

**STATEMENT OF SECRETARY OF DEFENSE ROBERT M. GATES
HOUSE APPROPRIATIONS COMMITTEE – DEFENSE SUBCOMMITTEE
WEDNESDAY, MAY 20, 2009 – 12:30 P.M.**

INTRODUCTION

Mr. Chairman, Representative Young, members of the committee:

Thank you for inviting me to discuss the details of the President's Fiscal Year 2010 defense budget. First and foremost, this is a reform budget – reflecting lessons learned in Iraq and Afghanistan, yet also addressing the range of other potential threats around the world, now and in the future.

As you may know, I was in Afghanistan recently. As we increase our presence there – and refocus our efforts with a new strategy – I wanted to get a sense from the ground level of what the challenges and needs are so that we can give our troops the equipment and support to be successful and come home safely. Indeed, listening to our troops and commanders – unvarnished and unscripted – has from the moment I took this job been the single greatest source for ideas on what the Department needs to do both operationally and institutionally. As I told a group of soldiers in Afghanistan, they have done their job. Now it is time for us in Washington to do ours. In many respects, this budget builds on all the meetings I have had with service members, and all that I have learned over the past two-and-a-half years – all underpinning this budget's three principal objectives:

- First, to reaffirm our commitment to take care of the all-volunteer force, which, in my view represents America's greatest strategic asset; as Admiral Mullen says, if we don't get the people part of our business right, none of the other decisions will matter;
- Second, to rebalance this department's programs in order to institutionalize and enhance our capabilities to fight the wars we are in and the scenarios we are most likely to face in the years ahead, while at the same time providing a hedge against other risks and contingencies; and
- Third, in order to do all this, we must reform how and what we buy, meaning a fundamental overhaul of our approach to procurement, acquisition, and contracting.

From these priorities flow a number of strategic considerations, which I will discuss as I go through the different parts of the budget.

The base budget request is for \$533.8 billion for FY10 – a four percent increase over the FY09 enacted level. After inflation, that is 2.1 percent real growth. In addition, the Department's budget request includes \$130 billion to support overseas contingency operations, primarily in Iraq and Afghanistan. I know there has been some discussion about whether this is, in fact, sufficient to maintain our defense posture – especially during a time of war. I believe it is. Indeed, I have warned in the past that our nation must not do what we have done after previous times of conflict and slash defense spending. I can assure you that I will do everything in my power to prevent that from happening on my watch. This budget is intended to help steer the Department of Defense toward an acquisition and procurement strategy that is sustainable over the long term – that matches real requirements to needed and feasible capabilities.

I will break this down into three sections: our people, today's warfighter, and the related topics of acquisition reform and modernization.

OUR PEOPLE

Starting with the roll-out of the Iraq surge, my overriding priority has been getting troops at the front everything they need to fight, to win, and to survive while making sure that they and their families are properly cared for when they return. So, the top-priority recommendation I made to the President was to move programs that support the warfighters and their families into the services' base budgets, where they can acquire a bureaucratic constituency and long-term funding. To take care of people, this budget request includes, among other priorities:

- \$136 billion to fully protect and properly fund military personnel costs – an increase of nearly \$11 billion over the FY09 budget level. This means completing the growth in the Army and Marines while halting reductions in the Air Force and Navy. The Marine Corps and Army will meet their respective end-strengths of 202,100 and 547,400 by the end of this fiscal year, so this money will be for sustaining those force levels in FY10 and beyond;
- \$47.4 billion to fund military health care;
- \$3.3 billion for wounded, ill and injured, traumatic brain injury, and psychological health programs, including \$400 million for research and development. We have recognized the critical and permanent nature of these programs by institutionalizing and properly funding these efforts in the base budget; and
- \$9.2 billion for improvements in child care, spousal support, lodging, and education, some of which was previously funded in the bridge and supplemental budgets.

We must move away from ad hoc funding of long-term commitments. Overall, we have shifted \$8 billion for items or programs recently funded in war-related appropriations into the base budget.

TODAY'S WARFIGHTER

As I told the Congress in January, our struggles to put the defense bureaucracies on a war footing these past few years have revealed underlying flaws in the priorities, cultural preferences, and reward structures of America's defense establishment – a set of institutions largely arranged to prepare for conflicts against other modern armies, navies, and air forces. Our contemporary wartime needs must receive steady long-term funding and must have a bureaucratic constituency similar to conventional modernization programs and similar to what I have tried to do with programs to support our troops. The FY10 budget reflects this thinking:

First, we will increase intelligence, surveillance and reconnaissance (ISR) support for the warfighter in the base budget by some \$2 billion. This will include:

- Fielding and sustaining 50 Predator-class unmanned aerial vehicle orbits by FY11 and maximizing their production. This capability, which has been in such high demand in both Iraq and Afghanistan, will now be permanently funded in the base budget. It will represent a 62 percent increase in capability over the current level and 127 percent from over a year ago;
- Increasing manned ISR capabilities such as the turbo-prop aircraft deployed so successfully as part of "Task Force Odin" in Iraq; and
- Initiating research and development on a number of ISR enhancements and experimental platforms optimized for today's battlefield.

Second, we will also spend \$500 million more in the base budget than last year to boost our capacity to field and sustain more helicopters – an urgent demand in Afghanistan right now.

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Today, the primary limitation on helicopter capacity is not airframes but shortages of maintenance crews and pilots. So our focus will be on recruiting and training more Army helicopter crews.

Third, to strengthen global partnership efforts, we will fund \$550 million for key initiatives. These include training and equipping foreign militaries to undertake counterterrorism and stability operations.

Fourth, to grow our special operations capabilities, we will increase personnel by more than 2,400 – or four percent – and will buy more aircraft for special operations forces. We will also increase the buy of Littoral Combat Ships (LCS) – a key capability for presence, stability, and counterinsurgency operations in coastal regions – from two to three ships in FY10.

Fifth, to improve our intra-theater lift capacity, we will increase the charter of Joint High Speed Vessels (JHSV) from two to four until our own production program begins deliveries in 2011.

And, finally, we will stop the growth of Army Brigade Combat Teams (BCTs) at 45 versus the previously planned 48, while maintaining the planned increase in end strength to 547,400. This will ensure that we have better-manned units ready to deploy, and help put an end to the routine use of stop loss – which often occurs because certain specialties are in high demand. This step will also lower the risk of hollowing the force.

ACQUISITION REFORM AND INSOURCING

In today's environment, maintaining our technological and conventional edge requires a dramatic change in the way we acquire military equipment. I welcome legislative initiatives in the Congress to help address some of these issues and look forward to working with lawmakers in this regard. This budget will support these goals by:

- Reducing the number of support service contractors from our current 39 percent of the workforce to the pre-2001 level of 26 percent and replacing them with full-time government employees. Our goal is to hire as many as 13,800 new civil servants in FY10 to replace contractors and up to 33,600 new civil servants in place of contractors over the next five years;
- Increasing the size of the defense acquisition workforce, converting 10,000 contractors, and hiring an additional 10,000 government acquisition professionals by 2015 – beginning with 4,080 in FY10; and
- Terminating and delaying programs whose costs are out of hand, whose technologies are immature, or whose requirements are questionable – for example, the VH-71 presidential helicopter.

MODERNIZATION

We must be prepared for the future – prepared for challenges we can see on the horizon and ones that we may not even have imagined. I know that some people may think I am too consumed by the current wars to give adequate consideration to our long-term acquisition needs. This budget provides \$186 billion for modernization, which belies that claim.

As I went through the budget deliberations process, a number of principles guided my decisions:

The first was to halt or delay production on systems that relied on promising, but as yet unproven, technologies, while continuing to produce – and, as necessary, upgrade – systems that are best in class and that we know work. This was a factor in my decisions to cancel the

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Transformational Satellite (TSAT) program and instead build more Advanced Extremely High Frequency (AEHF) satellites.

Second, where different modernization programs within services existed to counter roughly the same threat, or accomplish roughly the same mission, we must look more to capabilities available across the services. While the military has made great strides in operating jointly over the past two decades, procurement remains overwhelmingly service-centric. The Combat Search and Rescue helicopter, for example, had major development and cost problems to be sure. But what cemented my decision to cancel this program was the fact that we were on the verge of launching yet another single-service platform for a mission that in the real world is truly joint. This is a question we must consider for all of the services' modernization portfolios.

Third, I looked at whether modernization programs had incorporated the experiences of combat operations since September 11th. This was particularly important to the ground services, which will be in the lead for irregular and hybrid campaigns of the future. The Future Combat Systems' ground vehicle component was particularly problematic in this regard.

Fourth, I concluded we needed to shift away from the 99 percent "exquisite" service-centric platforms that are so costly and so complex that they take forever to build, then are deployed in very limited quantities. With the pace of technological and geopolitical change, and the range of possible contingencies, we must look more to the 80 percent multi-service solution that can be produced on time, on budget, and in significant numbers.

This relates to a final guiding principle: the need for balance – to think about future conflicts in a different way – to recognize that the black and white distinction between irregular war and conventional war is an outdated model. We must understand that we face a more complex future than that, a future where all conflict will range across a broad spectrum of operations and lethality. Where near-peers will use irregular or asymmetric tactics that target our traditional strengths. And where non-state actors may have weapons of mass destruction or sophisticated missiles. This kind of warfare will require capabilities with the maximum possible flexibility to deal with the widest possible range of conflict.

Overall, we have to consider the right mix of weapons and platforms to deal with the span of threats we will likely face. The goal of our procurement should be to develop a portfolio – a mixture of capabilities whose flexibility allows us to respond to a spectrum of contingencies. It is my hope that the Quadrennial Defense Review will give us a more rigorous analytical framework for dealing with a number of these issues. That is one reason I delayed a number of decisions on programs such as the follow-on manned bomber, the next generation cruiser, as well as overall maritime capabilities. But where the trend of future conflict is clear, I have made specific recommendations.

AIR CAPABILITIES

This budget demonstrates a serious commitment to maintaining U.S. air supremacy, the sine qua non of American military strength for more than six decades. The key points of this budget as it relates to air capabilities are:

- An increase in funding from \$6.8 to \$10.4 billion for the fifth-generation F-35, which reflects a purchase of 30 planes for FY10 compared to 14 in FY09. This money will also accelerate the development and testing regime to fix the remaining problems and avoid the development issues that arose in the early stages of the F-22 program. More than 500 F-35s will be produced over the next five years, with more than 2,400 total for all the services. Russia is probably six years away from Initial Operating Capability of a fifth-

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generation fighter and the Chinese are 10 to 12 years away. By then we expect to have more than 1,000 fifth-generation fighters in our inventory;

- This budget completes the purchase of 187 F-22 fighters – representing 183 planes plus the four funded in the FY09 supplemental to replace one F-15 and three F-16s classified as combat losses;
- We will complete production of the C-17 airlifter program this fiscal year. Our analysis concludes that we have enough C-17s with the 205 already in the force and currently in production to meet current and future needs;
- To replace the Air Force's aging tanker fleet, we will maintain the KC-X aerial refueling tanker schedule and funding, with the intent to solicit bids this summer. Our aging tankers, the lifeblood of any expeditionary force, are in serious need of replacement;
- We will retire approximately 250 of the oldest Air Force tactical fighter aircraft in FY10; and
- Before continuing with a program for a next-generation manned bomber, we should first assess the requirements and what other capabilities we might have for this mission – and wait for the outcome of the Quadrennial Defense Review, the Nuclear Posture Review, and the outcome of post-START arms-control negotiations.

MARITIME CAPABILITIES

The United States must not take its current maritime dominance for granted and needs to invest in programs, platforms, and personnel to ensure that dominance in the future. But rather than go forward under the same assumptions that guided our shipbuilding during the Cold War, I believe we need to reconsider a number of assumptions – a process that will, as I mentioned, be greatly helped by the QDR.

We must examine our blue-water fleet and the overall strategy behind the kinds of ships we are buying. We cannot allow more ships to go the way of the DDG-1000: since its inception the projected buy has dwindled from 32 to three as costs per ship have more than doubled.

The healthy margin of dominance at sea provided by America's existing battle fleet makes it possible and prudent to slow production of several shipbuilding programs. This budget will:

- Shift the Navy Aircraft Carrier program to a five-year build cycle, placing it on a more fiscally sustainable path. This will result in a fleet of 10 carriers after 2040;
- Delay the Navy CG-X next generation cruiser program to revisit both the requirements and acquisition strategy; and
- Delay amphibious ship and sea-basing programs such as the 11th Landing Platform Dock (LPD) ship and the Mobile Landing Platform (MLP) ship to FY11 in order to assess costs and analyze the amount of these capabilities the nation needs.

The Department will continue to invest in areas where the need and capability are proven by:

- Accelerating the buy of the Littoral Combat Ship, which, despite its development problems, is a versatile ship that can be produced in quantity and go to places that are either too shallow or too dangerous for the Navy's big, blue-water surface combatants;
- Adding \$200 million to fund conversion of six additional Aegis ships to provide ballistic missile defense capabilities;
- Beginning the replacement program for the Ohio class ballistic missile submarine; and

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- Using FY10 funds to complete the third DDG-1000 Destroyer and build one DDG-51 Destroyer. The three DDG-1000 class ships will be built at Bath Iron Works in Maine and the DDG-51 Aegis Destroyer program will be restarted at Northrop Grumman's Ingalls shipyard in Mississippi.

LAND CAPABILITIES

As we have seen these last few years, our land forces will continue to bear the burdens of the wars we are in – and also the types of conflicts we may face in the future, even if not on the same scale. As I said earlier, we are on track with the expansion of the ground forces, and have added money for numerous programs that directly support warfighters and their families.

Since 1999, the Army has been pursuing its Future Combat Systems – an effort to simultaneously modernize most of its platforms, from the way individual soldiers communicate to the way mechanized divisions move. Parts of the FCS program have already demonstrated their adaptability and relevance to today's conflicts. For example, the connectivity of the Warfighter Information Network will dramatically increase the agility and situational awareness of the Army's combat formations.

But the FCS vehicle program is, despite some adjustments, based on the same assumptions as when FCS was first conceived. The premise behind the design of these vehicles is that lower weight, greater fuel efficiency, and, above all, near-total situational awareness, compensate for less heavy armor – a premise that I believe was belied by the close-quarters combat, urban warfare, and increasingly lethal forms of ambush that we've seen in both Iraq and Afghanistan. I would also note that the current vehicle program does not include a role for our recent \$25 billion investment in the MRAP vehicles being used to good effect in today's conflicts.

With that in mind:

- We have canceled the existing FCS ground vehicle program, and will reevaluate the requirements, technology, and approach and then relaunch a new Army vehicle modernization program, including a competitive bidding process;
- The FCS budget in FY10 is \$3 billion. I have directed that the new FCS program be fully funded in the out-years; and
- We will accelerate FCS's Warfighter Information Network development and field it, along with proven FCS spin-off capabilities, across the entire Army.

MISSILE DEFENSE

The United States has made great technological progress on missile defense in the last two decades, but a number of questions remain about certain technologies and the balance between research and development on one hand, and procurement on the other. This is one area where I believe the overall sustainability of the program depends on our striking a better balance. To this end, this budget will:

- Restructure the program to focus on the rogue state and theater missile threat. We will not increase the number of current ground-based interceptors in Alaska as had been planned. But we will continue to robustly fund research and development to improve the capability we already have to defend against long-range rogue missile threats – threats that North Korea's missile launch last month reminds us are real;
- Cancel the second airborne laser (ABL) prototype aircraft. We will keep the existing aircraft and shift the program to an R&D effort. The ABL program has significant

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affordability and technology problems and the program's proposed operational role is highly questionable;

- Terminate the Multiple Kill Vehicle (MKV) program because of its significant technical challenges and the need to take a fresh look at the requirement. Overall, the Missile Defense Agency program will be reduced by \$1.2 billion; and
- Increase by \$700 million funding for our most capable theater missile defense systems like the THAAD and SM-3 programs.

CYBER SECURITY

To improve cyberspace capabilities, this budget:

- Increases funding for a broad range of Information Assurance capabilities to improve the security of our information as it is generated, stored, processed, and transported across our IT systems;
- Increases the number of cyber experts this department can train from 80 students per year to 250 per year by FY11; and
- Establishes a cyber test range.

There is no doubt that the integrity and security of our computer and information systems will be challenged on an increasing basis in the future. Keeping our cyber infrastructure safe is one of our most important national-security challenges. While information technology has dramatically improved our military capabilities, our reliance on data networks has at the same time left us more vulnerable. Our networks are targets for exploitation, and potentially disruption or destruction, by a growing number of entities that include foreign governments, non-state actors, and criminal elements.

The President's cyberspace policy review will shortly report its findings and recommendations. I expect this document will offer strategic perspective for the Department in determining how best to defend the government and nation against cyber threats from state and non-state actors alike.

OVERSEAS CONTINGENCY OPERATIONS

As you know, this year we have funded the costs of the wars through the regular budgeting process – as opposed to emergency supplementals. By presenting this budget together, we hope to give a more accurate picture of the costs of the wars and also create a more unified budget process to decrease some of the churn usually associated with funding for the Department of Defense.

We are asking for \$130 billion to directly support the missions in Iraq and Afghanistan. This is less than the \$141.7 billion we asked for last year through the bridge fund and the remaining supplemental request – which in part reflects shifting some programs into the base budget.

The OCO request includes \$74.1 billion to maintain our forces in Afghanistan and Iraq – from pre-deployment training, to transportation to or from theater, to the operations themselves.

- In Afghanistan, this will support an average of 68,000 military members and six Brigade Combat Team (BCT) equivalents – plus support personnel; and
- In Iraq, this will fund an average of 100,000 military members, but also reflects the President's decision to cut force levels to six Advisory and Assistance Brigades by August 31, 2010. Compared to the FY08 enacted levels for Operation Iraqi Freedom, we are asking for less than half.

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Aside from supporting direct operations, the OCO funding also includes, among other programs:

- \$17.6 billion to replace and repair equipment that has been worn-out, damaged, or destroyed in theater. The major items include helicopters, fixed-wing aircraft, trucks, Humvees, Bradleys, Strykers, other tactical vehicles, munitions, radios, and various combat support equipment;
- \$15.2 billion for force protection, which includes \$5.5 billion for MRAPs – \$1.5 billion to procure 1,080 new MRAP All Terrain Vehicles (ATV) for Afghanistan and \$4 billion for sustainment, upgrades, and other costs for MRAPs already fielded or being fielded.
- \$7.5 billion for the Afghan National Security Forces (ANSF). Ultimately, the Afghan people will shoulder the responsibility for their own security, so we must accelerate our training of their security forces in order to get more Afghans into the fight;
- \$1.5 billion for the Commander’s Emergency Response Fund (CERP) – a program that has been very successful in allowing commanders on the ground to make immediate, positive impacts in their areas of operation. It will continue to play a pivotal role as we increase operations in Afghanistan and focus on providing the population with security and opportunities for a better life. I should note that the Department has taken a number of steps to ensure the proper use of this critical combat-enhancing capability;
- \$1.4 billion for military construction – most of which will go toward infrastructure improvements in Afghanistan to support our increased troop levels; and
- \$700 million for the Pakistan Counterinsurgency Capability Fund (PCCF). This program will be carried out with the concurrence of the Secretary of State and will complement existing and planned State Department efforts by allowing the CENTCOM commander to work with Pakistan’s military to build counterinsurgency capability. I know there is some question about funding both the PCCF and the Foreign Military Financing program, but we are asking for this authority for the unique and urgent circumstances we face in Pakistan – for dealing with a challenge that simultaneously requires military and civilian capabilities. This is a vital element of the President’s new Afghanistan-Pakistan strategy.

CONCLUSION

Let me close with a few final thoughts.

This budget aims to alter many programs, and many of the fundamental ways that the Department of Defense runs its budgeting, acquisition, and procurement processes. In this respect, three key points come to mind about the strategic thinking behind these decisions.

First of all, sustainability. By that, I mean sustainability in light of current and potential fiscal constraints. It is simply not reasonable to expect the defense budget to continue increasing at the same rate it has over the last number of years. We should be able to secure our nation with a base budget of more than half a trillion dollars – and I believe this budget focuses money where it can more effectively do just that.

I also mean sustainability of individual programs. Acquisition priorities have changed from defense secretary to defense secretary, administration to administration, and congress to congress. Eliminating waste, ending “requirements creep,” terminating programs that go too far outside the line, and bringing annual costs for individual programs down to more reasonable levels will reduce this friction.

Second of all, balance. We have to be prepared for the wars we are most likely to fight – not just the wars we have traditionally been best suited to fight, or threats we conjure up from

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potential adversaries who, in the real world, also have finite resources. As I've said before, even when considering challenges from nation-states with modern militaries, the answer is not necessarily buying more technologically advanced versions of what we built – on land, at sea, or in the air – to stop the Soviets during the Cold War.

Finally, there are all the lessons learned from the last eight years – on the battlefield and, perhaps just as important, institutionally back at the Pentagon. The responsibility of this department first and foremost is to fight and win wars – not just constantly prepare for them. In that respect, the conflicts we are in have revealed numerous problems that I am working to improve; this budget makes real headway in that respect.

At the end of the day, this budget is less about numbers than it is about how the military thinks about the nature of warfare and prepares for the future. About how we take care of our people and institutionalize support for the warfighter for the long term. About the role of the services and how we can buy weapons as jointly as we fight. About reforming our requirements and acquisition processes.

I know that some of you will take issue with individual decisions. I would, however, ask you to look beyond specific programs, and instead at the full range of what we are trying to do – at the totality of the decisions and how they will change the way we prepare for and fight wars in the future.

Once again, I thank you for your ongoing support of our men and women in uniform. I look forward to your questions.

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