says and what the other says, but they're coming closer and closer together about the possibility of Iran and when they might have the nuclear capability – very worrisome.

And the third thing, of course, is some terrorist attack occurring in a major western city. So the long-term threats will be what – resources. The long-term threats are going to be competition between the United States, China for oil, for natural resources. And believe me, this is going to be a major competition. Now, right now, there's a recession going on. The competition is less, but they're all over Africa – China is. They're going to Venezuela. They're dealing with Saudi Arabia. They're dealing with every other country, believe me.

And I suggested that – and the Army hates to hear this – but I suggested maybe we ought to make the command for Africa with the Navy because nobody wants us on the ground in Africa. And I don't know that that suggestion will go anyplace, but we cut some of the money out because I was so concerned last year that we didn't seem to have a plan.

So I'm saying that we just have to have a strong, capable, balanced force and we need a strategy for the United States and that strategy has to include diplomacy and our allies. And I'll end with that. Thank you very much. (Applause.)

MR. KORB: We now have time for a few questions. Does anybody from the press have a question – (off mike) – identify yourself if you would.

Q: Congressman, thank you for coming and speaking with us today. I'm Josh Rogan from *Congressional Quarterly*. I was wondering if you could be a little bit more specific on where you want the savings to come from. You say that this can be pressure. This can be less defense spending. We know that some savings will come if we draw-down in Iraq or if we reform Pentagon acquisitions, but between personnel and procurement, where do we find the money?

REP. MURTHA: Here's the balance and this is the problem we have. The bonuses, for instance, is \$2 billion. As we draw-down, we ought to be able to get rid of the bonus. The Marine Corps says now they're getting rid of the bonus. I remember one general was telling me, these troops enlist because they love this great country. Well, I believe that, but why do we have to give them a bonus? I said, can we do away with the bonus? Oh, no, no, we have to have the bonus. Now, I'm not degrading the reason that guys reenlist, but I'm just saying that that's one place we could save money.

The other thing is we have to buy at a quantity that gives us stability and industry so they can get the price down. We ought to buy enough of items, whatever it is, and we – we spent \$6 billion in the tanker deal and we didn't get a tanker. We have to stop that. We have to find a way – Secretary Gates says, well, if we bought from both of them, it would cost a lot more money. We've already spent \$6 billion.

We've got to figure out a way to fix the acquisition process so that we do it the right way the first time, and you've got to quit changing these things like this destroyer that's gone up to maybe \$6 billion. So it's got to be a savings across the board is what it amounts to.

Personnel, you've got to slow down the personnel increases because that's where the real money is, and then at the same time, you've got to reform the acquisition process so we can buy at a reasonable rate.

Yes, ma'am?

Q: Hi, Congressman, Kim Hefling with the Associated Press. Can you please comment on what you anticipate is going to be happening next year in terms of troop levels in Iraq? What's been conveyed to you in terms of potential troop withdrawals?

REP. MURTHA: Well, I think I'll leave that up to the administration to make that announcement, but I believe they have to live up to their campaign – what they said during the campaign. They've got to live up to the timeline that's been set. Events could always change that, but I think it's pretty well set. I think this agreement, which says the contractors are not immune, that you're going to get troops out at a certain time, is a reasonable agreement. Actually, Iraq wanted that last year and this administration talked them out of it. So I think Iraqis want it, the people of United States want it and I think it's going to happen.

MR. KORB: (Off mike.)

Q: Hi Emelie Rutherford with *Defense Daily*. Congressman, do you – can you talk about missile defense spending and whether you see – what you see happening with the third site in Europe and whether you think that it will indeed be deployed.

REP. MURTHA: I just visited Prague and sent two staffers to Poland to look at that. The people in Prague – the Czechs want it badly. Their legislators want it badly. In Poland, they're in favor of the deployment. I came back saying I think we do need to rate our side, but I haven't made up mind – not that I'm going to make the decision – but I haven't made up my mind. We cut all the money out for both sites at first. Then they had an agreement and we – the Senate and I, in our conference, we agreed to put the money back in, but I think that's an open question. I wonder if they can't use this in negotiation with Russia and Iran. I don't know. This is a very complicated thing.

I see the need, in a sense, but I also see the political ramification. I think the Obama people have to really look at this issue. Can we do it from the sea? Can the ships handle this same capability that we were doing from there? Would we have ships in the right place at the right time? All those questions have to be answered. I'm not prepared at this point to be able to answer what we might recommend in the subcommittee yet.

MR. KORB: Thank you very much, Jack. Pennsylvania also has another very distinguished military person representing them, Congressman Joe Sestak, who's been reelected to the 7th Congressional District in Pennsylvania. Before becoming a congressman, he spent 31 years serving our nation in the Navy, rising to the rank of three-star admiral. And what you'll see today – we have a representative from each of the services. We had – obviously, Congressman Murtha has a long distinguished career in the Marines, Congressman Sestak in the Navy. And when we have our panel, we're going to have a three-star general from the Army and the Air Force.

During Congressman Sestak's very distinguished career in the Navy, he had a number of significant operational commands, culminating in commanding the carrier battle group – the George Washington Aircraft Carrier battle group, which conducted combat operations in Afghanistan and was a precursor to the war in Iraq. He's also served on the National Security Council and somewhere in this time, he found time to get an MA and a Ph.D. from Harvard University.

So Congressman Sestak, welcome to the podium. We look forward to your comments.

REP. JOE SESTAK (D-PA): Thank you very much for having me. I've spoken a couple of times with Chairman Murtha, and I always ask to go before him because then some people stay – have to stay. And so I'm appreciative of those who have remained.

I'm – (inaudible) – be asked to speak today on the study, "Building the Military for the 21st Century." I thought that title was interesting, but what they said after the colon is, "New Priorities, New Realities," is exactly what should be addressed. It is the golden holy grail. It's always has to be addressed itself in there, at least in my limited experience within the military.

So I'd like to speak in three parts today, very shortly on national security. Second, in view of that, defense security, and third, how might Congress incentivize the right priorities in the new realities of the 21st century?

First, the national security. When I entered this new profession, I actually ran a platform that national security begins at home in economic security, education security, health security. I believe that's still very much today.

In the short term, that economic security, particularly with an intended impact upon the other securities, is quite a mess. We all know the figures. If we do nothing in the next 365 days, we will lose 4 percent of our GDP. We know that we will have – even acting probably with three million homes in significant arrears today for their mortgage payments, we will almost assuredly have at least two million who will go into foreclosure during that period of time and we know that we've already lost \$12 trillion in household income.

It's a pretty daunting, short-term impact if we don't do something. That's the reason I'm a strong proponent of addressing the issue in Detroit. And as I was, I've written my very first letter to Mr. Bernanke and Mr. Paulson in February, asking them at that time to intervene in the market and everybody paid attention to this freshman congressman to ask them to do the intervening.

I was for the bailout, but I also barely believe that because of that 4 percent gap we're going to have in the GDP with nothing, we truly do need a economic stimulus plan that will – the equivalent to 4 percent of GDP, which is about \$500 to \$700 billion. Set the short term aside, we will work our way through this. It could be more protracted than we would like it and deeper, but we will work our way through this economic security issue.

In the longer term, though, we have another issue and you all know well, \$12 trillion lost in household income, but we know we will have soon, in the beginning of the next year, \$12 trillion national debts. We have a little over \$10 trillion today, and so we'll soon be at \$12 trillion, but it's a different type of national debt than we've ever had in the history of this nation.

Much like this recession is the very first one historically that has ever been driven by consumers being over-leveraged, this is – rather than businesses being over-leveraged. For the first time, we have over 47 percent of our debt owned by a foreign nation. Between 2000 and 2008, 75 percent of all U.S. securities were purchased by someone who is not a citizen of the United States.

So our economic security, when China owns over a trillion dollars of our bonds or 1.5 – (inaudible) – dollars of our currency is a little bit more different if we want to respond to a crisis off Taiwan, as we once did in 1996 with two aircraft carriers and the missiles going north and south of them that were raining down stopped. Well, today, it's

much easier, to some sense, just to drop some bombs on the market if you want to have an impact on America, rather than do it militarily.

I think that therefore, the future is one, particularly as my generation begins to retire – we have 38 million seniors today over the age of 65. In 2022, a mere 14 years from now, we will have 68 million seniors.

And take education security. If you have a child in middle school anywhere in America today and they are taking mathematics, they have a 63 percent chance of having a teacher who's never certified, nor majored in mathematics or arithmetic or whatever they're taking. But if that child of yours is in middle school and taking a physical science, they have a 93 percent chance of having a teacher that's never certified, nor majored in physical science.

I could go on with the health challenges and all, but the priorities need to change for our national security. So what does that bode in terms of my second topic for our defense security? I think it's always good to look at your wake for a few moments before you look forward.

So since the year 2000, we have had an increase in investment in the Army – by investment, I'll define that as MILCON, military construction, RDT&E, and procurement – of 280 percent. The Navy, not quite as fortunate, has had an increase of 90 percent in real terms. Well, the Air Force just lags a bit behind at about 88 percent. There's been a lot put into our military in procurement, investment, RDT&E, in MILCON.

So we have heard reports that next year, the fiscal year '10 budget that will soon, despite OMB having told other agencies, just kind of straight-line it on out, will somehow arrive here this year for fiscal year '10 for \$581 billion. That's about a 12-percent increase in real terms, a lot more than inflation, particularly in this environment of economic security.

We're also being told that in addition to the \$66 billion emergency supplemental that was supposed to take us to next June or July, there'll be, prior to this administration leaving, despite not knowing what the strategy is for how many troops, another \$80 billion that will be plopped over here via OMB to Congress for an emergency supplemental for fiscal year '09.

I mention those figures because I think someone has to step back and do several things. I completely agree that the number one issue in defense security is what is the strategy because to do that, even – but even before doing that, I believe we need to know what is the state of our Navy, our Army, our Air Force, and Marine Corps and then what's the attendant strategy and how do we shape it for the future?

For example, we have replaced three-fourths of all the Army's trucks with the emergency supplemental bill. We have, in our emergency supplemental bills, of the investment that we put into it, 40 percent went for resetting the Army. The rest went to

modernizing the army. So you remember the \$5 billion in fiscal year '05 and fiscal year '06 of modularity until that moved back into the regular budget.

So as I then – my issue becomes, of course, very beginning, what is the strategy? I was in my – as I was director of defense policy, each year I was responsible for bringing forth the national security strategy of the United States. That brought in defense security each year and economic security, education, and all the securities together.

And many people will say, well, what good is a strategy when you really don't follow it? I understand that, but it is a template upon which to present your arguments at a minimum. And I bring that up because we have, in a unique way, some continuity happening as the administrations change.

We have a wonderful secretary of defense, who is going to continue. A man will remain there in the department. What also continues with that man is a process that has been unable to support any type of reprioritization or resetting of the strategic template and then make the tough decisions on the platforms and how many.

I think that it is important to reset the strategy or to know better what it is. We all remember in the Cold War, it was always two wars that we were going to be able to launch, to large global wars. That was it until the Nixon era in 1968, in the middle of Vietnam, not unlike today. The strategy changed to one and a half global wars.

And then, as the Cold War came and ended, we then went into a variety of changes from two MRCs, I think they were called at the time, Major Regional Contingencies, and then we went to two MTWs, Major Theater Wars. And now we are where we were actually in, I would venture to say, one – in size, at least – one and a half wars – by next spring, 140,000 troops still in one of them and 34,500 in the other if the present plans were to continue.

And I sit back and I say, just before Iraq and even the first couple of years, we had a two – go east, go west, young man type of strategy. You had to take care of something this way and something that way. And yet today, Secretary Gates and chairman of the Joint Chiefs of Staff have said that although we have a military, they cannot deploy a single brigade to Korea to defend the 28,000 troops sitting there, despite OPLAN 5027 asking, demanding, requiring that several divisions be prepared to leap forward for their defense, as well as the defense of South Korea. It is acceptable risk right now.

So I understand that you can have a strategy and then things change and you have a reason to say, well, that's not quite what we meant. We needed all those divisions for that plan to be acceptable risk because as we now venture forward and say, what is the new strategy, I'd be taking to say, how come we can have an Army that's done literally almost no training in counterinsurgency for three and a half years, or anything except counterinsurgency for the last three and a half years, can't meet the requirements of almost any other war plan or op plan and it's acceptable risk.

I think we have some big questions to ask, as we begin to, because the answer then will go down to platforms and types. Earlier today – take one nation that was mentioned here, China. I honestly believe this is so different than the Cold War with Russia, but nevertheless, the Navy has made a decision recently that it wants to switch from a platform, DDG-1000, to DDG-51 because of an intelligence issue that has arisen that wants to make us change our program acquisition.

Take the F-22. The F-22, some have called the Seawolf of the skies. The Navy used to have something called the Seawolf. Three platforms were built during the Cold War. Then the Cold War ended and the Navy said, that's a – great, great, but it's not meant for the littorals. So we'll switch to the Virginia class ship and they made this change. The question is, is the F-22 meant for 10 AEFs, or is it meant for a four digit – or I forgot what we call them – four or five-digit SAM threat? Who has those besides one nation in the Western Pacific of any heft or expected to have any of any heft that the JFF can't happen.

I bring it up because knowing the types of wars we need to deter – and to deter them, you need to have the capability to win them in the opposition's eyes – is extremely important, not just in the type of platforms, as, let's say, the Navy made a change from Seawolf to Virginia Class as the Cold War ended, but how many.

There's an argument, for instance, in the Navy that, let's just take that nation in the Western Pacific that has upwards of 80 submarines. We will soon be below 50, if we're not today. Do we ever think we're going to be able to procure 80 submarines to go one-on-one hull against each other, or is there a different type of strategic tactical approach to that threat of distributed antisubmarine warfare, a network you could lay down on the surface or the floor of the ocean in order to have distributed sensors that could tell you, going up to a satellite down to some plane flying around, that there is that submarine. You don't need one-on-one, particularly when you're having a challenging time picking up a submarine that's only a few thousand yards away from you, as has happened several times.

And so my belief is, in the third area – in that area, if you take – it's Iran, you're concerned, as the question came up earlier, about missile defense, then you sit back and you say, has anyone really looked at – besides the diplomatic issues attendant to already having promised the Czech Republic and Poland that we would be there with them, understandably with the issue that Chairman Murtha brought up with Russia and what they've done – has anyone really looked at the capability of that system?

Does it only give you one shot more or two shots more? What kind of threat does it actually protect the United States from, just something going like this, or how about if the guy has a missile moving like this? And so to the question that came up on missile defense, there's a lot of questions to understand whether Iran – and whether the capability you really have to have in order to invest such a large amount and what capability does that actually give you?

And third, in this area before I just summarize, how in my opinion, Congress might incentivize a change in priorities is the global war of terror. I can remember going on the ground – just before I went on the ground in Afghanistan, shortly about two months after the war began. I was there just for a very short period of time. It was kind of strange for a Navy guy to be on the ground in Afghanistan.

But before I went in, I talked to General Hayden, head of – at the time, the NSA and I remember during the discussion before I departed, he said something that struck me a lot. He said, it's not so much – I keep hearing from General Franks, give me some actionable intelligence. We all know what that is in the military or defense community. That's intelligence that I can act on with my forces. But General Hayden said – General Franks, he told me, look, general, give me some action and I'll give you some intelligence.

In short, it is a different war than Iraq, this global war of terror, or any conventional warfare. Sometimes it doesn't take heft or numbers. It takes capability to make them move, to make them not have what General Hayden said eight months ago, a safe haven for al Qaeda in Pakistan. That is a knowledge-based warfare system, the ability to know when somebody moves and does something, but without the right special agile forces to make them move, we cannot do what we have to.

With that, in summary what I have is to say how can we incentivize them? My example to this goes back to 1981, when a young senator at that time – or not so young, middle aged – got up on the House floor. He was not on the Defense Committee, the Senate Armed Services Committee at that time. His name, as you know, was Senator Nunn. When he got up on the House floor in 1981, he introduced the requirement that if, heaven forbid, a defense system ever went over cost, it needed to be – 15 percent or 25 percent – it needed to be reported to the Congress. That eventually became known as the Nunn-McCurdy Amendment.

Between 2006 – January, 2006, and today, we have had over 30 Nunn-McCurdy breaches. It's a great reporting system. It stinks at enforcement. And so you can have – for example, let's take this Virginia class vessel I was talking about. Yes, we made a change within a single service to go from the Seawolf to the Virginia class ship. Sounds good. But now that ship, some years ago, made a Nunn-McCurdy breach.

Now, the request is for two submarines in fiscal year '12, a cost of \$4 billion total, but if you look at what the service has, but doesn't report to Congress, that it has less than a 50 percent confidence factor that those costs will be met, and then you add in CVN-78, which according to CBO, costs \$13.8 billion, according to the Navy, \$12.5 billion, but it also has a confidence factor for price estimate of less than 50 percent.

And then you add in DDG-1000, whether it survives or doesn't survive, and that cost estimate is already significantly below 50 percent. One has to say where's this tyranny of optimism, that we continuously have programs coming over to Congress. How can we incentivize them to either give us the true – the actual cost up front, or at

least how confident are you that that figure is actually going to work because when you step back to Congress, in my limited time here, we act best when we incentivize.

So you had the Goldwater-Nichols Act. We wanted everybody to be joint. We made it very simple back in the '80s. You don't get promoted to general unless you've done a joint tour and gone to a joint national war college. We incentivized by making sure that we impacted – or they impacted at the time, Congress, promotions. In my mind, we need a similar type of incentive if you ever want to reach the holy grail of impacting a strategy with affordable weapons.

And so in conclusion, I think there's about four quick areas that need to be done. As you take it, yes, we need a strategy without any question. We have one today. I think we aren't meeting it; it's still the same one. You've got to be able to meet all these wars – last point, but – and yes, we do need, I think more important than that – as important – is a process that actually will provide the ability to have transparency on what the priorities are in view of the likely costs and therefore, what are the tradeoffs?

So I would recommend that, number one, first, get control of the emergency supplemental. If you look at the emergency supplemental, I'm glad the Army modernized itself in the emergency supplemental, but I never understood why antisubmarine helicopters are in the emergency supplemental. I didn't know Iraq had submarines. I didn't understand why Navy shipping days, which are no more – shipping days – steaming days are in the emergency supplemental.

Somehow, someone has to get control the emergency supplementals so we just know what are the tradeoffs that we're doing here? Why are we buying JSFs in the emergency supplemental? People say it's to replace the F-15 that's going away. We lost one. Yes, but everybody who's done programs knows when we purchase planes for programs, we always purchase about 1 or 1.5 percent extra planes for that attrition. And so we need to get control of the emergency supplementals once again for transparency, if nothing else.

Maybe we want to buy that, but how do you begin, in view of that national security landscape, and if you really want to force tradeoffs to new strategy, the ability to make prioritizations when you're putting antisubmarine helicopters in the emergency supplemental.

Second, this tyranny of optimism, I think we need to have a – as someone once said – a “Nunn-McCurdy on steroids” type of an approach.

Let's – you could do it one of two ways. If you do that 15-percent breakage right now, you have to come to Congress and give them a selected acquisition report. What if you came to Congress or in 25 percent, the secretary of defense has to do a review. He has to then say the new costs are reasonable, and then you continue on.

How about if they also put in there the new costs are reasonable. Here is our confidence factor that we have internally that these costs are actually going to be met. It

doesn't have to be 100 percent; it could be 90 percent or 80 percent. And we know these are tough things to do, but when three platforms I mentioned are less than 50 percent, shouldn't Congress know that?

We do allocate limited resources to various programs. And oh, by the way, Mr. Secretary, since it's broken, how about telling us if these new reasonable costs don't match or even maybe now, where are you going to take the money and list your priorities and what system would you know take it out of because the cost went up in order to meet that.

Third, I believe very strongly that OSD, having grown much more, as a recent committee reports said since it was established in terms of not just staff, but its acquisition involvement and policy involvement, truly needs to be a bit more in the requirement side. The Joint Chiefs of Staff, for those that serve, knew it was often – it was always a wonderful group, but it was often the least common denominator, and so you had a chairman who was the military advisor to the president.

To some degree, I think JROC has to change significantly. JROCs tend to be like the old JCS. All the services are equal. You don't really want to say some other services program isn't good because they're going to have a vote in your program tomorrow. And so to some degree, you need much more OSD involvement in the "J" requirements process.

They set the – help set the strategy because it's civilian leadership. Military should set what the requirements are, but there needs to be in the process that linkage between strategy and, I believe, requirements also. They're involved now in the JROC, but not on the final step of the JROC itself. They're involved in the lower platform.

And last is I honestly believe that Goldwater-Nichols has to take the final step. There's three incentives in the Pentagon: patriotism – it's why the general joined up; there's not a doubt about it. But number two, you want to take care of your family, so you'd like to be promoted. Well, Congress said, let's incentivize that gentleman to do – we'll help them on that, but you've got to go join. And so Goldwater-Nichols was passed because promotion is an incentive. But the third great incentive is who owns the money. I believe that roles and missions studies should be a thing of the past. We've studied them to death.

We need to know what is common among all the services that they share. And if you truly believe that the future is one of a knowledge-based network-centric future, we should take away from the services, where they have four distinct different acquisition programs. Let them buy the whole, but whatever links them with the other services, what is common to give you that capability should be placed within a joint arena like the joint staff.

And so I've gone on a bit too long, but I honestly believe that these national security priorities will demand a reprioritization so we are a stronger nation overall because of our men and women coming in, healthy, productive, educated, but that

reprioritization will need changing the process in order to produce not just the strategy and not just what weapons, but how do you help incentivize the Department of Defense to be self-incentivized in order to meet those requirements and do the tradeoff? And that's where Congress comes in best. Thank you.

MR. KORB: Sitting in the back – we have some seats up in the front, if you want to – I hate to see people stand here. All right. What we're going to do – I'm going to do a couple of things here. I think the two congressmen have really set the stage for our report. They – I think they wrote their speeches before they read the report, but it seems to me they have a lot of things in there that we said. I'm going to spend no more than a couple of minutes saying what's in the report. Then I'm going to ask the two distinguished generals to my right to make some comments on it.

Basically, we agree that the system is broken and the Pentagon has real problems. I was amazed to read that yesterday, President Bush at West Point seemed to gloss over the problems. That's not what the congressmen have told us. That's not what Admiral Mullen has said in his testimony in terms of the readiness and the personnel problems we have. It's not something that Secretary Gates has in his recent article in *Foreign Affairs*.

So I think that we do have problems. I think one of the things we discovered in doing this is compared to what the services thought they would get in 2000, and this is the baseline budget, they've gotten \$700 billion more, but yet we have these problems that have been described.

Now, there have been a couple of solutions proposed. One is proposed by, among other people, Admiral Mullen, 4 percent of GDP for defense. And while we agree that that's certainly true that we have spent more in the past, that's irrelevant to what's going on. And I might add that when I interviewed some people about this, and they talked about a fixed percentage of the GDP, and I said – and this is over a year ago – well, what will you do if the GDP goes down and the threat goes up, one admiral, who shall remain nameless, said, can the GDP go down? Well, I think we found out that in fact, that that can happen.

So we don't think that that's the way to go. We do think you need a new vision.

Now, what we have done here is we basically said, let's take the defense budget that you've got and given the problems that were described by the two congressmen, let it keep pace with inflation. It's going to be very hard to get real growth. And interestingly enough, if you go back – and there was a period when we did this – after the Korean War ended, between 1954 and 1980, the defense budget grew about 1 percent a year in real terms. Previous to that, we've had other times where we had this up-and-down process.

We argue, as Congressman Sestak pointed out, for a consolidated budget, fold the supplemental in with the regular, so that Congress can do the due diligence and find out whether, in fact, you should be funding modernization and what are the tradeoffs?

We recommend scaling back some of your conventional programs. F-22, we agree with Secretary Gates that it ought to stop here. Interesting enough, according to today's *New York Times*, that may not – people may use that to keep it going for economic reasons, as not just strategic reasons. Slow down Future Combat Systems. Slow down the Joint Strike Fighter again until you get those programs under control.

And one recommendation we make – and given what you've heard today, I think it's even more important – the deputy secretary of defense has got to be a good manager to get the system back under control. And if you go back and you look historically at what we – when it has worked well, it's when you've had people like David Packard who came in 1969 with Melvin Laird, as we withdrew from Vietnam, or Charlie Duncan, the president of Coca Cola, who came in with Harold Brown in the mid '70s, and Don Atwood, who came from General Motors at the time when it did better than it's doing now, who was Dick Cheney's deputy, and then the Pentagon, I think, the acquisition process has run very well.

And the final thing I will say, we do support the increase in the size of the Army and the Marines – the ground forces, but I think it's important to keep in mind that we argue, do not lower your standards for the increase. Slow it down, if you have to, but we do think it is important, and we recommend – you can pay for it in a couple of ways. Some of the weapons system we've talked about – the admiral mentioned the aircraft carrier. You ought to go ahead with the Gerald Ford, the CVN-78, but there's no real reason to rush the CVN-79. You really don't need that until the middle of the third decade, I guess, of this century.

So with that, let me stop there and let me ask first General Speakes to comment on what we've put down, particularly as regards the Army or anything else that he wants to mention.

Now, General Speakes right now is the deputy chief of staff for the G8. For those of you that don't follow those things, that's force development. He's had a distinguished career since being commissioned as an armor officer back in 1974. He's got graduate degrees from Georgetown. He's been a fellow with the JFK School of Government. And in – when he was at Harvard, he co-authored a study called "A Blue Helmet Combat Force," an interesting thing. We may have to see some of that coming in terms of what's happening, particularly in Africa.

He has been to Iraq. He's been part of Operation Iraqi Freedom with the 4th Infantry Division, where he was the assistant division commander, and he's also served on the Army staff as a deputy chief of staff in the G3. So General, welcome. Thank you very much for coming. We look forward to your comments.

LT. GEN. STEPHEN SPEAKES: Dr. Korb, it's an honor to be here with you and I'd have to begin, sir, by noting that, as you mentioned, that degree that I have received from Georgetown, you omitted the fact that you were one of my professors. One of my tragedies in life has been that I haven't really impressed my professors satisfactorily, and

so thus, I've had a somewhat mediocre academic career and hopefully, the effort I put into my military career has kept me afloat.

I would, on a serious note, salute very much what Dr. Korb has done here and what we see here in this study, which is a very, very thoughtful examination of the totality of our defense budget and it's a review of our fiscal and national security strategy as they come together. And I thought that that effort is very, very worthwhile.

We welcome this kind of thoughtful examination because all of us recognize the need for our country at this period of a transition of administrations for a very careful examination of not only our national military strategy, but also how the resources have been allocated to support it. And as the G8 deputy chief of staff for programs, my job is to build the Army financial strategy as I receive guidance from the Army senior leadership, and then try to build a balanced program that reflects the welfare of our force today, our ability to support all of the missions we're being given and also to prepare for the future.

So it is a daunting task these days to be able to put together an investment strategy that does exactly that and we take very seriously this kind of a discussion and this kind of thoughtful review of what we have advanced as a program.

The Army does welcome serious discussions about its future. We recognize that at this point in time, we're a force that is under great stress. Our leadership has testified that our effort right now, as we are supporting simultaneous combat operations in Iraq and Afghanistan, is to bring the force into balance by fiscal year 2011, and to do that by a combination of important initiatives that have been the result of guidance we received from the senior leadership in the administration. They include such important things as growing the force and I think we all appreciate the fact that Dr. Korb and his study specifically endorses growing the force.

The other things that we're trying to do is to align our army so that it is able to meet the needs of what we believe is a near persistent conflict. And to do that, the Army's undergone a holistic transformation of not only how it is structured, but also how it operates. And many of you who are better experts in defense than I, understand the enormity of this transformation as we talk about a rotational-based army, an army that is based now upon brigade combat teams and not divisions and corps, an army that is focused on full spectrum, an army that has specifically rewritten its doctrine to be able to account for what we see is the future of our operations, not only in high-intensity conflict, but also across the spectrum of conflict because what we see now is an army that'll be ask to operate simultaneously across the spectrum of conflict.

And so, as we design our defense programs then, we specifically are looking at the current and the needs of the current force. And I think that some the words that Secretary of Defense Gates has written in his article in *Foreign Affairs* are very, very important for those of us in the Department of Defense to take seriously.

He said specifically, and I quote, “The DOD must set priorities and consider inescapable tradeoffs and opportunity costs.” And he also challenged that we must not be so preoccupied as preparing for future conventional and strategic conflicts that we neglect to provide all the capabilities necessary to fight and win the conflicts, such as those we face today.

And that’s vital guidance because it’s precisely the approach that the Army has taken, which is we recognize that the kinds of conflicts that we’re in today are not aberrations, that they are a signal of not only things today, but things tomorrow, and that simultaneously, we also have to prepare for other kinds of conflict. We recognize the probability of nation-state conflict has not gone away. And so what you see then is an Army program that is designed to address the needs of today and the needs of tomorrow and we believe directly responds to the secretary of defense’s thoughts.

The other thing that we recognize is the need to be fiscally thoughtful. And Dr. Korb, I would single – in your report, one of the things that you outline is the need for us to undergo a thoughtful review of how we spend our money and the implication. In fact, the direct statement in the report is that the Army, as a part of the Department of Defense, has not had to do that.

As somebody who’s now been responsible for building the Army program for the last four years, I’d assert that that is not true, that we have taken, and had to face repeatedly, very tough choices in which we weigh investment alternatives. And what I would assert to you is that today’s Army’s program represents a very thoughtful examination that reflects the need to make tradeoffs, the need to live within budget totals that have been given to us and prescribed by our senior leadership and that we then have to balance and make tough decisions.

The Army leadership has specifically stood up and made those decisions and I believe, as somebody who’s a recipient of their guidance, I expect to have that continue. And so we recognize that as our nation now undergoes a period of intense economic stress, that this is an army that is mindful of the needs to be accountable to our fellow citizens for how money is spent and to assert to you that the money that we’re spending is done appropriately for the nation's security and our role in the nation's security.

So we welcome very much the opportunity to engage in this dialogue and we thank you very, very much for this opportunity to be a part of such a thoughtful discussion today.

MR. KORB: Thank you very much, General Speakes. And now we’ll hear from Retired Lieutenant General Michael Dunn, who’s the president of the Air Force Association. Right before he retired, he was the president of the National Defense University, which includes both the National War College and the Industrial College of the Armed Forces. General Dunn is a command pilot with 2,500 hours and according to his biography – looked him up on the biography, he’s flown every plane in the Air Force literally, both fighters and transport planes and trainers and helicopters.

In addition to his military career, in which he served predominantly in the Far East, he found time to get a Master of Science degree from the University of Southern California and he's also a graduate of all the military colleges. So General Dunn, welcome back to the center, and we look forward to your comments.

LT. GEN. MICHAEL DUNN: Thank you, Dr. Korb. Well, listen, as the guy – (inaudible) – cleanup in this lineup, you might notice that the Department of the Navy gets elected to Congress and the Air Force and the Army were left to slug it out ourselves in front of the panel. I will say that since I am cleanup, I'll get to my bottom line right upfront.

We know two things about the future. We know that change will be a constant and we know that we won't get it right. We've gotten it wrong ever since I can remember and Congressman Murtha mentioned a few of the instances we got it wrong. Some of the more less famous ones are we expected North Korea to go away in the late '90s, when we signed the Agreed Framework in 1994.

Certainly, the Air Force did not expect to be enforcing no-fly zones over Iraq, both north and south, for 13-plus years, intervening between Desert Storm and Operation Iraqi Freedom. And that means that I think we need a military force that has a single important characteristic and that's flexibility because we don't know what we're going to face. We can't assume that what we see is going to be the same in the future. I would describe it as a nonlinear strategic environment.

You heard some of the points brought out. I'll bring out a few more. We know that China and Russia are focusing on new technology. In five years, China – both countries will have in production a fifth-generation fighter. They don't plan to buy 183 of them. They're going to buy thousands of them. We also know there's foreign customers for them. There's double-digit SAMs that are being produced, surface-to-air missiles. There's over 20 countries that have these and there's over 30 countries that have fourth-generation fighters, many of whom are better than the F-15, the F-16, the F-18 that we now have.

As an aside, someone asked me the other day, what would it – it's been actually several months – what would it take for the Air Force to put a no-fly zone over Georgia? Now, that's not the State of Georgia until the senate election is complete, but the country of Georgia, of course. When I looked at the threat, basically what I could figure out of it, Russia had SA-20s there. There's only one airplane that survives an SA-20 and that's a fifth-generation fighter and that's F-22. And there were less than 100 of those at the time I was asked. So it depends on what you want your military to do.

I would also say that the future that I see is going to include some typically non-military challenges – piracy, international crime that we're seeing, competition for water and oil. Global financial issues will impact our national security. Homeland security, Secretary Perry said four or five years ago publicly that he thought there was a 90 percent chance – 90 percent chance – of a nuclear weapon going off on U.S. soil in the next decade. So if you're counting, you've got about six years left.

And then I think if you look at some of the studies on the international and the national security environment, you will see that we have approaching a crisis in math, science and engineering study in the United States. In the *Wall Street Journal* this morning, we're somewhere between ninth and 11th in the world in math and science with their particular study.

In looking at the military going forth to the 21st century, I'll just restrict my comments to the Air Force. We've had 18 years of almost continuous combat and very little capital investment in airplanes. Few new airplanes have been bought since 1993. We're on presently over 100-year replacement cycle, 100-year replacement cycle.

Now, most corporations replace their computer software and computer hardware on a five-year, sometimes three-year cycle, but we're on a 100-year cycle right now. The fleet age now averages a quarter of a century – a quarter of a century. It was eight years when I came in in the early '70s.

A few examples – we've grounded the F-15 fleet this year. We've grounded the A-10 fleet; we grounded the T-38 fleet, all for extended periods of time. We have six B-52s that are qualified for a one-time flight to the bone-yard. Thirty-nine of 108 C-5s are restricted – weight restricted due to skin issues.

Tankers – we have tankers now in AARP and by the way, they're going to be getting social security in not too long and the time the last one is replaced it's going to be 90 years old, close to 90 years old, certainly over 80. That's like putting the right flyer into Desert Storm.

So some of these issues that the Air Force faces are absolutely huge and they're capital investment type issues. People don't realize that the B-2 flew over 20 years ago; over 20 years ago, the B-2 flew.

We've seen a huge decrease in readiness of the Air Force, down from high 70s after Desert Storm, to about 65 percent today. So the challenges that presents to manpower and maintainers and the crews and setting up things is incredible. In the space side of the house, which I need to mention, there's large infrastructure issues.

Let me just talk real quickly about one system, GPS. We all rely on GPS. There are – its designed life of the constellation was 8.6 years. Its now average age is over nine years. That's average. There are 15 birds of the 30-bird constellation older than the designed life. Nineteen satellites are within one component failure of not working. Minuteman III, 35 years-plus since we fielded it. It's supposed to operate well past 2020.

In the cyber area – and no disrespect to my Army colleagues – but he experiences the same issue himself. If you have a bad day in Fallujah and the good news is you're still in Fallujah. In the cyber area, you have a bad day and somebody from a foreign country, way far away, can impact places all across United States.

I had two professors at NDU that I asked one day – I said, can you take down the power grid in the northeast United States? They looked at me and said, sure, sir. I said, really? How long would it take you? Forty five minutes to an hour. And I was blown away; I was absolutely blown away, but then they said, wait a minute, now, sir. We're not good enough not to get caught, so don't worry about it. We won't do it. But they said there are others in the world that are good enough and we've seen repeated attacks by China, Russia in Estonia and Georgia, going forward.

So in sum, we don't know where we're going to fight next. We do know the value of deterrence. What we don't know is whether deterrence has worked in other areas. In other words, by the fact that we have a very strong military, a heavy Army that can go anywhere in the world, has that deterred state-on-state attacks? I think so, but obviously, we clearly don't know.

I think the next administration's got some real challenges going forward and they're talking now about investment in infrastructure. I think we need – the U.S. Military's going to need the same type of investment in infrastructure that invest in capital equipment, that invest in the industrial base, R&D, and I would argue also in the math and science education area. Thank you.

MR. KORB: Thank you very much. Let me ask each of you a question then. I think Gen. Speakes had a good point in terms – weren't trying to imply that you weren't making choices up to now, but assuming that the budget can't grow, the baseline budget, as it has been since 2000, what choices would you make, assuming you had to keep pace with inflation in terms of the programs, major programs? You've got the Future Combat System. You have – you're increasing the size of the Army. In terms – how do you prioritize them, assuming that you don't keep this continued growth?

LT. GEN. SPEAKES: Sir, thanks. I appreciate the chance to address that question. The Army uses the framework of being in balance in 2011 is our operating guidance. What that means then is that we can't overly focus in one arena to the exclusion of another because I think Gen. Dunn had it exactly right. We know we can't anticipate the future. We know that whatever it is that we guess with precision will be precisely wrong.

So what then is the Army strategy? The Army strategy is to grow a balanced force and to maintain a balanced force for the future. So on one hand, what we're going to do is continue to grow the force, as the president instructed us to do.

The other thing that we must do is continue to develop the capability of that force and what that means then is specifically in one of the arenas that the report addresses, is that we must continue to modernize the report. And – excuse me – we must continue to modernize the Army and modernizing the Army is absolutely vital for all the reasons that Gen. Dunn has so eloquently put forth in the case of the Air Force.

We would not expect to enter this next decade with the same capabilities that we're fighting today. We recognize that today's Army is fighting an enemy that is able

to metastasize with incredible speed – internet-enabled with very, very high skill sets in terms of the enemy capability. We have to be relentlessly adaptive and so the Army strategy sees a continuum of improvement in front of us.

What we've been able to do is balance our part of modernization with the rest of what we're trying to do to grow the force. And so specifically, the Future Combat Systems is the key element of our modernization strategy and what is it? It's one-third of our overall spending in research, development, and procurement, and that in turn, is about one-quarter of our overall total program. And so what I do by making those points to you is to illustrate the fact that we have a balanced strategy, that we have specifically designed the Future Combat System to be an affordable strategy.

The other thing that we've done over time is we've been relentlessly adaptive in terms of how that strategy has been structured. Originally, a program that was designed to rebuild 15 brigades now is specifically designed to address all of the brigades in our Army and to give all of them the kind of operational capability that we see as absolutely essential for operations today and tomorrow, network-enabled, one that has precision in terms of weapons system, precision in terms of sensors, and also a new ground combat platform that is common across the force.

And so those are the kinds of things that we want to do in modernization. We also want to continue to adapt our ability to train. We recognize that the training environment that we had before 2001 will never return. You will never go back to the National Training Center and see the kind of force-on-force fight that we fought in this sterile environment in our training environments in the future.

We're going to fight a sophisticated enemy that is able to mix a variety of what Secretary Gates called "toxic elements" that will challenge and threaten our forces, and so our training environment has been specifically designed to continue to grow and enhance our ability to operate.

Right now, as was mentioned in the report, and discussed earlier by Congressman Murtha, we are focused on counter-insurgency training, but as we grow the force, as we are able to realign our rates of deployment, what we'll also be able to do is realign our training to focus and achieve a greater and more full spectrum capability. And so then, and specific to answer your question, the other thing we must do, Dr. Korb, is continue to apply care to the force.

We recognize that the retention of the all-volunteer soldier and that soldier's family is absolutely essential. None of us guessed when we started what were operations in Afghanistan and then in Iraq that we would be at this with an all-volunteer force and have the volunteer force stay with us with the enthusiasm that they have demonstrated.

Part of that has been as a result of the Congress' generous support, but the other part of it has been that we've been able to create an environment that provides today's soldier a sense of relevance and the sense that they're appreciated. And so what we'll be able to do then, is continue to, with your help, have an army of balance, one that is able to

operate today, one that is able to retain its soldiers, one that is able to modernize, and one that is able to operate, not just this decade, but the next decade. And so that then is the kind of prioritization that we see, one that is balanced, one that's affordable, and one that responds to fiscal guidance.

And so we see that that is achievable and we also see it is absolutely essential for the nation's defense.

MR. KORB: And if there's no real growth that is achievable, you think – okay.

LT. GEN. SPEAKES: Yes, sir.

MR. KORB: Let me ask quickly Gen. Dunn pretty much the same question. You're quite right about the age of the tankers. If you had to make the tradeoff between tankers and new fighters, which do you give priority?

LT. GEN. DUNN: Well, I can tell you, the Air Force gets priority to the tanker. The tanker is – the situation is so dire, but I've got to tell you, there's about an 800-aircraft gap between the rate of production in the current plan and the time when the aircraft age out. And so there's going to be – absent any action, there's going to be a de facto base closure round. The Air Force is going to have to retire airplanes.

We've seen a leak out of the Pentagon that said that they're going to – in this budget coming forth, they're going to retire 350 fighters in order to start this process. What's not out yet is that most guard units don't have replacement aircraft identified behind them. So – and I'm not sure politically that much of this will be able to be accomplished.

The issue is 15-plus years of neglect to me. When you buy capital equipment that's lasting as long as it is now – the airplane that I last flew was the F-15 and it was forecast to have a 25-year life. It's already at 32, 33 years right now and in some cases, it's going to be there for a lot longer than that.

You have to buy aircraft constantly going forward. You just can't do it any other way. And any idea of slowing down production lines, like the report calls for, will cause a de facto cut in the size of the force. So there's no other answer to that because the F-35s are not being bought fast enough to replace the F-16s that are going to either have to be retired or have to be – have their life extended.

MR. KORB: What about our suggestion that you buy F-16 Block 60s and the Navy buy FA-18 E&Fs. Is that something that could be used to fill in the gap?

LT. GEN. DUNN: Yes. The short answer is yes, but I would qualify with it what do you want the aircraft to do? If you want them to set up a no-fly zone over Georgia, no, they won't work. If you want them to penetrate highly defended airspace, such as Iranian airspace, probably won't work. You've got to have the fifth-generation type.

Moreover, without the long-term investment, you're going to find other nations with these fifth-generation fighters.

MR. KORB: Okay. You've been very patient, the audience. The floor is now open for questions. Yes ma'am. And because – I have to say this, so I can say this now with the Congressman gone. I asked them both to speak for 15 minutes. They went on for a half hour, so we can extend this, if you're willing to do that for a while. And if you've got to go, I certainly understand it, but we'll go on as long as there seems to be an interest and our panelists can stay. Please.

Q: Could you comment on what you foresee as the role of contractors in any future national defense strategy and if you touched on that in the report at all?

MR. KORB: Well, one of the reasons we support increasing the size of the ground forces is so you won't have to rely as much on the contractors. Gen. Speakes made a good point. The – and Congressman Murtha touched on it. Those of us that were responsible for creating the all-volunteer military basically never expected it to be – to fight two long wars and we have had a comparably small active duty Army.

The guard and reserve was supposed to be a bridge to conscription if we needed it, but nobody wants to do it. So you had to use the guard and reserve as an operational reserve and you've had to rely, in our view, a little bit more than you should on private contractors. And I don't know if you'll comment on that. Any members of the press who want to ask a question before you have to go? Yes, sir.

Q: I'm Bill Matthews from *Defense News*. I wanted to ask Gen. Dunn, you make a somewhat convincing case that you need all this stuff, new – no, just somewhat – new fighters, new tankers, new satellites. That's been the Air Force position for as long as I've been covering it. The question now is we seem to be at a point, where – we haven't been able to afford it so far in the past. We seem to be in a worse financial position today. How realistic is your wish list and what would you give up or how do you propose to fund it?

LT. GEN. DUNN: Just let me say that, of course, what I'm urging is a consistent investment. In other words – and you've got to start somewhere and you're exactly right. The report takes on the percent of GDP and I think Dr. Korb has mentioned it fairly well in his remarks and in the report. We use – I use, and my association uses, a percent of GDP as a measure of affordability. In other words, can we afford it, not as – we believe we need to spend more on defense. I think we need to spend more on defense. It is a resetting in essence of the particular force.

I'm not in the budget area now, and so to tell you what goes is difficult for me to do. I'm not bound by political constraints, but if there's this large cut, the Air Force has lots of bases it can close. It has systems that Congress won't let it retire that have to be moved every – towed around the airfield every 30 days or so. So there's a whole series of things it has to do.

There's a whole bunch of initiatives that one could undertake. For example, the Air Force funds almost 90 percent of the space forces and you – no one else pays any fees for use of GPS or anything else. So you could create a system by which there's cost sharing into some of these areas where – that spill over in the civilian area.

There's also a number of issues that have been brought forth on the health care side of the house in ensuring social security funds with the Department of Defense.

MR. KORB: Okay, next – yes, sir. All right. Go ahead. You've got the mike and – (inaudible) – here.

Q: (Kirk Kaushman?) with the CATO Institute. I wanted to ask you guys what you thought about the defense commitments that we've picked up immediately after World War II, throughout the Cold War, and even afterwards. Are they all still relevant? And if not, which ones don't make sense and why not?

MR. KORB: It would be easier for those out of government to answer that one. I think you raise a good point and we're going to have to make some decisions in terms of what still makes sense. We talked about Korea. Well, we do have a commitment there, but you have no backup for Korea. In other words, if the – as I understand it, the brigade that's supposed to go to Korea has been rotating in and out of Iraq. So you've got a problem there and you need to recognize that.

The whole future of NATO, you've got to decide what are you doing there and it was mentioned here. I think this is a very good point. When you look at our relations with Russia, it seems to me, our top priority's got to be to get the Russian help in Iran because Iran is, I think, a serious strategic threat in the greater Middle East. You also need their help in cutting down the number of nuclear weapons. If we could work with them to cut it down, that would free up some money to do other things.

Putting the missiles and the radars in the Czech Republic and expanding NATO are second order issues, but they're interfering with the first two. So that – I think those are the type of things that you have to take a look at and that's why you need a new national security strategy. And if you have a new national security strategy, then you would answer those questions, but this is something the new administration has to do and get the permission of Congress to do it. The military has got to do what they're told. You've got to defend Korea. That's your job. Somebody else has got to decide is this still relevant? How do you want to do it? Then what are the areas?

And let me mention one other point I think is very important. A lot of Americans are under the mistaken impression that because we have troops, say, in Japan or in Germany, that we're there to defend them. No, those things are to protect our interests and to serve as jumping-off points to go other places. I think that's important because there is this feeling, well, you've got all these troops in Japan and Germany; why don't you get rid of them? Well, actually, if you bring them home, it's going to cost you more money, okay, unless you're going to take them out of the force. And I don't know if you want to –

LT. GEN. DUNN: Let me just comment briefly. With NATO – I'm optimistic on NATO. They have adapted. We have a sizeable NATO contingent in Afghanistan that we don't have to have and if you were trying to create NATO today, I don't think you could do it. I don't think you could get the nations to agree to such an extent where you could create a NATO. NATO needs to adapt itself, continually adapt. The rules of engagement they have in Afghanistan restrict some nations from using their forces in ways that make sense and puts the burden on other nations.

In the Pacific – I agree 100 percent with Dr. Korb that in Korea, I believe we – South Korea is – and I'm assigned there and lead negotiator with the North Koreans and spend hundreds of hours across the table from the North. So I'm not – I know the threat quite well. But I believe it's time for South Korea to take on more of a share of its own defense and I think it's time that we start the withdrawal process out of Korea – not that we won't come to their assistance should there be a fight, but we get blamed in South Korea for a lot of issues that we shouldn't be blamed for.

Japan, as Dr. Korb has said, the Japan alliance, actually, it's cheaper for us to have the forces in Japan than it is otherwise. And our Australian ties have paid off over the years many, many times. So I believe alliances are critical and I think that we need to do a lot to nurture them and continue to develop them.

MR. KORB: Yes, questions up here and then go over there.

Q: General Speakes, this is all for you. I'm George Nicholson (sp), a policy consultant. The congressional legislation, two years ago, directed this new QDR coming up will specifically identify numbers and types of platforms. About three weeks ago, there was a session over at the center for strategic and budgetary assessments, where they released a report on the Army, Special Operations, and Marines.

And in the report on Special Operations, it said that the last QDR increased – the range was by 33 percent – increased special forces by 33 percent, increased Delta by 33 percent, no increase in aviation platforms, and it's recommending doubling the size of the 160th Special Operations Aviation Regiment. A lot of people don't realize – they think, well that's just MFP 11 funds, not realizing the linkage between the Army and USSOCOM before they can buy those platforms. I don't know whether you want to comment on it, but any comments on the impact you think this QDR is going to have and if you've had a chance of reviewing that CBSA report. And Gen. Dunn, they're going to be releasing the Air Force portion and the Navy portion this month. Thank you.

LT. GEN. SPEAKES: You make a great point. How will the QDR be focused and what we will be asked to address? I think that is the first pivotal choice for this new administration. And as we have been encountering the members of the transition team, one of the suggestions that we've had is that we need to think very carefully as a nation about what do we ask the QDR to do, what its focus is, whether it's to solve near-term issues relating to our right now engagements in such areas as Iraq and Afghanistan, or is it something that is also focused in the long term?

So I don't know what the outcomes of all this will be, but I think the more holistic the review is, the broader we'll be able to address not only the spectrum of current choices, but future, and then to be able to align the force structure against it.

You're absolutely right. We took, and very consciously in this last QDR, increased Army support and grew the Army elements of Special Operations command forces. We will continue to have to evaluate that as the next QDR happens and I don't know which way we'll go.

LT. GEN. DUNN: Let me add only that we ought to avoid at all cost the idea that the QDR becomes a budget drill. It should be an unconstrained look at the entire set of the strategic environment and the set of choices that the nation has.

MR. KORB: Yes.

Q: Wendy (Schuford?), retired National Guard nurse. I've been concerned for quite some time about a particular issue, so I was glad to hear you mention it twice about the contractors. I've been very concerned about the overcharging, the severe overcharging of the contractors and is anything being done to hold them accountable for that and get that money back?

MR. KORB: (Inaudible) – could do that, so it goes back to the point we made before. Because we had ground forces, particularly the Army, that were too small to wage two wars, you had these private contractors filling the gap, go beyond places where they should have. If you take a look at the numbers, in the first Persian Gulf War, one out of every 50 people over there were a contractor; in Kosovo and Bosnia, you got to one out of 10, and now it's almost one in one. I think we do need to take a look at that and there's been all kinds of problems.

The interesting thing is going to be what happens now under the new SOFA when they no longer have immunity. Will they still be willing to carry out a lot of the functions? But I do think that's something that really has to be reviewed and I think Gen. Abizaid put it very well when he said, "The Army was not constructed to fight a long war." Since nobody, Republicans, Democrats, nobody wanted to talk about going back to conscription, you did what you could. You overstrained the active forces. You – the guard and reserve were used much more than we thought and you filled it in with private contractors and we're all paying the price for it and you mentioned –

Q: (Off mike.)

MR. KORB: Yes.

LT. GEN. SPEAKES: And I would simply mention that from the Army standpoint, the Army leadership has taken this whole issue on very seriously. The secretary of the Army, as you know, asked for, and chartered the (Ganza?) Commission to take a specific look for him about the lessons learned in terms of contracting in support

of this war. As an outcome of that, what I've had to do then, as the programmer for the Army, is to ensure that we supported some of the findings that were then endorsed by the Army leadership.

One of the specific issues that we've taken on is the concept of contract and command, now formally stood up within the Army, that we have a deployable element of that command that is operating specifically in support of deployed formations. And so that's a significant structural adaptation that we've made and is now in place that is going to grow and evolve over time that gives the Army an operational contracting capability, instead of what was a seriously deficient capability that we started this war with, the whole intent being to correct this for the long term, so that we have in place capabilities that will enable us at least, if we do need contractors, in a current or future contingency, to ensure the contracting process has much greater legitimacy than what we had previously.

MR. KORB: Okay, yes, right there. I think we'll have to make this the last question, so people –

Q: Hi, I'm Emelie Rutherford of *Defense Daily*. Gen. Speakes, there's been some concern on the Hill about the Striker funding and future Army plans and some lawmakers would like to see not as much money maybe going towards FCS and towards Striker. Can you comment on those concerns that have been raised?

LT. GEN. SPEAKES: Absolutely. Striker, as you know, has been brilliantly successful in this conflict. And as you, I'm sure, are aware, what we currently have is a Striker force that we believe is very, very capable and very useful, but let's review what it is intended to be. It was intended to be an interim solution to the Army's pressing need for modernization. And so as the Army undertook a comprehensive review of its modernization strategy late this last decade, the concept with Striker was to give us an immediate capability that would meet some of the Army's needs for deployable, flexible, agile capability.

It was never intended to be the end state of our modernization program. So right now, what you have is a very, very good capability, but one that doesn't meet the long-term needs that we see to operate across the spectrum of conflict. What we're seeing right now is Striker operating exactly as it was intended. In low to mid-intensity, it is absolutely a brilliant and great capability, but it doesn't answer our requirements as we look to the future.

And so it's the future that we're also looking at as we look at the needs that we have for more network capability. We have a need for greater commonality and we have a need for the ability to take the new technologies we're seeing in Future Combat Systems and integrate them into a new generation of platforms that will have exponentially greater capabilities than Striker does. So what I think Striker ought to reassure us is the Army's path to modernization is a good one. We just haven't reached the next phase of it yet, which will be even more exciting than Striker has been for us.

MR. KORB: With that, let me bring this to a close. I want to thank the audience for your patience. Thank you for coming. I want to thank my co-authors here, Peter Juul, Laura Conley, Major Myles Caggins – and by the way, this does not represent the Army viewpoints. Myles works here with us – and Sean Duggan.

I'd also like to thank the people who put this together and helped us produce this report, which is online and will be coming out in hard copy soon. Suzi Emmerling, with the microphone, Annie Schutte, who proofread this, Marlene Vasilic, who arranged the program, and Lauren Ferguson, who did the art, I want to thank all of them.

I want to thank you and let me conclude by reading you two quotes, which I think sums up what we've been trying to talk about here.

“It is said that a nation's budget reflects its values and priorities.” That was President-elect Obama in November 25th of this year.

The other is, “Given that resources are not unlimited, the dynamic of exchanging numbers for capability is perhaps reaching a point of diminishing returns. A given ship or aircraft, no matter how capable or well equipped, can only be in one place at one time.” Secretary of Defense Robert Gates.

On that note, best wishes for the holidays and thank you very much for coming. (Applause.)

(END)