

EXHIBIT A

Federal News Service

February 2, 2010 Tuesday

HEARING OF THE SENATE ARMED SERVICES COMMITTEE;
 SUBJECT: DEFENSE AUTHORIZATION REQUEST FOR FISCAL YEAR 2011;
 THE FUTURE YEARS DEFENSE PROGRAM; THE 2011 QUADRENNIAL DE-
 FENSE REVIEW (QDR); THE 2011 BALLISTIC MISSILE DEFENSE REVIEW
 (BMDR); THE "DON'T ASK, DON'T TELL" POLICY;
 CHAIRED BY: SENATOR CARL LEVIN;
 WITNESSES: ROBERT GATES, SECRETARY OF DEFENSE; ADMIRAL MI-
 CHAEL MULLEN, USN, CHAIRMAN OF THE JOINT CHIEFS OF STAFF RO-
 BERT HALE, UNDERSECRETARY OF DEFENSE (COMPTROLLER);
 LOCATION: ROOM SD-G50, DIRKSEN SENATE OFFICE BUILDING, WASH-
 INGTON, D.C.

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 SEN SENATE OFFICE BUILDING, WASHINGTON, D.C. TIME: 9:07 A.M. EST DATE: TUESDAY, FEBRUARY
 2, 2010

SEN. LEVIN: Good morning, everybody. The committee this morning welcomes Secretary of Defense Robert Gates, Chairman of the Joint Chiefs of Staff Admiral Michael Mullen for our hearing on the Department of Defense fiscal year 2011 budget request and the associated Future Years Defense Program, the -- (coughs) -- excuse me -- the 2010 Quadrennial Defense Review and the 2010 Ballistic Missile Defense Review.

Gentlemen, as always, we are thankful to you, to your families, for your dedicated service to our nation; to the soldiers, sailors, airmen, Marines, at home and in harm's way around the globe; and to their families. Your commitment to the welfare of our troops and their families shines through all that you do. The American people are grateful for that, and we are grateful and eager to help whenever we can.

The fiscal year 2011 budget request includes \$549 billion for the base budget and \$159 billion for the ongoing wars in Iraq and Afghanistan. On top of the \$708 billion request for 2011, the administration has included a 2010 supplemental request of \$33 billion to fund the additional 30,000 troops to support the president's Afghanistan policy, announced last December.

The budget request continues the Defense reforms begun last year to re-balance the force toward the military capabilities necessary to prevail in today's conflicts, to buy weapons that are relevant and affordable, and to ensure that tax dollars are used wisely.

EXHIBIT 63

WITT-003416

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The long-anticipated 2009 Quadrennial Defense Review, the QDR report, was also submitted on Monday with the department's 2011 budget. This is -- and the report is explicit -- a wartime QDR. The department's analysis and decisions place the focus and priority on policies, programs and initiatives that support the current fight in Afghanistan and Iraq, and against al Qaeda. The QDR makes and justifies tough choices, indicates that more trade-offs will be necessary in the future.

I'll note that along with the budget request, the administration submitted the Ballistic Missile Defense Review. This review was required by the National Defense Authorization Act for fiscal year 2009. This is the first comprehensive policy and strategy framework for missile defense. And it is long overdue.

Secretary Gates's cover memo to the report notes that, quote, "I have made defending against near-term regional threats a top priority of our missile defense plans, programs and capabilities." And that statement is consistent with what Congress has been urging for many years.

The report also says that before new missile defense programs will be deployed that they must first be tested realistically and demonstrate that they are effective and reliable.

It also states that our missile defense programs must be fiscally sustainable over the long term. And it emphasizes international cooperation with our allies and partners and expresses an interest in cooperation with Russia. Those are all important elements of a sound missile defense policy.

Consistent with the reform goals set out by Secretary Gates and the results of the Quadrennial Defense Review, a top priority for the department must be the critical requirements for the ongoing conflicts in Afghanistan and Iraq.

This committee has sought to ensure that our combatant commanders have what they need to succeed, in those conflicts, including technologies to counter improvised explosive devices, MRAP all-terrain vehicles, intelligence, surveillance and reconnaissance assets and additional helicopters. And this committee will continue to support the needs of our men and women, who are in those conflicts. Excuse me.

I have long argued that the principal mission in Afghanistan should be training the Afghan security forces, so that they can take responsibility for the security of their country.

What we heard during our recent visit to Afghanistan was that President Obama's speech at West Point, in December, had a tangible positive effect on the recruitment of Afghan security forces.

Lieutenant General Bill Caldwell, the head of NATO Training Mission in Afghanistan, told us that President Obama's setting of the July 2011 date, for the beginning of U.S. troop reductions in Afghanistan, energized Afghanistan's leadership, made clear to them that President Obama means business, when he says our commitment is not open-ended, and got them to focus on planning for the shift in responsibility, for Afghan security, that is highlighted by that 2011 July date.

And even more than a pay raise, General Caldwell told us that the July 2011 date increased recruiting of Afghan soldiers -- and this is Caldwell speaking -- "because Afghan leaders called for and reached out to local leaders to produce new recruits across the country." The number of Afghan recruits in training has jumped from 3,000 in November to over 11,000 as of last month.

Key to the success of the mission of strengthening the Afghan army will be the partnering of coalition and Afghan units together on a one-unit-to-one-unit basis and for Afghans to take the lead in operations. The budget the president sent over yesterday includes significant resources for the training and partnering missions, including increased funding for the Afghan security forces fund in both the 2010 supplemental and the 2011 request.

The fully integrated partnering of coalition and Afghan units living together and integrating their lives daily is at the heart of our troops' mission. Lieutenant General David Rodriguez, the commander of the ISAF joint command in Afghanistan, has promised to get us data, indicated on a chart that I have up behind me and a handout which has circulated, on the number of Afghan units fully integrated with coalition forces and how many of those Afghan units are in the lead in operations. This effort is key to the transition to an Afghan lead in providing for the nation's security, and we will track this data very closely.

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While I'm pleased with the increased partnering in the field, we were disappointed with the shortfall in trainers for the initial training needed for the Afghan army and police. General Caldwell told us that he had only 37 percent of the required U.S. and NATO trainers on hand, and NATO countries were about 90 percent short of meeting their commitment to provide about 2,000 non-U.S. trainers. That's simply inexcusable, and our NATO allies must do more to close the gap in trainers.

In the area of personnel, I'm pleased that this budget request provides increased funding for military personnel and for the Defense Health Program. The budget request includes funding to support the care and treatment of wounded warriors, including \$1.1 billion for the treatment, care and research of traumatic brain injuries, TBI, and psychological health. The budget would also increase funding for family support programs by \$500 million over last year's levels, and include the funding necessary to support the temporary increase of the Army's active-duty end strength to 569,000, which will help improve dwell time and reduce stress on the force.

The catastrophic January 12th earthquake that struck the nation of Haiti reminded all of us just how indiscriminate national (sic) disasters can be, and renewed America's commitment to the nation of Haiti. The department has -- the Department of Defense has mobilized resources and manpower to aid in the relief effort in support of the Department of State and U.S. Agency for International Development.

Just last week the committee approved a \$400 million reprogramming to ensure that the department was adequately resourced for that important support mission. We are prepared to continue to work with the secretary and Admiral Mullen to ensure the Department of Defense is able to continue to provide support to this critical humanitarian disaster-response effort in the weeks and months ahead. And we all greatly appreciate the skill shown by U.S. service personnel in response to the Haiti disaster.

Now, following this hearing, as previously announced, at around noon, we're going to turn to the issue of "don't ask, don't tell." I would appreciate questions on that subject being asked after Secretary Gates's statement on the subject at that time.

Secretary Gates, Admiral Mullen, we look forward to your testimony.

And now I turn to Senator McCain for any opening remarks that he may have.

SEN. JOHN MCCAIN (R-AZ): Thank you very much, Mr. Chairman. And I join you in welcoming the witnesses to discuss the president's budget request for fiscal year 2011, and the 2010 Quadrennial Defense Review and its impact on future years' defense programs for the Department of Defense.

Secretary Gates, I greatly appreciate that you continue to place the highest priority of the department on supporting the men and women of the armed forces.

I'm consistently amazed and heartened by the courage, commitment and dedication of the brave men and women who choose to answer the call to defend the nation. We all know they endure long, hard work under very demanding conditions, and in some cases making the ultimate sacrifice. They in turn ask their families to endure unwelcome separations and the burden of managing the home front. Our country's volunteer force and their families are a national asset and they deserve our steadfast, united support.

Informed by the 2010 Quadrennial Defense Review, your 2011 base budget request of \$549 billion builds upon the substantial changes you outlined in last year's budget by establishing strategic priorities and identifying where the department needs to spend scarce resources.

Secretary Gates, last year I supported your view that winning the wars of today while deterring and preparing for the conflicts of tomorrow required a balancing of risk. I look forward to your assessment of why this year's budget and the QDR that it's based on entail an acceptable amount of risk between our present and future priorities.

Your 2011 overseas contingency operations request of \$159 billion and 2010 supplemental request of \$33 billion supports our men and women in Iraq and Afghanistan. I fully support your efforts to use OCO and supplemental funding to address many operational shortfalls in Afghanistan, to increase funding for intelligence, surveillance and reconnaissance assets, electronic warfare capabilities and increasing the end strength of our special operations forces.

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Your request includes significant funding for building the Afghan security forces. I remain very concerned that we're not on pace to achieve the end strength of 400,000 by 2013, as recommended by General McChrystal. I'm eager to hear whether you think your funding request will enable to make -- to allow us to achieve that goal.

On the issue of a 2011 withdrawal, from speaking to -- from the president of Pakistan to the tribal leader in Kandahar who fought against the Russians, there's great uncertainty out there because of the president's statement.

There's great uncertainty whether we're going to stay. And it was raised to me by every leader that I met with, including the province -- the tribal chief who had fought against the Russians, who looked at me and said, "Are you going to stay, or are you going to leave like you did last time?"

Our allies need to be, and friends in the region need to be reassured that 2011 is not a date for withdrawal. And although your words and that of the secretary of State have been excellent, the president has not made that statement in a -- in a way that would be reassuring to our allies as well as to our enemies.

Because we ask our men and women in uniform and their families to sacrifice so much, both the Congress and the administration must be ready to make some tough funding decisions -- something we failed miserably at in previous years. Despite numerous calls last year for earmark reform, the fiscal year 2010 defense appropriations bill signed into law, a bill that contained over \$4 billion in earmarks and \$3 billion in unrequested and unwanted funding for C-17s and the alternate engine for the Joint Strike Fighter -- that's \$7 billion that the department had to eat in programs that it didn't request or need. This business-as-usual spending that we've come to accept is unnecessary, wasteful, and it diverts precious funding from other more pressing military priorities.

Secretary Gates, I was encouraged in your rollout of the budget yesterday that you laid an early marker with Congress by indicating that if we added funds to continue the C-17 and alternate engine for the Joint Strike Fighter in 2011, you would recommend that the president veto the bill. I strongly support such a recommendation, but feel it may fall on deaf ears up here unless that veto threat comes early, consistently and directly from the president. We cannot continue to condone spending billions of dollars on programs that the department doesn't want or need. And if the president is really serious -- is really serious -- about not wasting billions of dollars more of the taxpayers' money, he should also say that he will veto any appropriations bill that comes across his desk with earmarks and pork barrel spending on it. It's got to stop.

On the F-35 Joint Strike Fighter program, I appreciate the management decisions you announced yesterday to replace the program executive officer and withhold more than \$600 million where accountability required that those changes be made. As you appropriately stated yesterday during your press conference, quote, "When things go wrong, people will be held accountable." I'd like to see that happen in some other areas of government.

I am nonetheless concerned about your comment during the press conference that it was clear there were more problems with the F-35 than you were aware of when you visited the Fort Worth plant last August. With your recently announced management decisions, I hope the process by which you get reliable, up-to-date information about important aspects of the program when you need it has improved. However, I'm still concerned about whether the services will get sufficiently capable Joint Strike Fighters when they need them.

Just a few weeks ago, the director of Operational Tests and Evaluation found that continued production concurrent with the slow increase in flight testing over the next two years will commit the department and services to test, training and deployment plans with substantial risk. And NAVAIR recently determined that the Marine Corps and the Navy's version of the Joint Strike Fighter may end up being too expensive to operate, with each flight hour flown costing about \$31,000, compared with around \$19,000 for a flight hour for the service's current F/A-18 Hornets and AV-8B Harriers. I'd appreciate if you could comment on these and potentially other issues you see facing this program.

Thank you, Mr. Chairman.

SEN. LEVIN: Thank you, Senator McCain. And I will put the balance of statement in the record, and if there's part of your statement that you didn't give, of course that will be made part of the record too, if you wish.

Secretary Gates, we welcome you and Admiral Mullen, Mr. Hale. Please proceed.

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 SEC. GATES: Mr. Chairman, members of the committee, thank you for the opportunity to appear before you to discuss the president's budget requests for fiscal year 2011.

I first want to thank you for your support of the men and women of the United States military these many years.

These troops are part of an extraordinary generation of young Americans who have answered their country's call. They have fought our wars, protected our interests and allies around the globe, and as we have seen recently in Haiti, they have also demonstrated compassion and decency in the face of incomprehensible loss.

I have a brief opening statement to provide an overview of the budget request. My submitted statement includes many more details that I know are of interest to the committee.

SEN. LEVIN: Mr. Secretary, I'm going to interrupt you at this time and do something which I know you'd love us to do, which is to approve a number of nominations. We have a quorum here, and I think we should take advantage of that and -- forgive the interruption -- but there is a quorum present, so I'll ask the committee now to consider five civilian nominations and 1,802 pending military nominations: first, the nomination of Douglas Wilson, to be assistant secretary of Defense for Public Affairs; Malcolm Ross O'Neill, to be assistant secretary of the Army for Acquisition, Logistics and Technology; Mary Sally Matiella, to be assistant secretary of the Army for Financial Management and Controller (sic); Paul Luis Oostburg Sanz to be general counsel of the Department of the Navy; and Jackalyne Pfannenstiel to be assistant secretary of the Navy for Installations and Environment. Is there a motion to report these nominations?

SEN. : So moved.

SEN. LEVIN: Second. All in favor say aye. (Chorus of ayes.) Aye. The -- that is approved.

And finally, I'll ask the committee to consider the 1,802 pending military nominations. They've been before the committee the required length of time. Is there a motion?

SEN. : So moved.

SEN. LEVIN: I second -- second. All in favor, say aye. (Chorus of ayes.) Aye. Opposed, nay. The motion carries. Thank you.

Mr. Secretary.

SEC. GATES: A most worthwhile --

SEN. LEVIN: (Laughs.)

SEC. GATES: The budget requests being presented today include \$549 billion for a base budget, a 3.4 percent increase over last year, or 1.8 percent real increase after adjusting for inflation. Reflecting the administration's commitment to modest, steady and sustainable real growth in defense spending.

We're also requesting \$159 billion in FY 2011 to support overseas contingency operations, primarily in Afghanistan and Iraq, plus \$33 billion for the remainder of this fiscal year to support the added financial costs of the president's new approach in Afghanistan.

The base budget request reflects these major institutional priorities: first, reaffirming and strengthening the nation's commitment to care for the all-volunteer force, our greatest strategic asset; second, rebalancing America's defense posture by emphasizing capabilities needed to prevail in current conflicts while enhancing capabilities that may be needed in the future; and third, continuing the department's commitment to reform how DOD does business, especially in the area of acquisitions; finally, the commitments made in the programs funded in the OCO and supplemental request demonstrate the administration's determination to support our troops and commanders in combat so they can accomplish their critical missions and come home safely.

The budget continues the department's policy of shifting money to the base budget for enduring programs that directly support warfighters and their families -- whether on the battlefield, recovering from wounds or on the homefront -- to ensure that they have steady, long-term funding and institutional support.

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The base budget request was accompanied and informed by the 2010 Quadrennial Defense Review, which establishes strategic priorities and identifies key areas for needed investment.

The 2010 QDR and FY 2011 budget build upon the substantial changes that the president made, in the FY 2010 budget request, to allocate Defense dollars more wisely and reform the department's processes.

The FY '10 budget proposals cut, curtailed or ended a number of programs that were either performing poorly or in excess of real-world needs. Conversely future-oriented programs, where the U.S. was relatively underinvested, were accelerated or received more funding.

The FY '11 budget submissions and QDR are suffused with two major themes. The first is continued reform, fundamentally changing the way this department does business -- priorities we set, the programs we fund, the weapons we buy and how we buy them. Building on the reforms of last year's budget, the FY '11 request took additional steps aimed at programs that were in excess or performing poorly.

They include terminating the Navy EPX intelligence aircraft, ending the third-generation infrared surveillance program, canceling the next-generation CG(X) cruiser, terminating the net-enabled command-and-control program, ending the Defense Integrated Military Human Resources System, due to cost overruns and performance concerns, completing the C-17 program and closing the production line, as multiple studies in recent years show that the Air Force already has more of these aircraft than it needs, and ending the alternate engine for the F-35 Joint Strike Fighter, as whatever benefits might accrue are more than offset by excess costs, complexity and associated risks.

I am fully aware of the political pressure to continue building the C-17 and proceed with an alternate engine for the F-35, so let me be very clear. I will strongly recommend that the president veto any legislation that sustains the unnecessary continuation of these two programs.

The budget and reviews are also shaped by a bracing dose of realism, realism with regard to risk, realism with regard to resources. We have, in a sober and clear-eyed way, assessed risk, set priorities, made trade-offs and identified requirements based on plausible real-world threats, scenarios and potential adversaries.

Just one example:

For years U.S. Defense planning and requirements were based on preparing to fight two major conventional wars at the same time -- a force-sizing construct that persisted long after it was overtaken by events.

The department's leadership now recognizes that we must prepare for a much broader range of security challenges on the horizon. They range from the use of sophisticated new technologies to deny our forces access to the global commons of sea, air, space and cyberspace to the threat posed by non-state groups delivering more cunning and destructive means to attack and terrorize -- scenarios that transcend the familiar contingencies that dominated U.S. planning after the Cold War.

We have learned through painful experience that the wars we fight are seldom the wars that we planned. As a result, the United States needs a broad portfolio of military capabilities, with maximum versatility, across the widest possible spectrum of conflict.

This strategic reality shaped the QDR's analysis and subsequent conclusions, which directly informed the program decisions contained in the budget.

Before closing, I would like to offer two thoughts to consider when assessing the U.S. investment in national defense.

First, the requests submitted this week total more than \$700 billion -- a massive number, to be sure, but at 4.7 percent of gross national product, it represents a significantly smaller portion of national wealth going to defense than was spent during most of America's previous major wars, and the base budget represents 3-1/2 percent of GDP.

Second, as you know, the president recently exempted the Defense budget from spending freezes being applied to other parts of the government. It is important to remember, however, that as I mentioned earlier, this department undertook a painstaking review of our priorities last year and as a result cut or curtailed a number of major programs.

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These programs, had they been pursued to completion, would have cost the American taxpayer about \$330 billion.

In closing, Mr. Chairman, my thanks to you and members of this committee again for all you have done to support our troops and their families, in light of the unprecedented demands that have been placed upon them. I believe the choices made and the priorities set in these budget requests reflect America's commitment to see that our forces have the tools they need to prevail in the wars we are in while making the investments necessary to prepare for threats on or beyond the horizon.

Thank you.

SEN. LEVIN: Thank you very much, Secretary.

Admiral Mullen.

ADM. MULLEN: Chairman, Senator McCain, distinguished members of this committee, thank you for the chance to appear before you and discuss the state of our military as well as the president's fiscal year '11 defense budget submission. I also thank you all for the extraordinary support you provide each and every day to our men and women in uniform as well as their families. That they are well equipped, well trained, well paid and enjoy the finest medical care anywhere in the world is testament in no small part to your dedication and stewardship.

I've seen many of you in the war zone, at hospitals, and at bases all over this country. So have our troops. They know you care. Just as critically, they know their fellow citizens care. All they want right now is guidance on the mission before them and the tools to accomplish it. That's why I'm here today, to speak on their behalf about the guidance they are getting from this department and to secure your continued support for the tools we want to give them.

Secretary Gates has already walked you through the major components of the Quadrennial Defense Review and the president's fiscal year '11 defense budget submission, both of which, when combined with the new Ballistic Missile Defense Review and our overseas contingency operations fund request, build upon the reform effort of last year and represent as comprehensive a look at the state of our military as I have seen in my experience. I will not endeavor to repeat his excellent summation, and I would ask you to accept without further comment my endorsement of the findings contained in each of these documents.

Let me leave you, rather, with three overarching things to consider as you prepare to discuss these issues today and as you prepare to debate this budget request in the future.

First, there is a real sense of urgency here.

We have well over 200,000 troops deployed in harm's way right now, and that number includes only those in Operations Iraqi Freedom and Enduring Freedom. Tens of thousands more are meeting our security commitments elsewhere around the globe, and many of those missions are no less dangerous -- certainly, no less significant.

I'm sure you have stayed abreast of our relief efforts in Haiti, where more than 20,000 of your soldiers, sailors, Marines, airmen and Coast Guardsmen are pitching in feverishly to help alleviate the suffering of the Haitian people. It is truly an interagency and international mission, and these troops are blending in beautifully, doing what is required, where and when it is required, to support the government of Haiti, USAID and the U.N. mission there.

We also continue to do what is required to win the wars we fight. And the one that needs fighting the most right now is in Afghanistan. You've seen the reports, and you know the situation. The Taliban have a growing influence in most of Afghanistan's provinces, and the border area between that country and Pakistan remains the epicenter of global terrorism. You no doubt followed with great interest the development of the president's strategy to deal with this threat -- a strategy that, in my view, rightly makes the Afghan people the center of gravity and the defeat of al Qaeda the primary goal.

We have already moved nearly 4,500 troops to Afghanistan, and expect that about 18,000 of the president's December 1st commitment will be there by late spring. The remainder of the 30,000 will arrive as rapidly as possible over the summer and early fall, making a major contribution to reversing the Taliban momentum in 2010. Indeed, by the middle of this year, Afghanistan will surpass Iraq, for the first time since 2003, as the location with the most deployed

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 American forces. Right now, the Taliban believe they're winning. Eighteen months from now, if we've executed our strategy, we'll know they aren't, and they'll know that they can't.

Getting there will demand discipline and hard work, it will require ever more cooperation with Pakistan, and it will, most assuredly, demand more sacrifice and more bloodshed; but the stakes are far too high for failure. That's why we are asking you to fully fund our fiscal year '10 supplemental and the fiscal year '11 overseas contingency operations request. It's why we want a 6-percent increase for Special Operations Command. And it's why we need your support to develop and field the next-generation ground combat vehicle, to allow us to grow two more Army combat aviation brigades, and to continue rotary-wing production, including nearly \$3 billion for the V-22 Osprey program.

In keeping with the secretary's strong emphasis on ISR, an emphasis more than justified by our long experience in Iraq and Afghanistan, we are asking for more capability in unmanned aircraft and ground-based collection systems, including nearly \$3 billion to double the procurement rate of the MQ-9 Reaper by fiscal year '12.

Our future security is greatly imperiled if we do not win the wars we are in. As the QDR makes clear, the outcome of today's conflicts will shape the global security environment for decades to come. I'm very comfortable that we can and will finish well in Iraq, remaining on pace, despite a spate of recent violence, to draw down American forces to roughly 50,000, ending our combat mission there and transitioning to an advise-and-assist role. But without your continued support, we will not be able to show the meaningful progress in Afghanistan that the commander in chief has ordered, the American people expect and the Afghan people so desperately need.

This is no mission of mercy. This is the place from which we were attacked in 2001, the place from which all -- from which al Qaeda still plots and plans. The security of a great nation, ours and theirs, rests not on the sentiment or good intentions, but on what ought to be a cold and unfeeling appraisal of self-interest and an equally cold and unfeeling pursuit of the tools to protect that interest, ours and theirs.

That leads me to the second thing I'd like to consider -- proper balance. Winning our current wars means investment in our hard-won irregular warfare expertise, a core competency that should be institutionalized and supported in the coming years. And we are certainly moving in that direction. But we must also maintain conventional advantages. We still face traditional threats from regional powers who possess robust, regular and, in some cases, nuclear capabilities. These cannot be ignored.

The freedom to conduct operations in support of joint, allied and coalition efforts, assuring access and projecting combat power, can only be preserved through enduring warfighting competencies. In the air, this means sufficient strike aircraft and munitions capable of assuring air superiority. At sea, it means having enough ships and enough sailors to stay engaged globally and keep the sea lanes open. On the ground, it means accelerating the modernization of our combat brigades and regiments. On the whole, it means never having to fight a fair fight.

Thus, the president's budget request will buy us another 42 F-35s.

It will maintain a healthy bomber-industrial base. And it will fund development of a Prompt Global Strike system, as well as efforts to upgrade our B-2s and B-52s.

For ship construction, the spending plan totals some \$16 billion, procuring 10 new ships in 2011, including two Arleigh Burke destroyers, two Virginia class submarines, two littoral combat ships and a brand new amphibious assault ship. It puts the Navy on track to maintain aircraft carrier construction on a five-year build cycle, resulting in a long-term force structure of 10 carriers by 2040.

Our budget request also seeks \$10 billion for ballistic missile defense programs, including 8.4 billion (dollars) for the Missile Defense Agency. And it develops ample resources to improving our cyberdefense capabilities.

Again it's about balance. It's about deterring and winning the big and the small wars, the conventional and the unconventional -- two challenges, one military. But where balance is probably most needed is in the programs and policies concerning our most important resource, our people. And that's my final point.

This QDR and this budget builds upon superb support you and this department have provided our troops and their families for much of the last eight years. Stretched and strained by nearly constant combat -- many of them on their

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fifth, sixth and seventh deployments -- our men and women are without question and almost inexplicably the most resilient and battle-ready force in our history.

On the one hand, we keep turning away potential recruits, so good is our retention and so attractive our career opportunities. On the other hand, we keep seeing an alarming rise in suicides, marital problems, prescription drug addictions and mental health problems.

Deborah and I meet regularly with young troops and their spouses. And though proud of the difference they know they are making, they are tired. Quite frankly many of them are worried about their futures, their children.

And so you will see in this budget nearly \$9 billion for family support and advocacy programs. You will see child care and youth programs increased by \$87 million over last year. And you will see a boost in warfighter and family services, to include counseling, to the tune of \$37 million.

Military spouse employment will get a \$2-million plus-up. And we will increase the budget to \$2.2 billion for wounded, ill and injured members -- injured members.

In fact, the health-care funding level for fiscal year '11 is projected to provide high-quality care for 9.5 million eligible beneficiaries.

Lastly, we are pushing to dramatically increase the number of mental-health professionals on staff and advance our research in traumatic brain injuries and post-traumatic stress. We know the strain of frequent deployments causes many problems, but we won't yet fully understand how -- we don't yet fully understand how or to what extent.

So even as we work hard to increase dwell time, aided in part by the additional temporary end strength you approved last year for the Army, we will work equally hard to decrease the stress of modern military service. Indeed, I believe over time, when these wars are behind us, we will need to look closely at the competing fiscal pressures that will dominate discussions of proper end strength and weapons systems.

A force well suited for long-term challenges and not necessarily married to any current force-planning construct will be vital to our national security.

Mr. Chairman, members of this committee, thank you again for your time and for the long-standing support of this committee for the men and women of the United States Armed Forces. They and their families are the best I have ever seen. On their behalf, I stand ready to answer your questions.

SEN. LEVIN: Thank you so much, Admiral. We'll try a five-minute first round here.

Secretary, the change in our Afghanistan policy is what drove the requirement, apparently, for a supplemental funding request this year. Is it your goal to avoid a supplemental funding request for FY 2011?

SEC. GATES: Yes, sir, it is. Our hope would be that the OCO -- overseas contingency operations -- approach is a preferred way to do this. As we saw this time, unforeseen circumstances brought us up here to defend another supplemental. I think I'm on the record last year as expressing the hope we wouldn't be doing another one of those, but here I am. But it is our intent that for FY '11 the OCO fund would be sufficient.

SEN. LEVIN: Secretary, the president and you and the admiral and others have all pointed out that a principal mission for our forces in Afghanistan is the training up of the Afghan security forces to take over responsibility for the security of their country.

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SEN. LEVIN: Secretary, the president and you and the admiral and others have all pointed out that a principal mission for our forces in Afghanistan is the training up of the Afghan security forces to take over responsibility for the security of their country.

SEC. GATES: We have deployed ground-based interceptors at Fort Greely. We have a very aggressive test program that has been successful. We believe that those interceptors give us the capability to deal with launches from either Iran or North Korea, a small-scale threat.

The fact is, we are continuing -- in addition to robustly funding increases in theater-level missile defense, we will also continue to spend -- we have in this budget \$1.35 billion to continue the development and test program for the ground-based interceptors, both the three-stage that are now deployed and the two-stage that we were going to deploy in Poland. And so I think we -- both for homeland security and for our allies and our troops in the field -- we have very strong programs going forward.

SEN. LEVIN: Thank you.

Senator McCain.

SEN. MCCAIN: Secretary Gates, do you believe that the Christmas bomber should be tried in civilian court or by military commission?

SEC. GATES: Senator, I would defer to the attorney general on the proper jurisdiction for such people.

SEN. MCCAIN: When you fill out your form when we confirm you, for the United States Senate, you sign that you would give your honest and candid opinion in response to questions. You want to give me an opinion?

SEC. GATES: My honest opinion is that I think that the attorney general's in the best position to judge where these people get tried. After all, we have --

SEN. MCCAIN: Thank you very much.

It was reported in the media that -- and I quote: When President Obama convened his national security team on January 5th to discuss the Christmas incident, the decision to charge the suspect in federal court was specifically discussed, and again, nobody present raised any objection to it. In fact, Secretary of Defense Robert Gates made the point that even if Abdulmutallab had been transferred to military custody, it is unlikely that any more information could have been gleaned from him, since, quote, "enhanced interrogation techniques have been banned by the administration."

Is that a true depiction of your -- (as reported?) -- of your view?

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SEC. GATES: What I actually said was that I believed that a team of highly experienced FBI and other interrogators could be as effective in interrogating the prisoner as anyone operating under the military field manual.

SEN. MCCAIN: So the -- this report, that's a -- that's a direct contradiction to the Michael Isikoff piece in Newsweek magazine. And so you agree with Director of National Intelligence Blair when he said, quote, "We did not invoke the HIG" -- that's the trained interrogators -- "in this case; we should have." Do you agree with Admiral Blair?

SEC. GATES: I think that -- I think we did not have the high-level interrogators there that we now have protocols in place to ensure would be in -- would be present in such a situation.

SEN. MCCAIN: They -- do you agree that they should have been there?

SEC. GATES: Yes, sir.

SEN. MCCAIN: And do you believe it was possible in 50 minutes to exhaust the possibilities for getting -- and getting all of the information that was needed from the Christmas bomber?

SEC. GATES: I'm just not in a position to know the answer to that, Senator.

SEN. MCCAIN: I see, again, media reports state that you thought so.

It is your view that absence (sic) enhanced interrogation techniques, that the intelligence community provides no value in the interrogation of a terrorist?

SEC. GATES: No, I don't believe that.

SEN. MCCAIN: Well, I thank you.

On the issue of the F-35, to what do you attribute the fact that you were not apprised (sic) of all the major problems associated with the program last summer, when it seems to me you needed to be?

SEC. GATES: We had not yet undertaken at that time, Senator McCain, a -- an independent cost analysis that is now one of the requirements under the acquisition reform act that you all passed last year. Our undersecretary for Acquisition launched such an exercise. He himself spent about two weeks full time looking into the F-35 program and, as a result of the independent cost estimate and his own investigation, came to the conclusions that the program required restructuring.

SEN. MCCAIN: And can you give us, either verbally or in writing, the delays and cost overruns that we now expect?

SEC. GATES: Yes, sir. I would say that in terms of delivery, even with the restructured program, we still expect the training squadron to be at Eglin in 2011.

We expect IOC for the Marine Corps in 2012, for the Air Force in 2013 and the Navy in 2014, the fourth quarter of 2014.

There will be fewer delivered aircraft at IOC. That's the purpose of reducing. That's the result of reducing the production ramp, as has been recommended, to deal with some of the issues associated with that.

SEN. MCCAIN: Well, in conclusion, given your responsibilities to the men and women who are serving in the military, in the defense of this nation, I hope you will come to a conclusion as to how enemy combatants should be treated, as far as their trials are concerned, and our ability to ensure the American people -- assure the American people that they will not be returning to the battlefield and whether they should be tried and incarcerated in the United States rather than Guantanamo.

We look forward to your views on that, because I view that clearly in your area of responsibility, not the attorney general, who has obviously botched this one up very, very badly.

Thank you, Mr. Chairman.

SEN. LEVIN: Thank you, Senator McCain.

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 Senator Akaka.

SEN. DANIEL AKAKA (D-HI): Thank you very much, Mr. Chairman.

I want to add my welcome to Secretary Gates and Admiral Mullen to the committee, for being here to discuss the 2011 Defense budget and to thank you for your service and the service of all the men and women in our armed forces, and also welcome Mr. Hale.

I -- Secretary Gates, you have mentioned that beyond winning the wars themselves, the treatment of our wounded and ill are your highest priority. As a result of today's continuing conflicts, the psychological effects of those conflicts within the ranks of the U.S. military have never been more profound.

Secretary Gates, where do we need to improve our treatment of mental illness? And how does this budget address that?

SEC. GATES: Well, as Admiral Mullen mentioned in his opening statement, there is over a billion dollars in this budget for the treatment of PTS and traumatic brain injury. All of the services have very extensive programs for dealing with psychological problems. All of the leadership, I think, have weighed in on this very heavily.

I would say that there are two problems that we still are wrestling with. One is the shortage of mental health-care providers. We are -- and frankly, we've discovered it's a national shortage, it's not just a shortage in the military, because we're all over the country trying to hire these people. And we've hired a lot; I think something on the order of a thousand or 1,400 over the last 18 months or so. But we still need more.

And the second is still overcoming the stigma of seeking help, of getting our soldiers -- but I would say both our men and women in uniform and their families -- to seek the psychological help that is available to them. But let me ask Admiral Mullen if he'd like to add a word or two.

ADM. MULLEN: I think the secretary has captured the two big issues.

We've dramatically increased the number of mental health providers in recent years, but we're still short. We're just beginning to understand the real impacts of TBI.

And then, the other piece, I think, that -- and would ask for your help on this -- is, how do we work with other committees here? Secretary Gates, Secretary Shinseki have certainly set the standard, shoulder-to-shoulder, that both Defense and VA need to work this together because many of these young people transition, certainly, from the Defense Department to VA, and it -- I really believe it's got to be a three-part team that includes communities throughout the country.

So how do we ensure that those who sacrifice so much receive the care across this entire continuum and we understand their needs, which change over time? And it's those who've suffered greatly in uniform, but it's also families who also have been under great stress as well. So that would be the third piece that I would add to the secretary's answer.

SEN. AKAKA: IEDs remain the number-one cause of casualties in Afghanistan, Mr. Secretary. The administration recently announced the deployment of 30,000 additional U.S. troops to Afghanistan. As a result, more of our men and women will be exposed and vulnerable to this deadly form of attack. The Joint IED Defeat Organization was created to lead and coordinate all DOD actions in support of combatant commanders' efforts to defeat IEDs as weapons of strategic influence.

Mr. Secretary, what is your assessment of the department's efforts in protecting our troops against IEDs? And if improvement is needed, what can be done to improve those results?

SEC. GATES: Senator, I think that we have a number of very forward-leaning efforts to try and deal with the challenge of IEDs.

My concern a few months ago was that these efforts were not adequately integrated and put together in a way that we derive maximum benefit from the efforts that we had under way.

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I asked the undersecretary of Defense for Acquisition, Technology and Logistics, as well as General Jay Paxton, to co-chair an effort, a short-term effort, to see what more we could do both in terms of better structure for how we deal with this problem but also if there were some specific areas where additional attention was needed.

They've brought to me some recommendations in terms of significant enhancements for long-term full-motion videos, so we can watch roads, we can watch the areas around our encampments; aerostats, a variety of other technical solutions. The commanders have increased the requirement for the Mine Resistant Ambush Protected vehicles, particularly the all-terrain vehicles, so the -- there is an additional requirement that actually is already funded or is taken care of in this budget, for about 10,000 more MRAPs. Sixty-six hundred of those will be the all-terrain version that are designed especially for Afghanistan, to protect our troops.

So we have a number of efforts. There were identified problems, such as the labs that we had a -- we had a lot of labs working the IED problem in Iraq. We hadn't put as many labs into Afghanistan yet. So this is a dynamic process, and I would say to you we have a number of initiatives under way to improve the strong work that was already being done. Because this is absolutely the worst killer and maimer of our troops, and we are, with your support, sparing no expense and no effort to try and reduce those casualties. The MRAPs have made a huge difference, but the Army -- or the enemy is -- is a thinking enemy, and they've changed their tactics and their structures.

Another thing we're doing is a very high percentage in Afghanistan of these IEDs are made from the fertilizer component ammonium nitrate, and so we're now -- which is illegal in Afghanistan. So now we're establishing an effort to try and hit the smuggling networks that bring this ammonium nitrate in to be used for these IEDs.

But we have a lot of different efforts going on. And if the committee is interested, I'd be happy to have Secretary Carter and General Paxton come up and brief on their endeavors.

SEN. AKAKA: Thank you. Thank you very much.

SEN. LEVIN: Thank you, Senator Akaka.

Senator Inhofe.

SEN. JAMES INHOFE (R-OK): Thank you, Mr. Chairman.

Let me start off by saying I disagree with Senator McCain on his statements on the C-17, and I disagree with him on the statements and his past statements on the F-22. You know, it concerns me that we keep hearing, well, this is something that the military doesn't want, they didn't ask for, and all that. Then I go over there, and that's not their attitude at all.

They have needs over there. Our lift capacity is in dire straits. We're still using those old, beat-up C-130E models that we keep losing engines on. We actually lost two engines on one not too long ago, when I was over there. And the state of the art is still there in the C-17s. And I think that we are going to have to do some surgery on that and some of the other things on this budget when we -- when the Senate Armed Services Committee gets together.

Now, on the F-22, just yesterday, we read about the T-50 that they're coming out with, a fifth generation that the Russians have.

You know, I -- I'm not at all as confident as everyone else is that we're -- our F-35s are going to be on line when we say, as Senator McCain just said; that we have cost overruns; we have problems that have -- just recently have surfaced. I'm concerned about this.

And I guess, you know, if we're down 187 F-22s -- and I think out of that only, what, 120 are actually combat-ready and used for combat -- and yet on -- as I read this article on the T-50, they're starting to crank these things out. And they -- India, I understand, is going to actually -- they're talking about buying 200 of them. Who knows who else is going to be buying (them?). So I am concerned about it.

And I guess it goes beyond just that. I look at our committee, the Senate Armed Services Committee -- now, on these two vehicles I mentioned, the F-22 and the C-17 -- and Oklahoma -- I don't have a dog in that fight; we don't have any parochial interest there -- but it's the capability that we're going to need. And I look and I see and remember so well

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This is what really concerns me, is just that we're just not doing the job that we need to be doing to defend America, if you consider that the number-one function of government, which I happen to.

Now, I do agree with Senator McCain and his concern over pulling the rug out from under Eastern Europe on the -- on the third site. And I read something yesterday that Russia doesn't want us to have any ground-based capability. I don't know.

I guess the first thing I'd ask you, Mr. Secretary -- and I should know this, but I don't -- who are -- if we're talking about having the capability of the SM-3 and getting that working, where would it be used? I mean, is this Aegis, or is it -- where would we have this capability?

SEC. GATES: Well, in the initial phase it would be based on ships, but we have money in the budget for a land-based standard missile, and so it would be deployed in Europe and perhaps elsewhere, depending on the agreements that we reached with other countries.

SEN. INHOFE: All right. You don't think you'll have the -- a little bit of a problem in that we negotiated and we went over there and we -- with the Czech Republic for its radar and then the -- Poland for the site of the ground-based interceptor and then changed our minds?

Isn't that going to create a little bit of a problem of getting -- or have you already initiated any kind of a discussion, with any of the European countries, to have that capability there?

SEC. GATES: Yes. And in fact, we've reached agreement with the Poles already to move -- advance Patriots into Poland. So I think frankly we won't have a problem.

SEN. INHOFE: The Patriots, now, that's a different capability than getting up where we were talking about before.

SEC. GATES: Well, as I say, I don't think we'll have a problem.

SEN. INHOFE: Okay. All right.

Well, Army modernization -- I've been concerned about that. I -- when you look at the -- our capability on NLOS Cannon -- remember, we went through that thing. First, we were going to have a Crusader. And then that was axed by the Republicans, by President Bush, right when we were in negotiations, I might add, in the Senate Armed Services Committee, putting together a program.

So I'm concerned about that. Now we do have the PIM program, and that's good, on the Paladin. But I've got to tell you, that's the same technology they had when I was in the United States Army. I mean, getting out, and so I am concerned about that.

And I'm concerned that General Casey and General Chiarelli both have stated many times that we're burning up equipment as soon as they can be procured. And yet this -- the Army procurement funding decreased in this budget by \$31 billion from FY '08 to FY '10.

Is that a good idea?

SEC. GATES: I think a good part of that was for the Army's future combat vehicle. And as you know, we're restructuring that program. And I think that you'll see a significant increase when the Army moves into production of that vehicle.

SEN. INHOFE: Well, I hope that's the case. And I hope that we're here to be able to see that as a reality.

My time has expired. But I -- well, one last thing. I just -- one last question, if I could, Mr. Chairman. On the 1206, 1207, 1208 and so forth, the 1206 is fine. I appreciate the fact that we have enhanced that program and some of the others.

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The 1207, that's civilian to civilian, that now is going to go back to the State Department. And one of the original reasons that we wanted to have this in the DOD was the timing, so that when a decision is made, we'll be able to get it done.

Do you think that's a good move? Or do you think we should try to reverse that, in terms of the 1207 or the train-and-equip program, to bring it back the way it is today?

SEC. GATES: Well, first of all, Senator, I want to thank you for your support and your help on 1206, 1207 and 1208.

But I think, you know, when I testified here last year, the plan was to begin transferring the 1207 money to the -- to the State Department. I think the plan you have in front of you essentially simply accelerates that process.

SEN INHOFE: Thank you, Mr. Chairman.

SEN. AKAKA: Thank you, Senator Inhofe.

Senator Ben Nelson.

SEN. BEN NELSON (D-NE): Thank you, Mr. Chairman. And let me add my appreciation to you and your families for your distinguished service.

I've long been an advocate for benchmarks or measures of progress, and I think we need to continue to do so objectively so we can gauge our efforts in both Afghanistan and Pakistan. And I know this administration, as well as our NATO allies, are committed to objective benchmarks for measurement, and we've done so with past strategies. We've all talked about this so many times, most recently in December, about both Afghanistan and Pakistan.

During that hearing in December, it was noted that measures of progress were being used and evaluated, and I thought at that time that those benchmarks would be forthcoming to our committee. But I -- at least I have yet to see them. And it seems to me that one of the most important times to inform the process is at the very onset of any change. And as this mission changes course, so obviously must the way in which we measure efforts will change as well.

Have comprehensive and final benchmarks or measures of progress been developed to reflect this new strategy? And if so, when will these be made to the committees -- to the committee? Secretary Gates?

SEC. GATES: I think they have, and I frankly thought that they had already been provided to the committee. And I'll check on it after the hearing.

SEN. NELSON: Okay. Thank you.

Could you talk a little bit about some of the areas of measurement that would be in these measures of progress?

SEC. GATES: Well, I think a couple that are pretty obvious are the Afghans meeting their recruitment goals for the Afghan national security forces. Are they meeting their goals in terms of limiting attrition? How many -- are they meeting the number of units being fielded that are in the plan? Are they -- benchmarks -- there are benchmarks associated with their training.

Are they benchmarks -- their benchmarks associated with their training? So I think those are the kinds of things, at least with respect to the security forces, that we're talking about.

SEN. BEN NELSON: Do we have anything that we might -- might relate to our measures of progress with respect to our particular efforts?

SEC. GATES: Well, I think, in a -- in some respects, the president's made some -- made his expectations pretty clear. He has some clear expectations and is benchmarking us on how fast we can get 30,000 troops into Afghanistan and watching that carefully. I think the -- he has clearly set a marker in terms of beginning to transfer security authority to the Afghans, beginning in July '11. So that's a clear benchmark that must be met. So I think we do have some.

Another for us is the number of civilians we're getting into Afghanistan from the State Department, AID and other agencies.

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 SEN. BEN NELSON: Are you working with the State Department on -- jointly in that effort? Because I know they've set some measures of progress of their own.

SEC. GATES: Absolutely. This is as integrated an effort as I've ever seen the U.S. government undertake.

SEN. BEN NELSON: Thank you.

I'd like to talk to you just a second about our contractor conversion efforts. You announced in spring of '09 that the department would scale back the role of contractors and support services. And, quite honestly, my sense is that for too many years we were outsourcing too much, with perhaps too little emphasis on why and whether it was justified. But regardless of the makeup, outsourcing or insourcing has to make sense and be oriented towards the best utilization of resources, both money and people. Is there in place a strategic plan for the right mix of contractor, government, civilian and military personnel? And what are we doing to execute such a plan?

SEC. GATES: Well, first of all, our goal is to take the number of contractors in the Department of Defense, as a percentage of the workforce, back to where it was prior to 9/11, which would mean taking it from 39 percent to 26 percent. The plan -- first of all, I think one of the effects of what we have seen in Iraq in particular has been the revival of acquisition in a couple of the services where that as a career field had withered.

And I think this is particularly true in the Army, where a number of measures, including the allocation of general officer positions and so on -- to revive that career field as an attractive career field. Some have -- some other services have done -- have done better.

I think that Undersecretary Carter has a clear idea of the right mix between contractors and civilians, but I think that the first place we need to look is that we probably shouldn't have contractors evaluating contractors. And so I think that's the first area as we make these conversions, which, I might add, are on track one year in.

SEN. BEN NELSON: My time has expired. Thank you, Mr. Chairman.

SEN. LEVIN: Just to implement that point of Senator Nelson, I believe in this year's budget proposal you are requesting -- proposing maybe 10,000 contractor jobs be eliminated and changed over to employees of the Defense Department. I don't have the exact number, but is that not true, it's in the budget that --

SEC. GATES: Our goal is 20,000, to increase the number of acquisition professionals from 127,000 to 147,000. Ten thousand of those will be the conversion of contractor jobs to civil service jobs; another 10,000 will be new hires.

SEN. LEVIN: And that's in this year's budget, is that correct?

ADM. MULLEN (?): That's correct.

SEN. LEVIN: I just want to implement the -- just to clarify that point.

ADM. MULLEN/MR. HALE (?): Twenty thousand total is over 10 to 14, Senator Levin, Mr. Chairman.

SEN. LEVIN: Over four years.

ADM. MULLEN/MR. HALE (?): Correct.

SEN. LEVIN: And how many in this year's budget?

ADM. MULLEN/MR. HALE (?): For the total, it was about 6,000. That would include acquisition and everything else. I'll have to get you the numbers specifically for acquisition.

SEN. LEVIN: And to clarify the benchmarks point of Senator Nelson, which he's been very persistent on, to the benefit of everybody in the nation, the only thing that we've received from the Defense Department is a draft set of benchmarks, and they were classified. And so he is right, we have not received benchmarks, although we were promised them. And we need both the benchmarks but also in @AS an unclassified way.

SEC. GATES: The benchmarks that I was talking about were interagency benchmarks that had been agreed, and those were the ones that I thought had been delivered. And I'll pursue that after the hearing.

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 SEN. LEVIN: All right. Thank you. Thank you. Thank you. Thank you.

Senator Sessions.

SEN. JEFF SESSIONS (R-AL): Thank you, Mr. Chairman, and for your good leadership. You're an excellent chairman.

I -- we do have a lot on a -- the agenda today, talking about the defense budget, the Quadrennial Defense Review, two wars, the missile defense report, "don't ask, don't tell," terrorist trials. And I guess I would just say, I don't think we can do it all justice today. And I hope we'll have more hearings as we go forward, and some of them we need the secretary of Defense and the chairman of -- Joint Chiefs.

Just briefly, Mr. Secretary, on the Christmas Day bomber, I saw General -- Attorney -- your former colleague Attorney General Mukasey this morning on the television pointing out that, yes, they tried Moussaoui in federal court. He tried the case as a federal judge at the time. But he plead guilty, and the sentencing phase took a year. He said it was made into a circus, and he pointed out that Guantanamo was created for the purpose of these kind of trials.

And when a person like the Christmas Day bomber leaves Yemen armed with a bomb from al Qaeda on directions of al Qaeda and flies into the United States, I suggest he's an unlawful enemy combatant and perfectly suited for detention and trial -- if need be a trial -- and military custody. And I think the Defense Department needs to know about those things, because the intelligence that could be gathered from a prolonged interrogation by people knowledgeable in Yemen could have added greatly to this.

Now he's been advised he has a right to a lawyer. He's no longer going to cooperate or talk; he's going to be entitled to a speedy trial. And there are a lot of problems with that. So I just hope you will be alert to that as it goes by. And I think the military has a real responsibility.

You know, I would just -- would briefly say that I've come to understand and feel more strongly about the concerns Senator McCain has about setting an absolute date for leaving and beginning to leave in 2011.

I mean, we'll hardly have our troops in place by then, the surge in place by then. And we see things like the -- President Karzai beginning to talk to the Taliban. It makes you wonder if he's looking beyond our departure date. I worry about that.

Mr. Secretary, you talk about the supplemental. I've been baffled a bit by that. It seems to me that when you're in a war, a supplemental is an appropriate way to handle funding for that. And to try to force into the baseline budget funding specifically for these two operations, with a couple hundred-thousand troops deployed, is not a good policy. Why do you feel like we should do this only within the baseline budget?

SEC. GATES: Well, I absolutely do not believe we should do it within the baseline budget. I think that the purpose of providing the overseas contingency operation funding budget is -- I think that it is actually in response to considerable pressure from the Congress for greater -- greater --

SEN. SESSIONS: I know you have gotten pressure from the Congress on that.

SEC. GATES: -- greater predictability --

SEN. SESSIONS: But not from me.

SEC. GATES: Greater predictability about how much is going to be spent in these wars, and so that the -- those budgets can be considered within the framework of the normal consideration of the budget. So I think that it's certainly not a part of the base budget, but it is provided in advance in a way that gives the Congress the opportunity to review it in the same way it reviews the rest of the budget.

SEN. SESSIONS: Well, I'm not sure. It seems we should be able to review the supplemental as well. But I guess, in a way, you're creating a discrete funding program that we could review, and maybe that's -- would be acceptable.

With regard to our procurement of major weapons systems, I know that the Department of Defense, Admiral Mullen, has focused on life-cycle cost.

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And I guess you would agree that things such as fuel and maintenance are important factors to evaluate if you're going to evaluate the cost of a weapons systems over a period of years.

ADM. MULLEN: Yes, sir.

SEN. SESSIONS: I know we did that on the tanker aircraft, and in fact, fuel and that sort of things are counted as evaluating that aircraft.

Are you -- should that be applied to a procurement program like the Littoral Combat Ship, that the cost of fuel over its lifespan, should that be accounted for?

ADM. MULLEN: I've long been concerned about lifecycle costs; I think, Senator Sessions, you know that, long before now. And the secretary pointed out, and I think very importantly, in his opening statement, that the programs that he cut last year actually had some lifecycle value, focused on about \$330 billion. As far as what's in an RFP and what it's going to be focused on, that's something that I really can't comment on if that RFP is --

SEN. SESSIONS: Well, I don't know, we've got our RFP in the Littoral Combat Ship that I'm told does not have factor for fuel costs.

ADM. MULLEN: But you know more about it than I do. I haven't seen it.

SEN. SESSIONS: Well, if that's so, would you be willing to look at it and ask questions, if that's a wise decision?

ADM. MULLEN: Again, I've -- as I've said, I've been -- long time I've been concerned about lifecycle costs. Actually, one of the, I think, weaknesses of the acquisitions system is typically the line is not involved in it. The uniform side is not involved in it. So I'm not involved from that -- from that point of view --

SEN. SESSIONS: Well --

ADM. MULLEN: -- and would under actually no circumstances see an RFP or look at its evaluation criteria in what I'm doing right now.

SEN. SESSIONS: Well, I would think you would be -- your awesome responsibility as part of procurement of the department, to see that at least basic requirements are being met. And I think I hear you say that lifecycle costs, which certainly would include fuel, should be a factor in evaluation of the bids or the proposals. Wouldn't it?

ADM. MULLEN: (Chuckles.) I've said lifecycle costs are an important factor and have been for a long time.

SEN. SESSIONS: Well, we'll have to follow up on that. Thank you very much.

SEN. LEVIN: Thank you. Thank you very much.

Senator Udall is next.

SEN. MARK UDALL (D-CO): Thank you, Mr. Chairman.

Good morning, gentlemen. Thank you for being here with us today.

SEN. SESSIONS: Well, we'll have to follow up on that. Thank you very much.

MR. HALE (?): Thank you.

SEN. LEVIN: Thank you very much.

Senator Udall's next.

SEN. MARK UDALL (D-CO): Thank you, Mr. Chairman. Good morning, gentlemen. Thank you for being here with us today.

Secretary Gates, we have a proposal from the president which I fully support to freeze non -- discretionary spending, excuse me, for non-Defense programs in fiscal year 2011. I think we're going to face tighter budgets in future years, and we may have the potential need to trim Pentagon budgets as well. Could you talk about how you're posturing the DOD to be able to react to that potential?

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SEC. GATES: Well, first of all, I think that -- situation out there in the world doesn't change, and the world is becoming more complex and, I would say, more dangerous rather than less so. And I think that as people think about where we are, there are -- there are many reasons for the deficit, and the Defense Department certainly spends a lot of money. But if you look at the -- where the Defense Department is today, it's very much within historical norms in terms of both GDP and a percentage of the budget, in terms of what we're spending.

That said, I would tell you that if the Department of Defense received significant reductions in its budget, that we would have to sacrifice force structure. We cannot do it any other way. And so the result of that would be a reduction in military capability and a reduction in our flexibility.

SEN. UDALL: If I might, let me thank you for your focus on acquisition reform. I want to associate myself with Senator McCain's remarks, and I hope this committee will continue to support you as you make some tough decisions so that we extract every penny of value from every dollar that we spend. And again, I just want to acknowledge the important work you've done there.

Let me turn to Afghanistan. Senator Sessions expressed some concern, but I would like to comment that you make peace with your enemies, not with your friends. And I've been interested, Admiral Mullen, in the reintegration of the low-level Taliban proposals that have been forthcoming. There was a recent conference, I believe, in the U.K., some significant monies pledged. Could you comment on those -- on those plans to the extent that you're comfortable?

ADM. MULLEN: The reintegration piece is clearly an important piece of this, and every commander feels that way, and very specific, that the reintegration is really bringing those who are literally the fighters, who are against us right now, bringing them into the fold. And in fact, General McChrystal is very focused on that.

We are in the execution of this strategy which includes that. And so getting everybody on the same page for exactly what it means and how rapidly it happens or doesn't happen is where we are, very much at the beginning, but we think it is an important part.

There is no -- there is no view at this point that it is a panacea. We just -- because we just don't see many at this point.

The other term that is used that I think is very important to understand is the reconciliation piece, which is a term that is focused on -- I would call the senior leadership of the Taliban or the senior leadership of the enemy -- much more complex. And again -- and President Karzai has made it clear that he wants to get on this path, but again, it's at the beginning -- we're at the beginning of that process. I think we have to be clear about the terms and what they mean and also look at a realistic pace in terms of both expectations and actually what's happening, and in that regard, we're just at the beginning.

SEN. UDALL: Let me turn to Iraq. We have elections looming. There's some increased violence. Do you still believe we're on schedule to redeploy, as General Odierno has put in place --

ADM. MULLEN: Yes, sir, I do. And we're very focused on the elections in early March. It's the elections after which we start coming down fairly dramatically. A hundred thousand -- 104,000 today is what we have on the ground, and we will come down to approximately 50,000 by August.

In that time frame, another big issue is, we will -- they will be standing up a government, and it will take them several months to do that, sort of the summertime, to stand up this newly elected government. So it's a great time of transition, and General Odierno, as is Ambassador Hill, on the civilian side -- very focused on all aspects of that.

Right now, overall, the indicators are positive.

SEN. UDALL: I see that my time's expired. I want to thank you again for your leadership and for this comprehensive set of statements today and for a budget, Secretary Gates, that I think clearly leads us to the right direction.

Thank you.

SEN. LEVIN: Thank you, Senator Udall.

Senator Thune.