

**STATEMENT OF SECRETARY OF DEFENSE ROBERT M. GATES
HOUSE ARMED SERVICES COMMITTEE
WEDNESDAY, FEBRUARY 6, 2008**

Mr. Chairman, members of the Committee:

Thank you for your continued support of our military these many years. I appreciate the opportunity to discuss the President's Fiscal Year 2009 Defense Budget request.

Before getting into the components of this request, I thought it useful to consider it in light of the current strategic landscape – a landscape still being shaped by forces unleashed by the end of the Cold War nearly two decades ago. In recent years old hatreds and conflicts have combined with new threats and forces of instability – challenges made more dangerous and prolific by modern technology. Among them:

- Terrorism, extremism, and violent jihadism;
- Ethnic, tribal, and sectarian conflict;
- Proliferation of dangerous weapons and materials;
- Failed and failing states;
- Nations discontented with their role in the international order; and
- Rising and resurgent powers whose future paths are uncertain.

In light of this strategic environment, we must make the choices and investments necessary to protect the security, prosperity, and freedom of Americans for the next generation.

The investment in defense spending being presented today is \$515.4 billion, or about 3.4 percent of our Gross Domestic Product. This request is a 7.5 percent increase – or \$35.9 billion – over last year's enacted level. When accounting for inflation, this translates into a real increase of about five and a half percent.

I also strongly support Secretary Rice's request for the international affairs funding. This request is vital to the Department of Defense; in the current strategic landscape, we need civilian expertise and robust engagement around the world to build goodwill, represent United States values and commitment to our partners, complement the contributions of our military, and set the long-term conditions for peace, prosperity, and an environment inhospitable to extremism.

Strategic Modernization – Future Combat Capabilities

The FY 2009 budget request provides \$183.8 billion in strategic modernization to meet future threats, a 4.7 percent increase over the previously enacted level. This category includes more than \$104 billion for procurement.

Joint Combat Capabilities

The base budget provides \$9.2 billion for ground capabilities, including more than 5,000 Humvees and 4,000 tactical vehicles. This request provides \$3.6 billion to continue development of the Future Combat System, the Army's major modernization program.

A total of \$16.9 billion is allotted for maritime capabilities, with \$14.2 billion for ship-building, including:

- The DDG-1000, the next generation surface combatant;
- Two littoral combat ships;
- Two joint high speed vessels;
- Two logistics ships; and

- One Virginia-class submarine.

The ships being built today must provide the capability and capacity to maintain the Navy's global presence and influence in the future. A fleet sized at 313 ships offers the agility required to meet a broadening array of operations and requirements with allies around the globe.

To improve air capabilities, the budget includes \$45.6 billion, a \$4.9 billion increase over last year's enacted levels.

This includes:

- F/A 18 Hornet and E/A-18G Growler fighters;
- F-35 Joint Strike Fighters;
- F-22 Raptors
- V-22 Ospreys;
- Unmanned Aerial Vehicles; and
- Recapitalization of various missiles and other weapons.

The Air Force's number one acquisition and recapitalization priority is the tanker fleet, specifically the KC-135, which is an average of 48.5 years old. This aircraft is increasingly expensive to maintain and less reliable to fly every day. The Air Force is proceeding with a traditional acquisition program for the KC-X, which will be able to refuel Air Force, Navy, and allied aircraft.

Retirement of aging aircraft is a vital component of recapitalizing our air assets. I urge Congress to continue to authorize aircraft retirements, lifting restrictions from previous years to help the Air Force maintain readiness and perform missions more safely.

Space

This request provides \$10.7 billion to strengthen joint space-based capabilities in several categories, including:

- Space-based infrared systems; and
- Communications, environmental, Global Positioning System, and Advanced Extremely High Frequency satellites.

The Department's heavy reliance on space capabilities is clear to potential adversaries, some of whom are developing anti-satellite weapons. Protecting our assets in space is, therefore, a high priority. In the past, the Department has been slow to address this vulnerability, but we are ramping up to properly address this problem.

Research and Development

As changes in this century's threat environment create strategic challenges – irregular warfare, weapons of mass destruction, disruptive technologies – this request places greater emphasis on basic research, which in recent years has not kept pace with other parts of the budget.

This request for \$11.5 billion will sustain ongoing science and technology research. Within this category, the FY 2009 budget includes \$1.7 billion for basic research initiatives. In total, I have directed an increase of about \$1 billion over the next five years for fundamental, peer-reviewed basic research – a two percent increase in real annual growth.

Missile Defense

The 2009 base budget provides \$10.4 billion to continue developing, testing, and fielding a multi-layered system to protect the U.S. and its allies from tactical and strategic ballistic missile attack.

The Missile Defense Agency has successfully fielded elements of the ballistic missile defense system since 2004. Today, for the first time in history, our nation has an initial missile defense capability. In coming years, the Department seeks to grow this capability by testing against more complex and realistic scenarios, and by negotiating with like-minded nations. Since becoming the Secretary of Defense, I have been personally involved in on-going discussions with Poland and the Czech Republic on hosting U.S. missile defense assets. I will continue to press for increased cooperation with our partners.

Readiness, Operations and Support

The FY 2009 request provides \$158.3 billion, a 10.4 percent increase over last year's enacted level, for operations and training, as well as facilities and base support. \$68 billion of the request will maintain combat readiness, focused on next-to-deploy units. The budget invests in readiness measured in terms of tank miles driven per month, ship steaming days underway per quarter, and flying hours per month. Additionally, this request includes:

- \$33.1 billion for logistical, intelligence, and service-wide support;
- \$32.6 billion for facility and base support;
- \$11.8 billion for equipment maintenance to accommodate increased requirements, expanded scopes of work for repair and refurbishment of equipment, and the transition of systems from development to sustainment in the field;
- \$10.7 billion for training, recruiting, and retention to ensure that the all-volunteer force has the right people with the right skills; and
- \$2.2 billion for sealift efforts and commissary support.

The Department will continue investing in a number of critical initiatives that will have long-term implications for the readiness of our forces and the nation's ability to meet future threats.

Global Train and Equip

The global train and equip authority provides commanders a means to fill longstanding gaps in our ability to build the capacity and capabilities of partner nations. It allows the State and Defense Departments to act in months, rather than years, to help other countries build and sustain capable security forces. The program focuses on places where we are not at war, but where there are emerging threats and opportunities. It creates the opportunity to reduce stress on U.S. forces by decreasing the likelihood that troops will be used in the future. Combatant Commanders consider this a vital tool in the war on terror beyond Afghanistan and Iraq. It has become a model of interagency cooperation between State and Defense – both in the field and in Washington, D.C. Secretary Rice and I both fully support this authority. Its benefits will accrue to our successors in future administrations. The FY 2009 base budget requests \$500 million, along with a request for \$750 million in authority. I urge Congress to provide funding and permanent authority to meet enduring requirements.

Security and Stabilization Assistance

The FY 2009 budget invests \$200 million in security and stabilization assistance along with a corresponding request to increase the authority. This authority will allow the Department to transfer up to \$200 million to the State Department to facilitate whole-of-government responses to stability and security missions – bringing civilian expertise to bear alongside our military. This would give Secretary Rice additional resources to address security challenges and defuse potential crises that might otherwise require the U.S. military to intervene.

Africa Command

This request includes \$389 million, or \$246 million above previously enacted funds, to launch the new Africa Command, allowing the Department to have a more integrated approach than the existing arrangement dividing the continent up among three different regional commands. This new command will help:

- Strengthen U.S. security cooperation with African countries;
- Train and equip our partners;
- Improve health, education, and economic development; and
- Promote peace and stability.

Foreign Languages

The FY 2009 budget includes \$586 million for the Defense Language Program, a \$52.3 million increase from last year. Thus far, our approach to improving language skills is having an impact. Proficiency in Arabic has increased 82 percent since September 2001. Although the value of foreign languages and cultural proficiency is recognized by our Special Forces, these capabilities are essential for all forces preparing for irregular warfare, training and advising missions, humanitarian efforts, and security and stabilization operations.

Quality of Life

The FY 2009 request includes \$149.4 billion in military pay, health care, housing, and quality of life for service personnel and their families.

The request provides for \$107.8 billion in pay and benefits an increase of 9.8 percent over the FY 2008 enacted level. This includes a pay raise of 3.4 percent for the military. Since 2001, military pay has increased by an average of 37 percent. For example, in FY 2009, the average enlisted E-6 (Army Staff Sergeant) will see a pay increase of \$1,289. The pay of the average O-3 (Army Captain or Navy Lieutenant) increases by \$1,943 in FY 2009.

Family Housing

The budget request includes \$3.2 billion that will construct new family housing, improve existing housing, eliminate inadequate housing overseas, operate and maintain government-owned housing, and fund the privatization of 12,324 additional homes. The Basic Allowance for Housing increases by 5.0 percent and the Basic Allowance for Subsistence increases by 3.8 percent.

Wounded Warriors

We have a moral obligation to see that the superb life-saving care that the wounded receive initially is matched by quality out-patient treatment. To provide world-class health care to all who are wounded, ill, or injured serving the nation, the Department is taking action on the

recommendations made by the President's Commission on Care for America's Returning Wounded Warriors. To do so, we have formed a senior oversight committee – chaired by the Deputy Secretaries of Defense and Veterans Affairs – to examine several key areas:

- Case Management – integrate care management throughout the life of the wounded, ill, or injured service member to ensure they receive, as the President made clear, the “right care and benefits at the right time in the right place from the right person”;
- Disability and Compensation Systems – streamline the disability evaluation system making it a single, supportive, and transparent process;
- DoD and VA Data Sharing – ensure appropriate information is accessible and understandable between departments; and
- Traumatic Brain Injury (TBI)/Psychological Health Issues – improve access and quality of care by reducing the stigma associated with mental health care and establishing new programs, such as a TBI registry.

The Department has already approved new standards for all facilities housing the wounded and we have placed pay management teams at numerous sites to better educate troops and their families about pay, entitlements, and benefits.

The budget requests \$466 million to support construction of health care facilities at Bethesda and Fort Belvoir, as well as establish a Warrior Transition Unit at Bethesda. The transition unit will ensure the wounded receive optimum care, especially during the outpatient convalescent phase of recovery.

Future Health Care Issues

In FY 2009, DoD military healthcare costs are projected to be \$42.8 billion in order to maintain benefits for 9.2 million eligible military members and their families, as well as retirees – more than double the level in 2001. By 2015, the Department's health care costs are projected to reach \$64 billion, or 11.3 percent of the budget.

Because of these concerns, the Department must also seek legislation to increase out-of-pocket health care expenses for retirees under age 65. The Department continues to believe that modest increases to TRICARE out-of-pocket costs for working-age military retirees are essential to make military health benefits affordable and sustainable for current and future retired service members.

Global Posture

The base budget requests \$9.5 billion to continue U.S. Base Realignment and Closure (BRAC) efforts. For the approved FY 2005 BRAC recommendations, the budget fully funds 24 major realignments, 25 base closures, and 765 lesser actions. The Department is continuing to reposition U.S. forces at home and abroad in keeping with post-Cold War realities. Consequently, several units stationed overseas will be brought home. The commander of European Command has requested that the Army activate two heavy brigade combat teams in Germany in 2008 and 2010 to support near-term security needs and allow time for construction in the United States.

Increase Ground Forces

Increasing the size of the Army and Marine Corps will relieve stress on the force and enable the nation to meet its commitments at home and abroad. This growth in end strength is a continuation of growth that began last year and is expected to continue through FY 2013.

U.S. Army

The FY 2009 base budget provides \$15.5 billion to increase Army active end strength to 532,400, which includes an increase of 7,000 over the FY 2008 request. The Army request includes the cumulative cost of personnel added as part of a temporary increase in end strength after September 11, 2001 – an increase which had previously been paid for in supplemental appropriations.

The Army plans to grow its active ranks to 547,400 by FY 2012. In FY 2009, the number of active Army Brigade Combat Teams (BCT) will increase by two BCTs, from 40 to 42, with a goal of 48 BCTs by 2012.

I am concerned that the percentage of new Army recruits with high school diplomas has declined in recent years. While still above the minimum standard established by Congress, we are watching these numbers closely, and are determined to grow the Army in a way that does not sacrifice the quality we have come to expect in the all-volunteer force.

U.S. Marine Corps

The base budget seeks \$5 billion to grow the Marine Corps' end strength to 194,000, an increase of 5,000 over the FY 2008 request. As with the Army, the Marine Corps' request includes the cumulative cost of personnel added after September 11, 2001. The Marine Corps' plans to increase end strength to 202,000 by FY 2011, in order to achieve three balanced Marine Expeditionary Force units and to increase time at home station between deployments. This will enable the Corps to continue to be, as it has historically been a "two-fisted" expeditionary force excelling at conventional warfare and counter-insurgency.

War Funding

In addition to the \$515.4 billion base budget, our request includes \$70 billion in emergency bridge funding that would cover war costs into the next calendar year. A more detailed request will be submitted later this year when the Department has a better picture of what level of funding will be needed.

The 2007 NDAA requires the Department of Defense to provide an estimate of costs for the Global War on Terror. We would like to be responsive to this request. The challenge facing us is that a realistic estimate requires answers the Department does not currently have to several key questions, such as:

- When and if the Department will receive the balance of the FY 2008 supplemental war request, and for how much; and
- What, if any, adjustments to troop levels in Iraq will result from the upcoming recommendations of General Petraeus.

We should also keep in mind that nearly three quarters of the FY 2009 supplemental request will likely be spent in the next administration, thus making it even more difficult to make an accurate projection.

In short, while I would like to be in a position to give you a realistic estimate of what the Department will need for FY 2009 supplemental funds, I simply cannot at this point. There are too many significant variables in play.

As I mentioned earlier, Congress has yet to appropriate the remaining balance of the FY 2008 war funding request, \$102.5 billion. Delay is degrading our ability to operate and sustain the force at home and in theater, and is making it difficult to manage this Department in a way that is

fiscally sound. The Department of Defense is like the world's biggest supertanker. It cannot turn on a dime and cannot be steered like a skiff. The consequences of not receiving the balance of this request may include:

- Retarding daily efforts in support of Iraqi and Afghan national security forces, to include training and equipping efforts;
- Halting our ability to pay military personnel and continue operations; and
- Limiting reset of equipment lost and damaged by ongoing operations.

I urge approval of the FY 2008 GWOT request as quickly as possible.

Conclusion

At this, my second and also last opportunity to present a budget before this committee, I thank the members of this Committee for all you have done to support our troops as well as their families. In visits to the combat theaters, in military hospitals, and in bases and posts at home and around the world, I continue to be amazed by their decency, resiliency, and courage. Through the support of the Congress and our nation, these young men and women will prevail in the current conflicts and be prepared to confront the threats that they, their children, and our nation may face in the future.

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